IT Outsourcing at the University of Alberta

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Preface

The EDUCAUSE Center for Applied Research (ECAR) produces research to promote effective decisions regarding the selection, development, deployment, management, socialization, and use of information technology (IT) in higher education. ECAR research includes research bulletins—short summary analyses of key IT issues, research studies—in-depth applied research on complex and consequential technologies and practices, and case studies designed to exemplify important themes, trends, and experiences in the management of IT investments and activities.

To identify case study candidates, INPUT began with a list of approximately 80 colleges and universities that outsourced or shared some of their IT functions. From this list, 10 were interviewed extensively by telephone, and three were selected for on-site visits.

ECAR on-site visits are extensive and involve nearly two days of interviews and meetings with the widest variety of institutional representatives associated with—or affected by—the technologies or practices being investigated. ECAR wishes to thank the leadership of the Associated Colleges of Central Kansas for their time, assistance, and diligence in support of this research.

We hope that the readers of ECAR case studies will learn from the experiences of others.

Introduction

The juxtaposition of the California State University (CSU) experience, described in the preceding case study, with the University of Alberta (UofA) experience offers insights into alternate forms of outsourcing. While CSU elected to retain responsibility for implementing its PeopleSoft ERP application and outsource only the hosting of it to a central, external data center, the UofA decided to outsource both the application management and development, including hosting responsibilities.

Even though the UofA is only a tenth the size of CSU, its experiences in the implementation of complex enterprise systems validate the importance of good planning and cooperation among all stakeholders in the university community, including faculty, administration, support staff, students, and organized labor. Also important, the UofA model is more portable, or exportable, than CSU’s, which depends heavily on favorable timing in regard to state financing opportunities. Finally, universities elsewhere should think carefully about their production operations before starting implementation...
projects. This may help them avoid the difficulties the UofA experienced. Advanced IT planning, regardless of outsourcing activity, is critical.

**The Canadian Context**

The stated goal of Roderick Fraser, president of UofA, is to make the university “indisputably recognized” as a world-class institution. To that end, he has targeted raising C$2 billion in research funding by 2005 (the first milestone of C$1 billion was met ahead of schedule during 1989–90), and the university has accumulated an endowment of C$600 million.¹

The UofA took its cue from the entrepreneurial stance of the province of Alberta, which outsourced road maintenance and auto registration functions, to name just two. The university, which has 34,000 students enrolled, met some opposition from organized labor to its decision to outsource. (In Canada, outsourcing is described as “contracting for services.”) The decision to outsource came after the Y2K crunch—and after the UofA missed a payroll because of problems with its internally operated PeopleSoft ERP system.

Initially, the UofA purchased a PeopleSoft license and decided to implement the system internally. With the help of external consultants, the university implemented and ran the finance, HR, and student modules for a year.

By the mid-1990s, the university was finding itself unable to retain the required IT staff skills. Premium levels of compensation needed to secure and retain the scarce PeopleSoft-trained IT staff were running up annual IT spending at unsustainable 10–20-percent rates. When forced to the wall, administrators decided that IT was not its core business. Worse, it exposed the university to large risk factors with high associated costs. By 2000, when the university signed an outsourcing contract with IBM Global Services for both the application management and operation of its PeopleSoft ERP system, it had cost the university C$32 million to implement the finance, HR, and student administration applications.

**The Initial Challenge**

The UofA’s “custom” in-house legacy applications were COBOL-based and had been in place since the early 1970s. These applications were based on flat files and had no relational database. By 1994–1995, the UofA and its colleagues realized they could not support the UofA’s needs with the university’s obsolete applications, and the Y2K issue was on the horizon. This IT infrastructure was homegrown and outgrown; it had inadequate capacity and inadequate architecture for data sharing and reporting, and it had no integration functions. By CFO Nazim Merali’s description, it offered “only silos and islands of data.”

