IT outsourcing activity in higher education in 2001 is estimated to be $782 million, compared with $57 billion for the U.S. commercial market and $6.4 billion for the U.S. federal government market. These estimates include business process outsourcing (BPO) and processing services outsourcing activities. While higher education IT outsourcing activity is forecast to grow at a compound average growth rate (CAGR) of 17 percent for the period 2001–2006, commercial outsourcing activity is expected to grow at a CAGR of 19 percent, reaching $117 billion by 2005. Federal expenditures will grow by 16 percent, to $13.2 billion.

Like the government, higher education bears special burdens to assure the security and confidentiality of constituent and stakeholder records. Banks and other security-sensitive commercial organizations have succeeded in overcoming their reluctance to use outsourcing vendors, so higher education will likely become increasingly experienced and comfortable with using external service vendors as well.

Importantly, higher education will need to balance the rising cost and risk of attempting to operate complex IT infrastructures internally against opposition from faculty and staff stemming from ideological differences regarding an institution’s responsibility to its employees and its noncommercial identity. These pressures may become acute in collegiate markets, particularly among associate’s and baccalaureate institutions, where IT labor shortages are already pronounced. Research universities will likely continue to enjoy a broad range of choices relating to self-operation or outsourcing. Nevertheless, they will likely continue to experiment with IT outsourcing in commodity service areas so that they can focus highly skilled internal resources on innovative—and difficult to replicate—application development activities.

The challenge to IT vendors will be to learn how to meet the needs of this exacting customer in the same way that they have learned to meet the special needs of other vertical industries. Because it is relatively small, higher education’s market for IT outsourcing will remain unattractive to many of the largest and most capable commercial outsourcing vendors; so the cycle continues. The extent to which the IT vendor community assigns a priority to addressing higher education’s unique mandates will largely determine higher education’s acceptance of IT outsourcing on a broader scale. Shared IT services among colleges and universities—with or without vendor support—may be a promising strategy for addressing some of
the cultural inhibitors of IT outsourcing as a preferred management practice in higher education.

Overall, higher education is subject to a series of offsetting (and at times contradictory) pressures. Those fostering interest in IT outsourcing in higher education include:

- a continuing transition from traditional business to e-business;
- the proliferation of pervasive (mobile) computing;
- the high cost of recruiting and maintaining critical in-house IT capabilities;
- mandates to wire all classrooms and to provide 24×7 support for learners and scholars on and off campus;
- continued updating and streamlining of IT infrastructures for the transition to enterprise resource planning (ERP) administrative systems;
- interactive distance-learning ventures that will require new IT capabilities;
- demographic trends such as lifelong learning, the Echo Boom, and the continued demographic shift from the Rust Belt to the Sun Belt; and
- increasing calls for public accountability (even in private education) and, in particular, for an accounting of return on investment (ROI) in information technologies.

On the other hand, some clear counter trends are delaying higher education's adoption of IT outsourcing. They include:

- a perception of higher risk resulting from handing over responsibility for critical IT functions to commercial vendors that may prove unreliable because of financial weakness;
- real performance issues and concerns in the IT outsourcing vendor community, such as numerous high-profile business failures;
- concerns about the possible effects of IT outsourcing on employee welfare and institutional community;
- resistance by organized labor in some sectors (particularly community colleges), supported at times by faculty and students;
- planning, vendor selection, and negotiation deficiencies resulting from either inexperience or organizational issues;
- complex decision-making processes and structures, with authority for IT outsourcing decisions frequently vested outside the IT organization; and
- a lack of industry-specific expertise among vendors, owing in part to the relatively small size and fragmented nature of higher education as a market.

Many of these observations, culled from broad survey data, are corroborated and elaborated on in the case studies. In essence, the unique organizational structures of colleges and universities, along with their unique and highly complex purposes, create concerns and reasons for caution that have few counterparts in the commercial market. These concerns are also less important in the government sector. Higher education’s position is that cost savings is not the most important benefit of IT outsourcing. In fact, evidence related to the cost-effectiveness of IT outsourcing in some higher education environments is equivocal and suggests a need for deeper research. The majority of survey respondents agreed that the primary reasons to outsource are operating inefficiencies and the lack of critical in-house IT skills.

The application service provider (ASP) model, while likely to become increasingly attractive to higher education, will not fulfill its overall potential until the market matures. This will happen when ASP vendors consolidate, resulting in greater financial viability, better business models, and more reliable fulfillment experience, and when institutions feel more comfortable with the ASP concept.
Attitudes of IT leaders in higher education and in the commercial sector are not dissimilar. For example, the term of a typical outsourcing contract in the commercial market has fallen from 7–10 years to 3–5 years. Fixed-term contracts are being treated increasingly as benchmarks that will be adjusted at least annually and renewed as long as both client and outsourcer perceive mutual benefit and trust in the relationship.

