



AACRAO Outsourcing Task Force
OUTSOURCING IN HIGHER EDUCATION

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INTRODUCTION

The changing business climate of the 1990's found many companies looking for ways to provide improved quality in their products, improved service to their customers, reduced production time, reduced inventories, tightened supply chains and reduced costs. Many companies engaged in new management techniques, such as Total Quality Management and Business Process Reengineering. The outcome of these efforts was often increased use of technology solutions for business and customer relations management. In this fast changing environment, businesses began to question whether owning all the factors involved in production was the best way to achieve competitive advantage. The concept of moving production and information systems out of the company by contracting with specialized providers promised a means to improve products and services and the company bottom line. This transfer of business activity outside the company became known as outsourcing.

In his book, Strategic Outsourcing, A Structured Approach to Outsourcing Decision and Initiative, (1999) Maurice F. Greaver II states that "outsourcing is the act of transferring some of an organization's recurring internal activities and decision rights to outside providers as set forth in a contract. Because the activities are *recurring* and a contract is used, outsourcing goes beyond the use of consultants."

The same competitive forces that lead businesses to search for ways to improve product quality, reduce cost and improve services have also lead public and non-profit organizations to search for more efficient ways to deliver their services and to improve the level of services that they provide. In higher education, outsourcing is not a new practice. The National Association of College and University Business Officers has published numerous articles on outsourcing by its member institutions in issues of "Business Officer." Several states have conducted lengthy studies of the potential for cost savings by outsourcing various services with off-campus contractors. The National Association of College Auxiliary Services (NACAS) recently surveyed its member institutions' use of outsourcing in each of the following auxiliary service areas: bookstores, computing services, concessions, conferences, daycare, entertainment, food services, health services, housing, ID card services, laundry services, parking and transportation, physical plant, post office/ mailing services, printing, safety and security, travel services, and vending. The NACAS has also announced the new Center for the Study of Outsourcing and Privatization in Higher Education.

In a survey conducted by AACRAO in April 2001 more than three-quarters of respondents indicated that their campuses outsource a process that they have never fulfilled in-house, and more than one-third indicated that their campuses outsource a process that was once fulfilled in-house. Respondents indicated that staffing constraints, budget constraints and access to technology were extremely or very important reasons to outsource. More respondents considered enhanced service more important as a reason to outsource than any of the other reasons provided.

Not all forms of outsourcing are the same. The more common forms are contracting with an outside vendor to provide an existing institutional service, contracting with an outside vendor to provide a new or expanded service, dropping an institutional service and allowing private

enterprises to compete to provide the service, and converting an institutional service to an in-house business providing services on a full cost basis. There are a number of reasons that contribute to a decision to outsource:

- an anticipation of cost reduction;
- an increase in the flexibility to meet service demands;
- a reduction of investment in capital assets;
- a need to facilitate organizational change;
- a reduction in the inability to attract highly skilled staff;
- to benefit from economies of scale;
- to acquire access to new technologies, skills and expertise;
- to manage periodic service demands;
- to provide specialized services.

Although not all outsourcing efforts have been successful in improving service or reducing costs, many have been beneficial and have lived up to the expectation.

There are also a number of reasons which may contribute to a decision to maintain a service in-house and not outsource:

- a concern over data security;
- a desire to maintain ownership and control of a process;
- an intent to provide development opportunities for staff;
- a wish to maintain personal relationships;
- a concern about protecting and projecting the correct institutional image;
- a desire to maintain currency in new technology and skills;
- a wish to learn of service needs;
- a concern about privacy issues;
- a concern about the cost.

In addition, outsourcing may have hidden costs, such as loss of employee morale, exposure to additional risks, higher costs resulting from poorly written contracts, inability to respond to changing needs, and recovery costs in the event of a termination of the contract.

In the enrollment services area, outsourcing is also not new. For many years a number of schools have used private publishers to produce catalogues and class schedules. Several vendors provide diploma printing services and, more recently, diploma mailing services.

TouchTone/Voice Response service bureaus have provided registration and grade reporting services to registrars' offices. The National Student Loan Clearing House was set up specifically as a non-profit vendor providing student enrollment information to student loan agencies. Since the beginning of 2000, several providers are seeking student enrollment and degree information so that they can provide degree and attendance certification services to prospective employers, credit card companies, health insurance companies and other businesses. Outside sources are offering student financial aid application processing and centralized web-based admission application processing.

AACRAO appointed this Outsourcing Task Force to study the prevalence of outsourcing, to study the impact of utilizing outsourcing and to answer the following questions.