The UofA had begun looking for a solution in 1992, and in 1995 became one of PeopleSoft’s first clients for the HR, student administration, and finance modules in a client-server configuration. The university had purchased SCT Banner’s student administration module, even though no Canadian version was available. Eventually, the university changed direction from SCT Banner and ended up rounding out its suite of PeopleSoft applications with the purchase of its comparatively new student administration modules.

In March 1996, the province of Alberta bought a license for PeopleSoft’s finance and HR modules—and promptly outsourced their management and operation to a subsidiary of IBM Global Services, which offered its PeopleSoft experience along with the use of its established data center, conveniently located in central Edmonton. At the same time, Fraser was promoting an aggressive
vision for the university. He wanted to dramatically increase the university's research revenues. In 1997, research represented 20 percent of total revenues; in 2001, the corresponding figure was 40 percent of a total budget of C$815.3 million. Over the next three to four years, Merali expects research to represent up to 60 percent of total revenues.

Prior cutbacks in overall government funding between 1985 and 1995 left the university ill-prepared to satisfy Fraser's aspirations. During those years there had been minimal investment in the legacy application environment, which resulted in a huge backlog of unfulfilled needs. When the purchase of PeopleSoft's ERP software was announced, faculty and staff thought they had found a panacea (and the ERP may have been somewhat oversold as such). Because expectations were unrealistically high, pressure on the internal IT group to deliver became intense.

**PeopleSoft Implementation Misadventures**

During the implementation, the UofA went through several "Big Five" consultancies, and the implementation encountered many challenges. According to Merali, some of the firms failed to understand university culture. The UofA has 15 facilities, each with individual requirements. The consultants did not inherently understand faculty requirements for student administration or the special characteristics of the Canadian university environment. In addition, the early Canadian version of the product was insufficient, according to Merali. It fundamentally failed to address requirements for the university's monthly regulatory reporting to the provincial government. With the new PeopleSoft system, there was also the unresolved issue of information sharing between the coupled student administration and HR databases. It was unclear who was responsible for the databases, who owned the information, and, therefore, who was making "official" configuration decisions.

UofA executives decided to change implementation partners. They issued an RFP and selected KPMG Consulting to complete the ERP system implementation. The vendor selection criteria used were experience with ERP, success in implementing ERP systems, product-specific experience, and university experience. The university had little difficulty getting out of the contract with the then-current implementers because the contracts were flexible and early-out penalties were minimal. KPMG eventually managed to complete the implementation of HR, finance, and student administration in late 1999 and early 2000. Next came the hard part: managing the system going forward.

As a stopgap, an internal unit called the corporate applications support group ran the ERP system. This turned out to be neither cost-effective nor operationally effective. Moreover, the university had even greater difficulty retaining its skilled and trained employees. It kept losing expertise and had to train new staff because available individuals lacked the needed skills. Worse, all of this blocking and tackling was becoming very expensive.

In response, the UofA began searching for an outsourcing partner to operate the entire ERP system. It independently hired two consultancies with knowledge of the PeopleSoft marketplace to research and recommend appropriate vendors to whom an RFP would be issued. The consultants recommended a small number of vendors, and the university undertook a complete procurement process in accordance with acceptable policy.
Vendor Selection Criteria

Bidding and selection for the outsourcing management contract followed an open and controlled competitive process. IBM Global Services, the eventual awardee, had several advantages in the competitive bidding for the outsourcing contract:

- **Local presence**—The firm had a robust data center nearby in Edmonton. “It’s different when you can put a face to a name,” explained CFO Merali.²
- **Prior experience**—IBM subsidiary Payment Systems Corporation (PSC) had been formed to take over the payroll and accounts payable functions outsourced by the Alberta government, so there was institutional experience in implementation and application management of the PeopleSoft system.
- **Economies of scale**—The firm added capacity only by relocating the UofA’s hardware, so new infrastructure wasn’t needed.

The New Outsourcing Contract

PSC, the IBM Global Services subsidiary, was selected to manage the PeopleSoft applications and the underlying technical environment, along with its partner, Turnkey Management Consulting, a local firm with expertise in higher education and business process change. Negotiations began in April 2000, and the contract was signed in June 2000.

