Foreword

The EDUCAUSE Center for Applied Research (ECAR) was launched on January 1, 2002, to create a body of research and analysis on important issues at the intersection of higher education and information technology. At its inception, ECAR is discharging this mission through a program of symposia and through the publication of both concise biweekly research bulletins written for a senior executive audience and research studies of significant depth. Feedback obtained through a series of focus sessions conducted in the second half of 2001 served to set ECAR’s tentative 2002 research agenda. In 2002, no fewer than four major studies would be undertaken and delivered. These studies would cover such areas as networking, administrative information systems, IT management practice, and technologies to support teaching, learning, and other academic endeavors.

This study on IT outsourcing in higher education belongs under the heading of IT management practice. Known for years as contracting out, facilities management, or various other terms, outsourcing is a familiar practice in higher education. Among some in higher education, the outsourcing of IT activities is a familiar alternative. For most, IT outsourcing came of age (perhaps prematurely) during the height of the dot-com frenzy. Shaped in large measure by the easy availability of venture capital, the belief in the inexorability of the “new economy,” the emergence of new technology architectures (the Web, enterprise resource planning (ERP), portals), and more dramatically by acute skill shortages in the U.S. IT workforce, new firms large and small emerged to manage a wide range of IT services “anytime, anywhere” over the Internet. The idea of the hollow corporation consisting only of a network of service providers linked by a common vision and a lean corporate executive staff sparked the corporate imagination and fueled the growth of IT outsourcing.

Of course, the dot-com bubble burst, bringing the demise of many prominent outsourcing firms and application service providers (ASPs). While the excessive hype of the dot-com phenomenon left only small trails in higher education, the underlying concepts surrounding IT outsourcing have remained sound and in fact have matured over time. Most observers agree that the real power of the Internet is its ability to unbundle services, information, transactions, and institutional activities over distances and across time. In a robust networked environ-
IT outsourcing makes it possible to identify the best-of-breed of an online service—business or educational—and to acquire such services at a cost made reasonable by spreading those costs across many possible consumers. Well, that’s the theory.

**Many Important Questions**

IT outsourcing in higher education is not a sexy topic, and in some quarters of our esteemed industry it’s a downright unpopular subject. Unbundling is fine as long as it’s not your organization and your job being unbundled. Change is great—for someone else. IT outsourcing is an emotional topic and has therefore been shaped, perhaps more than any topic, by fears, rumors, myths, and folklore. Is IT outsourcing more cost-effective? Under what conditions? Are those who outsource satisfied with the results? Who is really driving the outsourcing decision … and who should drive the decision? What are the effective practices related to IT outsourcing? These and other important questions have been left to the pundits, while the rest of us swap anecdotes and contend with our anxieties.

This study attempts to answer some of these questions, but of course limitations of time, resources, and data leave much to be done by successor studies. This publication is the culmination of nearly six months of effort by INPUT, a respected market research firm based in Chantilly, Virginia. It was a risky endeavor to take on a possibly unexciting, unpopular, and emotionally charged topic with a research firm that supports IT outsourcing on the basis of years of analysis in the commercial and government IT markets, yet has little experience in higher education. Not surprisingly, lessons were learned. Indeed, the learning curve about higher education’s idiosyncrasies is steep. Perhaps ECAR’s learning curve about the merits of IT outsourcing was also steep. Despite these risks and growth pains, the resulting study is substantial, reasonable in rigor, and, in most of its findings, reassuring.

Our colleagues and we have discovered that large pockets of higher education are knowledgeable, steady, and somewhat skeptical outsourcers of IT services. As an industry, higher education can be best characterized as a late adopter, or perhaps more accurately as a selective adopter, of this approach. We are assured, as if we really need assurance, that higher education is not monolithic. Indeed, different segments of higher education appear to have differing goals, methods, priorities, evaluation yardsticks, and outcomes vis-à-vis IT outsourcing. To the extent that this study’s data and analysis paint a picture of an industry struggling in different ways with IT labor shortages, these data confirm what we already know. To the extent that the study illustrates how fundamental approaches such as sole-sourcing and competitive bidding can be used either successfully or not, the study may enrich debates often polarized as “either-or” dichotomies and help us to understand the conditions under which different methods succeed or fail.