- When should/shouldn't outsourcing be considered?
- What makes outsourcing a successful arrangement?
- What controls need to be in place?
- What should AACRAO's role be with respect to outsourcing?
- What future outsourcing opportunities exist?
- What privacy issues need to be addressed?
- What service levels are acceptable?
- How can vendor performance be measured?

Outsourcing of services to private vendors should be considered as one of the tools to assist enrollment service professionals in reducing cost and improving services. The Outsourcing Task Force hopes that by enumerating the issues and providing guidance in evaluating opportunities, the risks in choosing the outsourcing option can be reduced and those outsourcing mistakes of the past can be avoided.

What is outsourcing?

On college campuses there are many examples of services which have been outsourced to external companies by colleges and universities. Some examples of more commonly outsourced services include:

- \$ food service in residence halls or student commons;
- \$ fleet services;
- \$ printing and copying services;
- \$ police and fire protection;
- \$ janitorial, building maintenance and grounds maintenance services;
- \$ student and employee ID cards;
- \$ bookstore operations;
- \$ computer purchasing and repair services;
- \$ computer system development and operation.

The Task Force has defined the term "outsourcing" as an institution's hiring of an agent to perform an ongoing process that has traditionally been the responsibility of one of the student service areas. Outsourcing is differentiated from subcontracting as follows: outsourcing is done by those companies designated as agents of the institution to perform an ongoing process, whereas subcontracting is an arrangement with a company or consultant for a one-time project. The task force has chosen to focus on those processes which may be outsourced as opposed to the one-time consultant relationships.

Within the student services areas, some traditional examples of outsourcing included:

- \$ printing of diplomas and other graduation certificates;
- \$ computer and network maintenance;
- \$ printing of schedules, timetables and catalogues;
- \$ international credential evaluations.

These, along with the other examples of outsourcing have a common theme of providing a necessary service that is both effective and efficient. By allowing the service to be performed by an external company, the school receives the advantage of the expertise of the company and is better able to manage periodic work loads.

When should outsourcing be considered?

A consideration of outsourcing is often initiated by a desire to improve services, to reduce costs or to comply with external requirements. Students may be requesting that a currently provided service be improved through use of new technology. Reductions in funding or staffing may be affecting the ability to deliver a service. Federal or state regulations may require additions or changes in service but the mandate is unfunded. Other schools with which you compete for students may have moved ahead with service improvements.

A school with no staffing restraints, no budget constraints, no demands for enhanced services, unlimited access to the latest technology, and which is well ahead of the competition, may have little incentive to outsource. If there are critical services to students or other school service recipients which cannot be provided due to lack of resources (human, financial or technological), but which could be provided with the assistance of an outside agent, then outsourcing may be a good option.

The consideration of when to outsource cannot easily be separated from the consideration of what is to be outsourced. If the service to be outsourced does not represent a core value to the school, then outsourcing is a more viable option.

Diploma production is a necessary service that all schools must provide. While diplomas can be printed in-house, printing a high quality diploma can be outsourced to a service provider. Such a service provider would have expertise in the printing business, would have the requisite printing presses and might be able to provide a lower per unit price. Here, the service provider would be acting as an agent of the university and would be restricted to printing the school's diplomas only at the request of the school.

As the service becomes more of a core value to the school, then outsourcing can become more problematic. For example, education record maintenance is one of the core values of a school. Legitimate concerns would be raised if the recording of grades, the changing of grades and the posting of degrees was outsourced to a service provider outside the school. If this service is outsourced, it may appear that school officials have lost some of the control of record maintenance. The registrar's office, where the responsibility for record maintenance lies, may perceive that its work is of less value to the school. If staff expertise in this area is lost, the school would be unable to respond to changing needs and future demands.

For most schools, outsourcing functions in the student services area may result in a fundamental change in the way these services are provided. Fundamental changes in business operation are never easy, but they seem to be especially difficult in the educational environment.

There are many organizational examples, both within higher education and within the for-profit organizations, where the basic issue of change was either ignored, resisted or actively fought, resulting in organizational or professional failure. Some examples are classics – the Swiss watch manufacturers who actually invented the electric watch lost a major market share to the Japanese watch manufacturers: reason – what is the value of a watch that has no precision movements? The health care industry is often accused of overpricing, of having little concern for patient care and of having health care decisions being made by “bean counters,” not doctors. The U.S. automobile industry of the 1970’s resisted the notion of fuel-efficient cars protected by 100,000-mile warranties and then had to fight for survival against foreign competitors in the 1980’s. Our own colleges and universities are facing increasing competition from for-profit, non-traditional education providers.