This Trilateral Alliance comprises:

- the UofA as client/sponsor;
- IBM Global Services as outsourcing vendor, responsible for the production aspects of the system, including upgrades (IBM eventually absorbed PSC into its global PeopleSoft practice); and
- TurnKey Management Consulting as change manager, responsible for overseeing new development, including implementation of new modules and/or functionality, business process reengineering, and organizational change management around the PeopleSoft applications.

Other applications, such as the institution’s course management system, are run internally and fall outside of this alliance.

CFO Merali described UofA’s outsourcing goals as:

- ERP system stability;
- access on demand to required IT and PeopleSoft expertise, as well as supportive intellectual capacity to manage a complex environment;
- pay only upon access;
- predictability of costs; and
- rigor and discipline surrounding new development projects.

Contract Implementation

When the new contract with IBM Global Services was signed, IBM retained UofA’s internal staff that had been managing the PeopleSoft systems. The university’s legacy servers, which will be replaced when appropriate, were relocated to IBM Global Services’ data center, while remaining under UofA ownership.

The contract amount also provides for TurnKey to work with the university to manage and deliver a portfolio of new development initiatives within a predefined funding window based on an ROI framework developed with the university.

The contract with IBM Global Services includes responsibility for:

- connectivity from the data center to the university and within the data center;
- help desk functions, including business processes, and technical problem solving on all three tiers;
application support (fixes and patches, proactive tuning, critical break-fix, issue resolution, and minor upgrades);
• database and UNIX administration, security and hardware management as well as batch runs;
• application change management, end-user communications, and some training; and
• management of the interactive voice-response (IVR) system for students to register and make course changes via telephone.

According to Bruce Hillier, IBM Global Services’ PeopleSoft practice executive, a representative for the Trilateral Alliance for IBM, one of the most significant values of the new trilateral collaboration is the new rational prioritization of development projects. In Hillier’s words, “Previously, everyone put items on the wish list with no accountability regarding who made decisions about which ones could be funded, and in which order. Now, we have a summary ROI template as well as a decision-making process.”

Merali attributes the success of the new outsourcing contract to the structured involvement of user groups that guide the project. The Administrative Information Systems (AIS) Steering Committee comprises a broad-based 40-member consultative group of campus representatives and is led by an executive subcommittee of 15, chaired by Merali, that makes operational and budget decisions. This group applies a new ROI template to evaluate all proposed projects on the AIS wish list to establish justifiable priorities. The provost, who serves as the university’s chief operating officer for internal affairs and is second in command, is the ultimate arbiter for spending and priority disputes. The AIS Executive Subcommittee contacts the provost only for critical decisions, such as a request to increase project funding.

The C$10.2 million in projected annual spending over the next four years covers the total cost for the PeopleSoft software license, IBM Global Services’ application management and operations services, and TurnKey’s new development services. It also includes the UofA’s internal costs related to the project. The annual outsourcing project spending allocations are estimated at 40 percent for upgrades and development, 50 percent for operations, and 10 percent for internal costs.

**Outsourcing RFP Ignited Labor Issues**

After the RFP was issued and the university’s organized labor units became aware of plans to outsource the PeopleSoft ERP project in early 2000, “all hell broke loose,” according to Merali, referring to the reaction of the Non-Academic Staff Association (NASA). It’s a “stand-alone union” and independent of the Academic Staff Association, which represents university faculty. It is vocal but cooperative. Faculty members took no definitive position on the outsourcing issue itself; they simply wanted a solution that worked. The union went to the university board of governors, wrote many letters, met with the chairman of the board and, in general, promoted a continuation of the status quo under the slogan “Let university employees do their work.”