This study in most ways reassures us by confirming what our anecdotes tell us and establishing that while we are indeed a community of skeptics, we are neither crazy nor retrograde. Higher education’s skepticism vis-à-vis IT outsourcing appears reasonable when reconciled with data showing increasing dissatisfaction by early IT outsourcing adopters in the commercial and government sectors. At the same time, this study confirms my suspicion that IT outsourcing is terribly important and to some extent inexorable. The data clearly demonstrate that we cannot all keep up. The choice for institutions wishing to remain competitive through IT innovation will likely be between focused or widespread IT outsourcing, rather than between IT outsourcing or not. Clearly
even our most prestigious research universities are outsourcing, albeit at the margins of innovations. In a very sound strategy to rapidly acquire new technology skills and to then assimilate those skills organizationally, research universities appear to outsource as an IT skill augmentation strategy.

This study also uncovers the power of mythology. To me, the data suggest that higher education is an industry “of two minds” about this topic. On one hand, there are those of us who treat this as either an opportunity or an inexorable medicine; on the other hand, there are those who, if not openly hostile, believe that IT outsourcing is not for them. Many of those who don’t outsource now are unlikely ever to do so. This may be disappointing news to this study’s corporate readers, but again, it’s better to know bad news with reasonable certainty than to approach a market with uncertain (and unfounded) optimism.

In the end, this study makes the case that IT outsourcing in higher education is here to stay and will likely grow in economic importance over a five-year forecast period. For this reason alone, this study was worth undertaking and is a worthy reference.

Finally, as you read, reflect on IT outsourcing and the nature of decision making at your institution. Interestingly, in a great many cases, the primary representatives of EDUCAUSE who form the core of the survey response group underlying much of this analysis do not play a significant role in the IT outsourcing decision. Clearly, the extent of the IT leadership’s involvement varies widely across higher education segments. Notwithstanding this variability, this study suggests to me the need to debate and discuss how these consequential decisions will be made on campus and who is to be accountable for them. In many cases, IT outsourcing decisions appear to have been made elsewhere in the organization, resulting perhaps in reports of disappointing outcomes. Are presidents outsourcing to either “fix” or lower IT costs? If so, how do information technologists effectively inform those actions?

Important Contributions

This study has been an adventure. It is the product of many people’s time and effort. In particular, Brian Hawkins and the EDUCAUSE Directors deserve great thanks for their commitment and vision in support of ECAR and this study. Certain board members of the past also deserve special thanks. Thank you Ron Bleed, Bill Graves, Polley McClure, Don Riley, and Richard West. ECAR Fellows Bob Albrecht, Mary Beth Baker, and Diana Oblinger provided guidance and direction to enhance the work of our colleagues Ellen Hassett, Peter Cunningham, Emilia Kancheva, Matt Newsome, and Sara Wells.

ECAR studies are made possible in part through the generosity of our sponsors. These leaders share our desire to inform decisions with good data and analysis, and they contribute toward this goal without expectations of influencing study protocols or results. Karen Willett and PeopleSoft Corporation were ECAR’s earliest supporters. Deborah Elias-Smith of SCT, Andrew Vaz of Cap Gemini Ernst & Young, and Cheryl Hewett and Mike Humke of Hewlett Packard share our vision and have helped underwrite this study.

Two outside readers were especially instrumental in establishing the tone that would balance corporate enthusiasm with higher education skepticism. Paula King of the University of California, Merced, and Jeff Noyes of the University of Texas at San Antonio invested more time than anyone should ask of volunteers.

Finally, a study cannot exceed the quality of its inputs. The EDUCAUSE community has been absolutely magnificent in sharing its time, viewpoints, and opinions with the research team on this project. Nearly 300 busy executives responded to this survey. Upping the ante, numerous colleagues at
Cabrini College, Drexel University, George Mason University, Mercy College, Neumann College, the University of Maryland, and the University of Pennsylvania generously shared their time in qualitative interviews. A smaller number of our colleagues really climbed the mountain with us. They let our research team spend one to two days at their institutions in discussion with scores of campus stakeholders. Deserving particular thanks are Hilary Baker, David Ernst, and Richard West (California State University), Nasim Merali (University of Alberta), and Ray Brown (Associated Colleges of Central Kansas). We in higher education are known for our eagerness in sharing our successes and our efficiency in burying our mistakes. These colleagues shared not only their time, but also their challenges, hard decisions, victories, and defeats. They remind us that leaders acknowledge and learn from mistakes.

And, of course, the EDUCAUSE staff never ceases to amaze me. When all the dust settles from a major research initiative, someone still has to organize the formatting, style, production, Web posting, pricing, and communications to support the study’s release. I thank them all, knowing that any attempt to single out individuals would inevitably fail. I will make an exception for Nancy Hays and Greg Dobbin. They have worked with our graphics partners to develop a beautiful and highly functional format that will serve ECAR and its subscribers and customers for years. Thank you.

Richard N. Katz