Our society continues to move in directions of customer service models which provide, anytime, anywhere delivery of services and premium quality at minimal price. The offices of admission, financial aid and of the registrar provide services to students, alumni, faculty, staff, parents and the community at large. These constituencies have real expectations that services will be provided. Student services offices which do not provide Monday through Friday, 8:00 a.m. to 5:00 p.m. service are becoming less than acceptable. Ironically, the demand for extended service hours is taking place at the same time that budgets at many schools are decreasing, and staffing levels are being reduced.

Outsourcing is not a panacea. There are legitimate issues which must be carefully considered. But to totally ignore the outsourcing option as a method of providing required services is unreasonable.

Deciding whether outsourcing is warranted

If outsourcing of a service is being considered, there are a number of factors that need to be evaluated before a decision is made. The goal of outsourcing the service or function needs to be clearly defined and understood. If the goal is to improve the delivery of a service, is the service to be enhanced or to have new features added, or is the goal to respond to increased demand on services? Employee turnover in a tight labor market may make it difficult to hire staff with the right skill set to provide a service which relies on innovative technology.

The current state of the service or function needs to be assessed. Consider the question: Is the service currently being delivered in a timely manner at the desired quality level? Current service levels may be less than what is desired but cannot be readily improved because of the lack of space, missing skill sets or missing technical expertise. Acquiring the equipment to improve the service may not be cost effective. Improving the service now rather than later may be needed.

The option of not changing the service or function needs to be examined. Outsourcing may be the only alternative if the effect of not changing the service or function is unacceptable and the service cannot be readily improved internally.

An outsourcing decision should be based upon a thorough evaluation of current and future service needs. But, acceptable levels of service are no longer determined by an admissions or

registrar's office professional. Today, college and university administrators must be sensitive to a wide range of constituencies, or stakeholders. Taking a broad view in evaluating the needs and expectations of each stakeholder group should be a first step in determining the most effective means of providing the services stakeholders need or demand.

Expectations of stakeholders

\$ Students

Students expect to receive admissions and enrollment services from the time of their first inquiry, through graduation, and into their post-college lives. They expect that admissions and registrars offices will help them be successful in their college careers by keeping them informed; by conveniently providing services that fully meet their needs and are affordable; and by keeping their educational records accurately, confidentially and forever.

\$ Faculty, Administrators and Staff

College and university personnel view admissions and registrars offices as resources, tools, implementers, and guardians of the standards they and others define. They expect that these offices will facilitate the educational mission of the institution in a non-intrusive manner that is transparent to all who rely on them for service.

\$ Boards, Legislators and Regulating Bodies

Members of these groups have a stake in the success of the institution, and, at the same time, must be responsive to external bodies and individuals with expectations of service from the college or university. The speed with which an institution can respond to the needs of this group may be a major factor in their evaluation of an acceptable level of service.

\$ Alumni

Alumni frequently view themselves as continuing members of an institution's student body; entitled to a lifetime of service. And continued service clearly is in the best interests of the institution, if alumni are to become donors and supporters.

\$ External Stakeholders

These individuals may be donors, employers, community leaders, or area residents who take advantage of and support the institution's programs. Admissions and registrar services professionals must take their needs into consideration as services are evaluated, changed, added or discontinued.

After carefully evaluating the demands and needs of all stakeholders, appropriate decisions regarding the viability of an outsourcing arrangement will follow. Once this framework has been developed, decisions about whether or not to outsource may be made using two major measures – quality of service, and cost to stakeholders and the institution.

Quality of service

The school must evaluate the quality of a vendor's service to stakeholders, using measures such as speed and convenience of delivery, accuracy and completeness of service, and expected standards of professional practice. Frequently one measure will have to be weighed against another.

The service a vendor provides an institution's stakeholders should be equal to or better than the service the institution is able to provide in-house. For example, a vendor may provide grade reporting, supported by a live help desk, 24-hours a day, seven days a week, 365 days of the year. Convenience may be much enhanced. On the other hand, the grades reported may come from an extract that is updated infrequently, while an institution's grade data is updated continually. The school must assess the impact of disparities between vendor and institutional data on stakeholders and on the institution's relationship with its stakeholders, and whether those concerns are outweighed by enhanced convenience.

Security of and access to private information are major factors in outsourcing decisions. The institution has a legal obligation to safeguard its students' educational records. Additionally, professional standards apply to the use of prospect and applicant information. Providers of services that clearly have legal implications generally appreciate and observe privacy requirements when acting as an agent for an institution. Those who provide services that do not clearly fall within FERPA purview may not feel the same compunction about the use of individual information. For example, vendors can expedite e-mail communication with prospective students and applicants, and can significantly enhance the content and effectiveness of that communication. At the same time, the information students believe they have provided to an institution for a specific purpose may be housed or owned by an external vendor who feels no obligation to limit use of that information. The ethics of this situation reflect on the institution as well as the vendor.