In the end, from the point of view of the Alliance, this transition caused no job losses; all members of the implementation staff were offered a return to the departments they’d come from, yet only a few declined to move to the IBM Global Services payroll. Turnkey Management Consulting also took two university employees. To date, only a few have elected to return to the university, for reasons unrelated to the ERP project.
Organized Labor’s Point of View

From the NASA’s point of view, the UofA’s transition from in-house to outsourced management of the PeopleSoft project was much more problematic than the Alliance suggested. According to Barbara Surdykowski, full-time employee and business manager for the association, organized labor went into negotiations for its last collective bargaining agreement with no knowledge of any pending outsourcing contract. Nevertheless, like the entire university community, the union was well aware that the ERP project was in trouble.

The union first became aware of serious issues with the project in August 2000. At that time, new coding, new forms required by the ERP software, and the burden of running two systems were causing problems. Because the implementation wasn’t (as yet) fully reliable, some staff were doing double input of data and keeping records simultaneously on legacy and new systems.

Surdykowski reports a growing awareness during 1999 and before August 2000 that the university was approaching a crisis point: “We knew that heads were going to roll.” The situation was particularly aggravating because, from the trenches, it appeared that the prior system that PeopleSoft replaced had been functioning adequately.

Surdykowski could not provide details on how much money was spent on the PeopleSoft implementation, but she believes there were “cost overruns in the millions of dollars.” Furthermore, staff complained that they were working double time with no confidence in the new system. “Fixes caused new problems. Consultants were active, but they could not solve the problems as they occurred.” The UofA had reassigned 40-plus people from departmental assignments to the AIS group, where they were trained on PeopleSoft and given the mandate to get the system running. In July 2000, in effect, both the staff and the functions of the AIS group were outsourced to IBM Global Services.

The union went into negotiations in February 2000. The university’s collective agreement requires that layoffs and other major staffing changes be made in consultation with the union. Therefore, it came as a great surprise to the union when the university announced that it intended to sign an outsourcing contract with IBM Global Services for the entire PeopleSoft project, including associated staff transfers. The union promptly filed an unfair labor practice complaint and tried to prevent the contract from being signed. The union didn’t believe the contract promised any cost savings. However, all employees affected were assured of a position somewhere, either within the university, with IBM, or with Turnkey.

Benefits of Outsourcing

The UofA’s decision to outsource has produced some very tangible benefits. For the next four years, the university’s costs are predictable. There is a fixed portion and a variable portion at the UofA’s discretion, based on future development projects, including software upgrades. The UofA now has skills available for operations and development that it wouldn’t have had. It can also draw from a larger pool (200-plus PeopleSoft experts on staff at IBM Global Services’ Edmonton PeopleSoft Solution Centre). The university has acquired substantial new knowledge, a new ROI methodology, and a variety of creative software solutions that it could not have developed alone.

The UofA now has access to two additional perspectives (TurnKey’s and IBM Global Services’) that have been formed by deep experience in business, in higher education, and with PeopleSoft. For example, the University of Saskatchewan is a TurnKey client, and IBM Global Services is completing a
PeopleSoft implementation for the City Colleges of Chicago, with an enrollment of 65,000 students. There is also California State University at Los Angeles under the CMS program analyzed in the second case study of this report. Merali believes,

“We [at UofA] are developing an excellent collaboration: it is not a traditional vendor/client relationship. We are building the center of the triangle [where the strengths of the three parties overlap]. What is our measure of success? Our ability to leverage the solution that we have developed here to other campuses; a solid basis for the UofA to renew the current agreement with its outsourcing partners at the end of the five-year term based on outstanding operational performance.”

From the viewpoint of the vendors, TurnKey and IBM,

“If we are successful, the door will open to the rest of the North American market in higher ed—based on the UofA as a prestigious reference account.”

TurnKey’s Michael Hughes insists,

“We want to reinvent higher education administration based on improving administration and lowering costs.”

The partners now have additional rigor and discipline of structure.

The UofA now has guaranteed service levels and superior application availability, better IVR time, better payroll production, and the ability to penalize vendors for inadequate performance.