Overall, commercial outsourcing clients dislike pricing mechanisms such as time and materials that allocate the major elements of risk to the client rather than the vendor. This particularly applies to systems development contracts, whereby clients perceive themselves as carrying the larger burden of commercial risk. Clients would like to encourage greater vendor creativity, with the vendor taking a major share of the risk.

In particular, commercial clients would like greater flexibility in service usage, especially the flexibility to adjust the volume of services used to meet their business requirements and circumstances. In extreme cases, this could entail turning services on and off at short notice, with the vendor taking the commercial risk over whether the services are used or not.

Overall, there is an increasing tendency for commercial clients to insist on value for money throughout the life of outsourcing contracts. Some clients are ensuring that they achieve this by developing contracts that permit them to benchmark vendor pricing throughout the contract. This will place greater margin pressure on vendors by making it harder for them to significantly increase their profitability in the later stages of the contract.

**Evaluating the ASP Model**

If the ASP model evolves and matures, its flexibility and low cost will become increasingly attractive to higher education. Currently, about half of all institutions report experience with ASPs, and most, apart from BA institutions, have had relatively positive experiences. Some ASPs are struggling with intense financial and competitive pressures. In general, they are not well understood, they lack the critical mass necessary to fulfill their promises, and a few high-profile bankruptcies have put their viability in doubt. Many believe this IT vendor category will not survive.

Better funded and more nimble ASPs may replace those that fail. Widespread acceptance of the ASP model in higher education is probably at least five years away. Until then, the vendor marketplace is likely to be divided among specialized vendors such as Collegis and SCT; relative newcomers like Blackboard and WebCT, which will seek to expand and extend the range of their product and service offerings; and large full-service, top-tier outsourcing vendors like IBM. What emerges may look a lot like yesterday’s systems integrator or transaction processor, but it will have the added advantage of being able to offer easily portable and replicable low-cost solutions tailored to the special needs of higher education.

The ASP market is undergoing a shake-out wherein the most successful ASPs are horizontal aggregators offering a host of solutions to the entire market. These integrated suites of applications have begun to focus on complex internal processes that a majority of today’s businesses face regularly. INPUT expects the ASP market to undergo a second shake-out. Eventual winners will be those aggregators who do only those things required to meet the specific needs of vertical sectors and horizontal functions. Providers must continually pursue a focused approach for the niches they choose to target. The resulting solutions will let small companies scale their operations more quickly and efficiently, and large companies
will be able to make their resources more accessible to employees, customers, and partners.

Higher education's experience with the ASP model has been problematic. While 66 percent of public institutions reported that their ASP experience was as good as or better than expected, only 31 percent of private institutions reported that their experience met expectations. No private institutions reported that their ASP experience was better than expected, and 17 percent actually reported that it was worse.

**The Survey Data**

While most (58 percent) of U.S. and Canadian institutions of higher education do not outsource their IT functions, a substantial portion (42 percent) does. On the basis of reported plans for the next five years, the number of outsourcers is likely to grow.

**Cautious Optimism**

The most commonly cited reason for using the IT outsourcing option was a lack of adequate in-house skills, followed by the desire to achieve operating efficiencies. The greatest reported benefit was access to superior technical solutions, followed by lower risk.

The most frequently encountered problems associated with outsourcing were “vendors didn’t fulfill their promises” and “project implementations took longer than expected.” Customers in commercial and government markets typically express similar complaints, though with less frequency. This suggests that systematic training in contracting methods, negotiating techniques, and contract management might enhance higher education’s readiness in this area of activity.

The IT functions most frequently outsourced are IT infrastructure, application services, and e-learning (each at approximately 17 percent of total outsourced IT functions). The segments least likely to be outsourced appear to be business process operations (10 percent) and distributed services (11 percent). Yet, the forecast size and growth of the BPO segment in higher education is relatively large, which suggests a small number of contracts with high dollar values. Among non-outsourcers in the higher education segment, IT functions considered most suitable for outsourcing are application development (19 percent) and network services (12 percent). The majority of higher education institutions outsource on the enterprise level only, although this seems to be related to institution size and academic program complexity.

Institutions that outsource have a more diffused decision-making structure compared with those that do not. Specifically, 59 percent of institutions that outsource give individual programs and other units within the institutions some ability to make their own decisions regarding outsourcing, while 45 percent of institutions that do not outsource distribute that decision.

Most institutions award contracts through a competitive bidding process (58 percent). The most heavily weighted criterion in vendor selection is vendor capabilities. Thirty-seven percent of all institutions reported that their outsourcing implementations lasted less than six months; 49 percent of private institutions fell in this category, but only 28 percent of public institutions. While 34 percent of all institutions reported that they may bring the already outsourced IT function back in house, 54 percent reported that they intend to outsource additional IT functions to new vendors.