Outsourcing may actually impair an institution's ability to provide a service by restricting the institution or another agent from providing elements of the same service. Some vendors demand such a high degree of exclusivity that stakeholder access to information may decline overall rather than increase, as a result of a new relationship. Decision-makers must ensure that agreements with multiple vendors are mutually compatible.

Outsourcing a service may add value for stakeholders, while at the same time enhancing the institution's effectiveness and efficiency. External providers of specialized services generally have developed extensive management support systems that can provide institutional partners with information and analysis that would be prohibitively expensive for them to acquire on their own. This information can be useful in institutional management and budget and enrollment planning.

A good outsourcing relationship serves all institutional stakeholders, enhancing service levels and reflecting favorably on the institution.

Cost to stakeholders and to the institution

Once it is determined that outsourcing will enhance service to an institution's stakeholders, the cost of providing the service through a vendor should be compared to the cost of performing the function internally. The acceptability of service levels may vary dramatically with the cost of the service and service enhancements that are not meaningful to stakeholders do not justify additional cost to them or to the institution.

Cost comparisons should include time and opportunity costs as well as out-of-pocket financial and human resource expenses. They should include all institutional costs, including those incurred outside the office responsible for delivery of the service. For example, the process of mailing grades may actually incur more personnel costs in the institution's technical center than in the Office of the Registrar. Saving those costs, and the resulting ability to reassign scarce technical resources to high-priority tasks, may be more meaningful to the institution than postage savings.

Decision-makers should determine whether outsourcing may shift costs to another part of the institution or to a stakeholder, and whether this cost shift is acceptable. For example, many admissions offices outsource international credentials evaluation or require students to present credentials along with completed professional evaluations. This may shift costs to the student, with an impact upon applications, or it may slow the process of moving application materials to academic units that need them to make admissions decisions. Market conditions and institutional image concerns may influence whether or not these costs are acceptable to the institution.

An outsourcing opportunity should be examined for hidden costs to the institution. For example, if the institution subscribes to an external service for delivery of web-based services, it may lose or fail to develop the in-house expertise to deliver services via the Internet. As service delivery increasingly moves to self-serve electronic modes, such institutions may be unable to reclaim those functions, because start-up costs have become prohibitive. The loss of in-house expertise also may make it more difficult to respond to stakeholder questions or complaints about outsourced services.

Outsourcing of sensitive services may have a negative impact on an institution's competitive position, while saving the institution money. For example, if outsourcing increases student or alumni cost for ordering a transcript or obtaining enrollment certification, satisfaction with the institution could decline. While the institution might see immediate cost savings, the long-term impact on prospective students or prospective donors could be negative. Furthermore, if the service provided is not complete or accurate, the institution's cost savings could be minimal. However, outsourcing of sensitive services should not be dismissed as a positive outcome for institutions. Outsourcing sensitive services can create an extremely positive impact on competitive positioning if the service provided is enhanced.

In evaluating acceptable service levels, managers must consider the cost of supporting the vendor. For example, a vendor may provide a transcript request service that makes it necessary for the institution to develop new programming, monitor data transmission to the vendor, and still enter requests received by the vendor. While access might be increased for students and

alumni, the institution may incur the cost of more or higher-level personnel in processing transcript requests. On the other hand, implementing the transcript request service may provide an opportunity to streamline internal procedures. If requests received from the vendor can be downloaded directly into the host system, the requests can be logged, the transcript printed, and a mailing label generated without any data entry. The institutions may save personnel cost and provide quicker turnaround in transcript processing.

Finally, vendors and institutions must identify the procedures for ending the outsourcing relationship and the institution must have a plan for continuing the service after the vendor relationship is severed. Whether the institution plans to bring the service in-house or find another vendor, it must retain sufficient in-house expertise to facilitate a smooth transition. Contracts must ensure that the institution retains ownership and control of its data in the event that the vendor relationship ends.

A good outsourcing relationship provides enhanced service to stakeholders without unduly increasing their costs for the service. Ideally, the institution also benefits by reducing or avoiding personnel expenditures, permitting staff reassignment, or avoiding the acquisition of costly technology or other resources.

Privacy issues to be considered in outsourcing.