Several new modules addressing critical needs—an enterprise Web portal, data warehousing, and distributed access to services for students, staff, and faculty—are expected to have priority in development projects funded over the next two years.

**Developmental Chronology**

Several critical milestones marked the UofA’s ERP implementation and outsourcing initiative.

**1992**

Initial thinking began concerning various enterprise software replacement strategies. The UofA ran customized legacy software on mainframes until 1999.

**1995**

The UofA licensed PeopleSoft’s finance and HR modules. It also bought SCT Banner’s student administration software.

**1995 to 1997**

Officials decided to move from SCT Banner’s student administration software to PeopleSoft’s student administration, beta version 6.0.

**1996**

IBM Global Services was invited to do a scorecard for the Administrative System Renewal Program (ASRP). IBM gave it a “D” for being poorly managed and poorly defined.

**1997**

After working with some external consultants, the university eventually hired KPMG to complete the PeopleSoft implementation with its own people and contractors in collaboration with CGI. In late 1998, Ernst & Young performed a quality assurance review. Then-current UofA estimates projected the cost of the project at about C$10 million, but the estimate had not been reset after the shift from SCT Banner to PeopleSoft student administration.
1997 to 2000
PeopleSoft implementation was underway. HR and student administration modules were linked to shared databases (because many students are also UofA employees, and PeopleSoft comes that way). Initially, all PeopleSoft software, especially the HR and student administration modules, were U.S.-oriented. PeopleSoft now has a “Canadianization package,” but this wasn’t available in 1995. In that respect, the UofA was a pioneer in the Canadian market.

1998
The Ernst & Young quality assurance review found insufficient detail and/or task-level resourcing in project workplans for there to be any likelihood of predicting the cost of completion, and certainly the previous C$10-million budget was unrealistic. The report pressured KPMG and the university to stop work, step back, and develop a total project plan to complete the ERP implementation. The estimate developed identified a C$24.7-million need.

June 15, 1999
Ernst & Young presented its project audit report, concluding:
- “Nothing remains cast in stone and there are always potential sources of ‘scope creep’ lying just ahead. Particularly with a project of this magnitude and complexity, and given the newness of the software being implemented.”
- “It is our understanding that some of the deans still view the ASRP as a non-value-added project.”
- “What the university needs to decide is where the functional experts reside over the long term and to whom do they report.”

According to a status checkpoint issued June 15, 1999, the finance module was fully implemented by KPMG Consulting. The legacy system was scheduled to run through year-end 1999. Together with the implementation vendors, the university prepared quarterly quality assurance reports in late 1998 and early 1999, but Ernst & Young had yet to see a sustainable production environment. At this point, the finance component was under budget by C$600,000 out of C$5 million in cumulative spending.

January 1, 2000
The HR and student administration modules were fully operational. Discussions began that resulted in vendor selection and awarding of the outsourcing contract to IBM Global Services for applications management and hosting of the PeopleSoft software.

Financial Review
Total cost: approximately C$33 million for complete implementation. Was this considered an overrun? Yes, but the board of governors didn’t have any context or comparative data from other universities against which to benchmark its own experience.

Merali believes that “Based on what we know now, this was a bargain.” Hughes added that the C$33 million included several early false starts on the implementation and a prolonged process from 1992–1997 when the real work began. He indicated that the actual costs relating to the C$24.7-million estimate were on the order of C$26 million, and commends the university and KPMG/CGI for delivering close to budget in a very complex environment. He believes the couple of weeks of intense activity that the university and KPMG/CGI took to rethink their plan were pivotal in providing a realistic frame of reference and in reestablishing sponsorship to complete the project.
Demographics of Schools and Communities

Metropolitan Edmonton, with a population of about one million, serves as the operational center of the province’s important petroleum industry—and benefits as well from the province’s Heritage Trust (similar to the Alaskan Trust), which provides a cushion of interest income when petroleum product prices are depressed.