Any discussion about outsourcing of an admissions or registrar function cannot take place without also considering the privacy and confidentiality of student records. There is very little that we do that does not involve information that we are charged to protect. The Family Educational Rights and Privacy Act (FERPA) provides specific legal restrictions on what information can be shared, and in what circumstances. It also places liability with institutions to protect the confidentiality of education records. When entering into arrangements with external vendors, these restrictions and responsibilities remain with the institution. The vendor, in FERPA terminology, takes on the role of agent for the institution when the service or function is transferred to the vendor.

In the past, most outsourcing in higher education dealt with physical products such as bookstores, food service, or other auxiliary services. In the last ten years, the functions being outsourced have expanded to areas that involve student information such as IT maintenance and computer infrastructure to enrollment and degree verifications. The trend has moved outsourcing functions to areas that are core to the AACRAO member's mission and that require sharing of non-directory information from education records. If some of these functions are to be successfully outsourced, then security, privacy, and confidentiality of the information must be assured, both now and for the future.

In addition, the privacy of electronic information has become a hot issue, especially in the last few years. The advent of e-commerce has led to increased data collection, and to new techniques for monitoring consumer behavior. The ability to build databases of detailed information on people allows businesses to target individuals and connect information about them in ways that make many Americans uneasy. It is the job of registrars and admissions officers to protect the confidentiality and integrity of records in their custody. Factors, such as the legal requirements

of FERPA, the explosion of information collected about individuals and stored in databases for directed marketing, apprehensions from consumers about privacy, and the increase of crime related to identity theft, demonstrate why caution must be used when sharing records with a vendor outside of the institution.

As custodians of the academic records, we are responsible and liable if there is a breach of confidentiality. While contracts with vendors can define confidentiality rules, and can provide consequences for breach of the contract, the ultimate accountability still resides with the institution. Legally, financially, and reputationally, we can be damaged by a confidentiality breach; however, vendors also have an important stake in living up to the terms of any agreement. The threats of lost business and damaged reputations are strong motivators for ensuring confidentiality, and because of public pressure and consumer demand, vendors are taking confidentiality issues seriously.

With these issues in mind, how can institutions balance the risks of sharing information with outside partners while safeguarding the confidentiality of records during the term of the association, and after the contract has ended? Several things must be considered by the institution before entering into any agreement with an outside vendor. The institution's first step when establishing safeguards for outsourcing is to identify the data that must be shared to carry out the function, and to then assess the level of the confidentiality of this information. From this, the institution must evaluate the potential impact on students and the institution if confidentiality is compromised. Risk is less when one is outsourcing functions which require sharing directory information, as opposed to the sharing of non-directory information.

The institution should answer several other questions before entering into an agreement. The institution needs to determine if it has the resources available to manage the contract satisfactorily. The institution needs to clearly identify what information supplied to the vendor is expected to be kept confidential and the level of confidentiality of these data. No information should be released to the vendor that is not needed by the vendor to provide service. The institution should understand how security standards are maintained throughout the period of service offered by the vendor. The school should assess how students or other constituencies will react if they became aware that the information was being provided to an outside agent. Although the school may not choose to explicitly notify students of the outsourcing arrangement, the school should not enter into an arrangement which it would like to keep secret. Certainly, vendors have almost as much interest in protecting the education records their clients entrust with them, as do the colleges and universities who are outsourcing. Bad publicity about slipshod security could damage a vendor's reputation and jeopardize their future business. It has been said that in an outsourcing relationship, the client always has a gun to its head with the vendor holding the trigger. The client must make sure that the outsourcing agreement protects the client in a way that if the vendor pulls the trigger, it is signing up for murder-suicide. Atis (2001). To be sure that the outsourcing arrangement is successful, both parties must be clear about the expectations of the endeavor.

Ideally the vendor should have someone directly responsible for privacy training and security. While still rare, an increasing number of companies are appointing a chief privacy officer (CPO) to prevent legal or marketing problems. Typically, chief privacy officers are charged with being

current with privacy law, and ensuring that privacy standards are adhered to throughout the organization. Analysts predict that many more companies will add CPO's as demand for privacy impacts their ability to be competitive (Thibodeau, 2000). If the company does not have a chief privacy officer appointed, they should have someone directly responsible for security and privacy and that person should be up-to-date in privacy law and technological issues.

It is important that the vendor understands the culture of confidentiality as practiced by your campus and can uphold this at a level with which the institution is satisfied. The vendor should be able to articulate what information should be protected and why. As we know, it is sometimes hard to explain to others why we cannot provide certain information, even though it may lead to improved service or may directly benefit the student. A parent may not understand why an office cannot release a transcript to meet a scholarship deadline without the student's release. The outside vendor must adequately train all its staff to stand up to this pressure.

If the service is new, the vendor should confirm that the service is in compliance with FERPA requirements or the institution should consult with the U.S. Department of Education's Family Policy Compliance Office. The vendor should provide documented policies and practices to verify the steps taken to insure the security of data. The vendor should provide names of other clients to contact about its confidentiality policies and practices.

Institutions must be as concerned about the level of training for the vendor's staff. The vendor should have a training program in place to educate employees about the importance of confidentiality and how to protect it. Staff should undergo FERPA training and sign agreements showing their understanding of FERPA and the confidentiality of student records. All staff with access to student records should have signed confidentiality agreements and receive ongoing training to ensure confidentiality. If possible, plan an on-site visit to monitor the security, staff training and the handling of the data.

Storage of the physical data and the location of physical equipment needs to be secure and protected against natural disasters (fire, earthquakes, hurricanes). The vendor agreement should include a guarantee that the information will be destroyed or returned at the end of the vendor agreement or if control of the vendor company changes.

Establishing a successful outsourcing arrangement

A successful outsourcing arrangement will result from a contract in which both the client and the vendor are in agreement and which both understand in the same way. To be successful, both the client and vendor should benefit from the collaboration. In outsourcing, the relationship is intended to be a partnering relationship.

Any outsourcing agreement should clearly state the responsibilities of both parties, the exact nature of the services or functions of the vendor and the service expectations of the school. A clearly understood contract that defines expectations for both parties can prevent many problems. To protect private information, institutions should consider a confidentiality, or non-disclosure agreement as part of their contract. Hollander (2001) defines non-disclosure agreements as, "Simply, NDA's are agreements by which one or more parties, standing in a confidential

relationship to each other, promises to keep secret certain information acknowledged by the parties to be confidential or trade secrets.” A contract with an educational institution should also be in compliance with all FERPA regulations, as well as local and state regulations.

In drawing up a contract, Fleming states that institutions should distinguish between two separate concepts with the vendor: data usage and data privacy (2000). He states that, in considering data usage, it should be determined if the vendor will retain rights to any data generated by the business, and if they have the right to disclose this information in any way. He differentiates this from data privacy, which is concerned with liability for releasing personal information to a third party.

In addition to an NDA, institutions should also consider including an indemnity clause. An indemnity clause, or hold harmless clause, protects the institution against any financial loss if the confidential information was released; however, these clauses are only as powerful as the vendor’s ability to shoulder the financial responsibility for any mistake. To that end, the institution may want to consider, in combination with the indemnity language, to require the vendor to have bonding and/or be insured against errors and omissions. Ultimately the institution is responsible for any violation of FERPA or breach of confidentiality or other claims arising from the service. While damages may be recovered, damage to the reputation of the college or university and the staff responsible for the function may not be so easily restored.

The contract should also establish explicitly that the vendor is acting as an agent of the school and can act only as authorized by the school. Any release or disclosure of information not explicitly authorized should be prohibited.

The contract should also establish how disputes or claims that arise under the contract are to be resolved. If an arbitration is agreed to, the rules, conduct and location of the arbitration should be specified.

Any use of the school name, logos or trademarks should be specified in the agreement. If there is to be no use of the school’s name in the vendor’s marketing materials, this should be spelled out.

Administrators and managers have a responsibility to include in any outsourcing agreement clear and sufficient performance measures, and to monitor those measures regularly. This will require extensive research and analysis prior to signing a contract. Initially entering into a short-term contract provides an institution the opportunity to assess the impact and desirability of a long-term outsourcing arrangement.

Before committing to a vendor, managers should contact references and review with them the vendor’s performance on measures that are important to the institution. Some institutions will place greater value on particular measures than others, so it is important to be specific in reference checks.

The vendor should provide regular reports addressing major measures of performance such as volume, turnaround time for service requests, service down time, and repeat service due to

errors. If possible, such reports should periodically be verified by an external body, such as an independent audit group.

The institution should be in the client complaint loop, so it can measure client satisfaction with the service. Client complaints may be directed to the institution or, if they go directly to the service provider, a mechanism must be established to make the institution's representative aware of complaints and how they are resolved. Unacceptable complaint levels should be addressed quickly.

Regular, focused communication should be established between the vendor and the institutional representative, and the representative should be a knowledgeable professional in the service area, rather than a purchasing agent. The vendor should expect regular reviews of the effectiveness of the service and of procedures in place to protect the privacy and security of the institution's data.