Established in 1908, the UofA has become one of Canada’s top-ranked research institutions (fourth in 1999–2000 for sponsored research income). The UofA operates primarily from its Edmonton campus. At present, distance-learning/e-learning programs have small enrollments, although other nearby schools have been very aggressive and very successful, particularly in offering MBA programs. Total enrollment is 34,000, of which 84 percent is undergraduate. Nearly one third of full-time student enrollment comes from outside the Edmonton area, and the number of international students is growing.

Since 1966, the UofA has spun off 66 technology companies. At present, the university has a C$600-million endowment and C$130 million in short-term cash as working capital, in addition to C$130 million in sponsored research funding. In the 1998–1999 academic year, the UofA ranked sixth among all Canadian universities in number of full-time graduate students and second for full-time undergraduate schools. It ranks second in library size among all Canadian universities and twenty-sixth in North America for 1999–2000. It also placed fourth for sponsored research income during the same period.

Revenues and Expenditures

The university’s total consolidated revenues for 2001–2002 are C$888 million, derived as shown in Figure 1.

Roughly half of the university’s revenues come from the province of Alberta, 12 percent from other governmental sources, 13 percent from student tuition and fees, and 4 percent from endowment earnings; 8 percent comes from nongovernmental contributions.

The Long-Term Challenge

The UofA views its long-term challenge as maintaining effective support for the AIS and the outsourcing strategy that is crucial to its success. More than elsewhere, turnover is a perceived enemy because it threat-
ens to erode the base of financial and institutional strength required to sustain the project. The loss of only a few allies in key positions and the risk of their replacement by a maverick who might, in effect, call into question all prior decisions reached after much effort and expense is one of the few scenarios that strike fear into the hearts of AIS stakeholders.

In fact, they want to advance, not retreat. Stakeholders want to leverage what they have today to benefit other schools across Canada. They believe strongly that having successfully taken the UofA from ERP implementation through to the current transitional phase (to culminate in an upgrade to PeopleSoft version 8.0 and a new enterprise Web portal), their achievement has given rise to a new institutional culture and a new way of doing business that can benefit universities across the country.

At home, they have settled into a stabilization phase during which they want to consolidate their gains. Next will come the exploitation phase wherein they reap the full benefits of prior investments and exploit the software to do what was promised. New functionalities will sustain a portfolio of development projects. At the same time that business process reengineering is under way, the importance of management grows. Merali and his colleagues are acutely aware that human attitudes, preferences, and habits can delay progress more than any hardware or software issue. For example, the university wants to induce staff to accept electronic salary deposits and, to that end, has promoted numerous benefits; yet resistance remains. Many technical advances are possible whose success depends on the pace of human acceptance. TurnKey will continue its change management efforts and continue to build relationships. Even so, some departments resist. The provost and the president are helpful, but their support isn’t always effective immediately. As is common in higher education, the UofA includes many points of view that demand to be heard—and more than once.

Merali insists that “we deal with faculty directly when they have complaints; they are always free to claim a perceived threat to academic freedom—which must be taken seriously. In this respect, higher education really is different from government and business. Here, the faculty is our client.”

Michael Hughes, a TurnKey partner, adds, “In higher education, it is sometimes difficult to identify the client because of internal complexity and politics. Universities are very unlike corporations, where the chain of command is usually very clear and someone ultimately can say ‘do this.’ The absence of such clear power in a university will always place large initiatives like AIS at risk.”

To project stakeholders, the discrepancy between the culture of universities and the pace of advances in science and technology can seem vast, and their mood can turn pessimistic. “University culture has not changed in 2,000 years,” one participant complained.

Meanwhile, managing the PeopleSoft application will continue to pose challenges because of the tension between those who want “best practice” from it as well as “first practice.” This refers to the dilemma created by best-of-breed software solutions that may represent cutting-edge technology but pose serious and/or costly problems when grafted onto an ERP system as complex as PeopleSoft. It also refers to “first best practice” solutions that represent (in theory) the optimal balance between the installed IT infrastructure, established business rules, and potentially superior component applications.
Other Challenges Ahead

PeopleSoft’s academic advisement module (used to perform degree audits of units required toward degree completion) has been implemented in two academic departments, and the outlook is promising.