An institution retains responsibility for its services, regardless of how those services are provided. This makes it incumbent upon the responsible manager to continue to scan the environment to ensure that services provided through a vendor remain at the desired level, relative to changing technology and the institution's competitive environment. The vendor agreement should allow for appropriate service upgrades.

Successful outsourcing relationships can benefit all parties. They require clear and careful assessment of existing and ideal service levels, evaluation of all options, meticulous crafting of a contract for services, and frequent and open measurement of services after the contract is executed. AACRAO has a responsibility to provide leadership and support to institutions seeking to take advantage of the expertise offered by external providers so that they can enter into these relationships with confidence.

Web Resources for More Information about Privacy Law:

www.LawOffice.com

www.GigLaw.com

www.Computerworld.com

www.InfoWorld.com

www.privacyalliance.com

www.acs.ohio-state.edu/units/law/swire1/pspriv.htm

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Respondent Demographics



Figure 1: Institution Surroundings

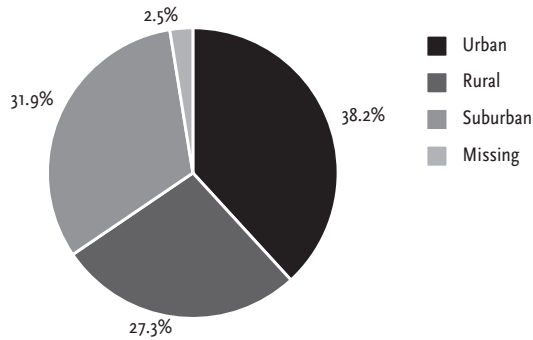


Figure 2: Institution Control

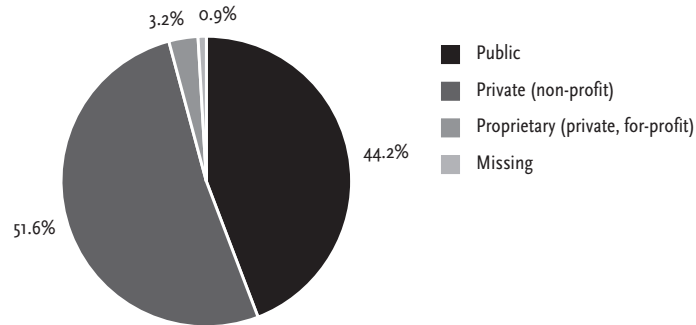


Figure 3: Institution Type

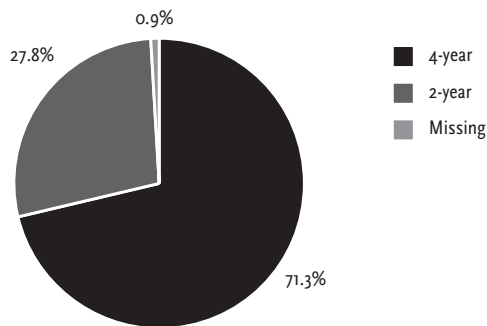


Figure 4: Institutional Budget (in Millions)

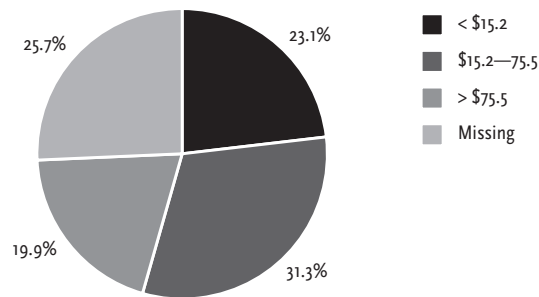
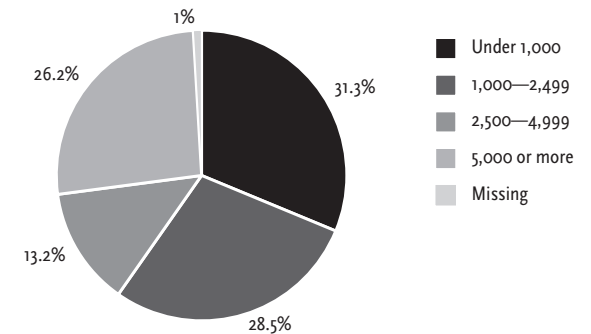


Figure 5: Full-time Enrollment



Reasons to Outsource



Figure 6: Staffing Constraints

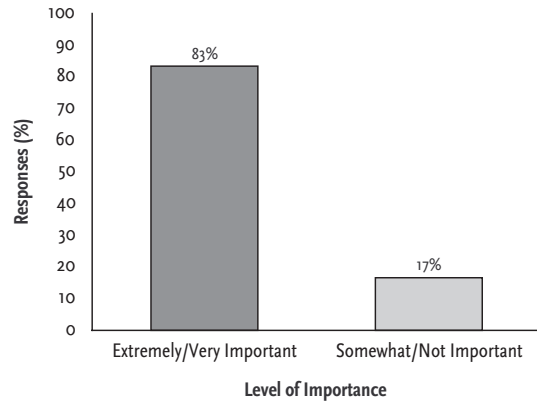


Figure 7: Budget Constraints

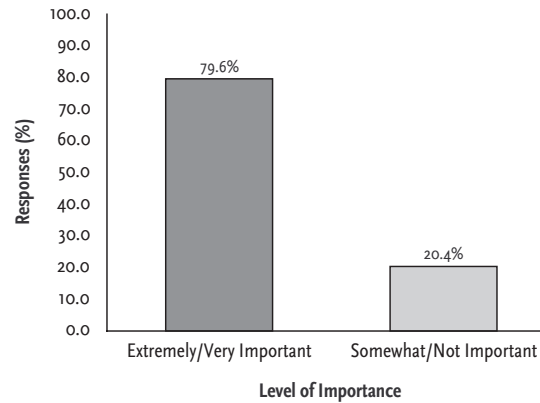


Figure 8: Enhanced Service

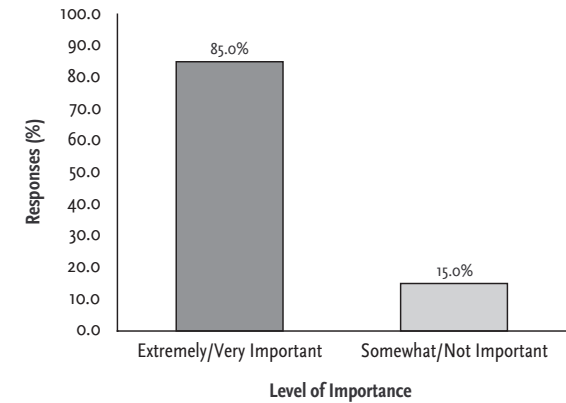


Figure 9: Generating Revenue

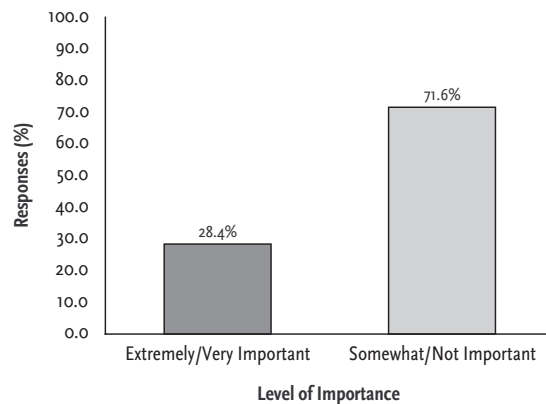


Figure 10: Access to Technology

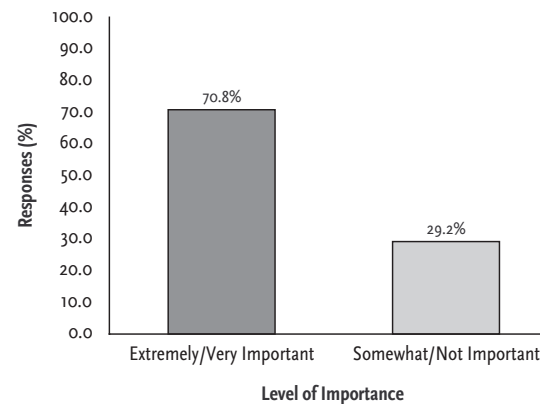
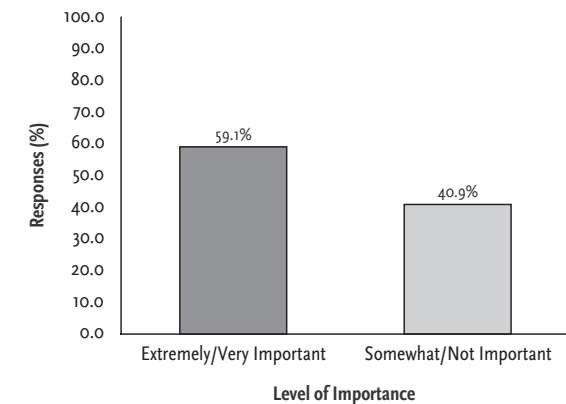


Figure 11: Keeping up with Competition



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Figure 12: Response to Student Demand