There are additional modular applications that the UofA would like PeopleSoft to develop and deploy, but higher education remains a relatively small vertical market niche. Because they see only a modest profit potential, software developers will exercise caution when committing to new investments that may take a long time to turn a profit. Maintaining the balance between supply and demand as it relates to system evolution will be an ongoing challenge aided by the decision-making framework and focus on ROI.

The Trilateral Alliance wants to act as an overall representative for higher education to PeopleSoft and, ideally, as a software development partner. One challenge will be to ensure that the UofA sticks to the strategy of a single enterprise solution rather than an emerging best-of-breed strategy. The UofA has made a philosophical choice by preferring a single-package suite of solutions and ultimately deeming it less risky than any attempt to cobble together a series of best-of-breed solutions. If the Trilateral Alliance model performs as well as expected, the partners expect to expand the scope and functions into other noncore processes and businesses at the UofA, as well as reaching out to other Canadian universities. Externally, PeopleSoft is aggressive in raising its annual maintenance fees, and there is growing client anxiety that these fees may become burdensome.

Current Status

The ERP application is stable for all three modules—finance, HR, and student administration. The UofA has already made the transition from version 6 to version 7.6 on both HR and student administration. (The finance upgrade was performed in spring 2001.)

The current plan is to upgrade to version 8.0 next year, with the anticipation that the difference between the versions has less to do with functionality than with IT architecture: Version 8.0 modules are all Internet enabled. At that time, PeopleSoft plans to merge the two finance products, PeopleSoft finance/commercial and PeopleSoft finance for higher education/government, a move described as an experiment. (In the past, higher education/government had to wait longer than commercial clients for upgrades. Change will incur risk, but the Trilateral Alliance partners believe the risk/reward ratio is favorable.)

At that time, the UofA will move from a three-tiered client-server configuration to a Web server software configuration, as well as to new Web server hardware. This move, which poses new financial and technical challenges, is expected to cost, at minimum, several hundred thousand dollars.

Total staffing of the IBM Global Services PeopleSoft Solution Data Center in Edmonton alone is 170, and all are qualified PeopleSoft practitioners. According to Hillier, overall, IBM Global Services’ PeopleSoft Practice has experienced high staff retention rates over recent years as well as significant growth. In addition, TurnKey Consultants has eight PeopleSoft developers and three contractors on staff, with others available as needed.

The annual cost for the UofA’s AIS outsourcing solution is budgeted at C$10.2 million and divided among IBM Global Services, TurnKey Consultants, and UofA’s internal support expenditures. If all projects anticipated are completed, there will be 20-percent more work than money available at present. The emphasis is on ROI-justifiable priorities for development projects. The al-
ternative will be for the internal clients to raise incremental funds from outside sources.

**Outlook**

The present PeopleSoft outsourcing project appears very likely to spawn additional outsourcing initiatives, such as outsourcing the UofA's Web portal strategy and implementation.

The PeopleSoft implementation creates an excellent opportunity. When the university moves to the Web, the infrastructure is very scalable. Over the next two to three years, the university should be able to use the same infrastructure for multiple purposes and expand the user base.

If consolidation among Canadian higher education institutions in general and among Edmonton schools in particular materializes as expected, the UofA will be in an ideal position to offer services during the transition. Trilateral Alliance partners believe that if they can capture 8 to 10 top schools across Canada, the alliance itself would become a top-ranking AIS vendor in the higher education industry. The alliance emphasizes that “universities should be differentiating themselves based on academic strengths, and on administrative prowess, not technology. The trend is already underway toward regional consolidation.”

The alliance believes that it can recruit clients from all over the Canadian public sector. IBM already serves the government of Alberta and the Greater Vancouver Regional District as a PeopleSoft outsourcer, along with several other public and private-sector clients that include municipalities and K–12 school systems (six PeopleSoft clients in Edmonton alone, including the Edmonton Public School Board). Some public schools may come to the alliance to economize on what they perceive to be an oppressive rise in maintenance fees.

**Applicability Elsewhere**

The Trilateral Alliance partners, Nazim Merali (UofA), Bruce Hillier (IBM Global Services), and Michael Hughes (TurnKey Management Consultants), believe that “the solution is 100-percent replicable, but only 90 percent is probably portable; 10 percent represents UofA tradition and culture.” In the partners’ view, “If we focus on developing the capabilities of the three partners and expanding in higher education in Canada, we have a good chance of success.” One of the critical success factors is having a “power sponsor” at the university who is able and willing to promote change.

They sense that their current solution is portable primarily within Canada because even though higher education everywhere depends on basically the same administrative and business processes, Canadian and U.S. markets have different requirements for application of PeopleSoft modules in HR and finance, as well as student administration. Alliance partners are targeting western Canada over the next few years and, within the next five years, the rest of Canada.

Customization is a sensitive topic. The UofA’s Merali is pleased that in regard to HR, “We de-customized by 38 percent with our last PeopleSoft upgrade.” This suggests that many differences between the standard PeopleSoft module and the UofA’s prior practices could be reconciled easily by the university’s learning how to conform to the PeopleSoft software. Thus, the university may well benefit by basing its procedures on industry best practices rather than insisting on unjustifiable customization merely because of tradition and habit. Alliance partners believe this approach is applicable elsewhere.

As far as structure is concerned, beyond the obvious requirement for a power sponsor, success with the UofA’s outsourcing solution depends heavily on the ability of
universities elsewhere to duplicate its team of on-site project and relationship managers. Ideally, portability would require duplicating the UofA’s administrative management model, the Administrative Information Systems Steering Committee, which is similar to that of CSU. The political climate of universities requires that outsourcing project managers give ample face time—that is, establish personal relationships with internal clients. This requires vendors to have representatives on site who are perceived as locals and not as jet-in/jet-out experts who are never resident long enough to do their jobs effectively. Similarly, an all-remote management process is very unlikely to be successful.

Alliance partners believe their outsourcing solution is portable primarily because the vendor has both application management and operations responsibility. When Merali insists that “we like the one-stop solution,” he believes that his view also represents the preference of most university administrators.

Even so, he does concede that there are times when the client must retain project management responsibilities. For example, he admits that the first year of the UofA’s three-way relationship with its alliance partners wasn’t easy. That period saw continuing friction over who had responsibility for which operations or which problem. The UofA was confused: “Do we call TurnKey or IBM?” Today, “Our goal is for TurnKey and IBM to talk together before approaching UofA with ideas for planning and spending,” adds Merali. “We took time to build relationships.”

### Endnotes
2. Citations and views attributed to Nazim Merali, Bruce Hillier, and Michael Hughes are based on interviews conducted at the University of Alberta in January 2002.
3. The source of this and subsequent citations was a telephone interview on January 28, 2002. Views attributed to the union derive from this interview.

### TurnKey’s Role

Is TurnKey an integral element of the UofA outsourcing solution? Yes, because it brings expertise in business process. While the consultancy appears to have good business process reengineering skills, its role may be less exportable—for reasons explained earlier. More important, TurnKey has demonstrated a good understanding of how higher education works. TurnKey has responsibility within the alliance for change management, which is critically important. In fact, TurnKey partner Michael Hughes calls it “trust maintenance.”

Will the Alliance be able to cope with fast growth? According to TurnKey’s Hughes, “Resources are available, but many people don’t want to travel, and as a value statement we like our people to be able to work where they live, so we would have to commit to hiring local staff in new markets we would enter.” TurnKey has dedicated staff for this alliance and is committed to making a difference in the higher education sector.

Hillier of IBM insists that “we feel that we can play well in this niche [higher education].” Clearly, the purpose of the Trilateral Alliance is to drive incremental business and profitability to IBM’s solution data center to increase utilization and take advantage of economies of scale.