Seventy-seven percent of survey respondents reported familiarity with the ASP model, and 53 percent of all institutions that outsource reported having signed a contract.
with an ASP. Overall, institutions are most likely to use an ASP for e-learning or processing services. Systems integrators are preferred for IT infrastructure work. Higher education’s satisfaction with the ASP model is mixed. While half reported that services were delivered “as expected,” 16 percent either regretted the ASP decision or reported that such service was worse than expected. Eight percent of higher education ASP users were more satisfied than they expected to be.

While membership in a consortium doesn’t appear to necessarily presage outsourcing activity, it does appear to promote the kind of cooperation and sharing that outsourcing can advance.

Public versus Private: Similar Goals, Different Approaches

Public and private institutions outsource roughly in the same proportion (41 percent versus 44 percent), but public institutions are more likely to outsource business-driven IT functions, such as e-learning and business process operations. Private institutions are more likely to outsource technology-driven IT functions, such as distributed services, processing services, application management, and IT infrastructure.

When asked about the benefits of IT outsourcing, public institutions ranked “access to superior technical solutions” most highly, while private institutions ranked “better functionally” as more important. However, both public and private institutions encountered similar problems with outsourcing, mainly “project implementation took longer than expected” and “vendors did not fulfill their promises.” A larger percentage of public institutions reported a flawed internal process (9 percent) than private institutions (2 percent). Individual programs or other units are more likely to be involved in the decision to outsource IT in public institutions than in private institutions.

State governments and collective bargaining units have more influence on the outsourcing decisions of public institutions than of private ones. Fifty-three percent of public institutions reported that state authorities wield a moderate influence over their decision whether or not to outsource IT functions. Sixty-six percent of public institutions reported a strong influence from collective bargaining units.

Of all public institutions, 61 percent award outsourcing contracts on a competitive bidding basis, compared with 54 percent of private institutions. Also, public institutions are more likely to use consultants as part of their outsourcing process (78 percent versus 66 percent for private institutions).

Public institutions assign more importance than private institutions to prior outsourcing experience as a vendor selection criterion. Although both public and private institutions report the same level of satisfaction with their outsourcing vendors, private institutions are more likely than public institutions to switch incumbent outsourcing vendors. Public institutions also appear to be more pleased with their ASP experience than private institutions. Although public and private institutions use ASPs in approximately equal proportions, their levels of satisfaction are quite different. While 54 percent of public institutions found their experience “as expected,” only 31 percent of private institutions did so. And while 12 percent of public institutions reported their experience as better than expected, only 2 percent of private institutions reported positive unexpected outcomes. In fact, 17 percent of private institutions described their experience as “worse than expected,” compared with no such reports from the public institutions. The research is not conclusive as to how much of the ex-
The expectations performance gap relates to differences in expectations versus differences in performance and management practice.

**Research Institutions and IT Outsourcing**

Research institutions outsource less than MA-granting institutions (36 percent versus 45 percent) and less than BA-granting institutions (36 percent versus 40 percent). They do, however, outsource more than community colleges (36 percent versus 33 percent). The application that research institution respondents report outsourcing the most is e-learning. The function that research institutions outsource the least is distributed services.

Research university respondents who outsource IT are motivated by securing “access to superior technical solutions” and to the potential benefit of “streamlined operations.” The most important issue that research institutions encountered with IT outsourcing was the inability of vendors to fulfill their promises. Unlike their counterparts elsewhere in higher education, research institutions are more likely to outsource on the institution or program level than on the enterprise level. Also, among all institutions, the outsourcing decision of public research institutions is the most likely to be influenced by state governments.

Among all institution types, research institutions, are the most likely to use competitive bidding in the vendor selection process. They are also the most likely to spend additional money on projects related to IT. For vendor selection criteria, research institutions ranked capabilities and prior outsourcing experience as most important. Reputation was the lowest ranking selection criterion.

Research institutions are the least likely to change outsourcing vendors once an award has been made. However, they are the most likely to in-source the currently outsourced function after the contract expires. It’s probable that much research institution outsourcing is situational or opportunistic, allowing such institutions to gain rapid access to scarce skills that over time are developed within the IT workforce. This interpretation of research university IT outsourcing as IT skill augmentation might also explain why these institutions reported that they are likely to outsource additional functions to new vendors. In other words, IT outsourcing churn and growth in this segment of higher education appear to be motivated less by satisfaction or dissatisfaction than by the ebbs and flows of IT skills at the institution.

Respondents from research institutions are the most familiar with the ASP model, but they also reported the highest percentage of respondents who did not select an ASP as a vendor. There is insufficient data to suggest that familiarity breeds contempt, but this higher education sector resembles the informed skeptics of the commercial marketplace.

**MA Institutions and Financial Concerns**

Master’s institutions outsource the most among all types of institutions, excluding specialized, tribal, and Canadian colleges and universities. Reasons cited for outsourcing IT functions in this community are the lack of in-house skills and the desire to achieve operational efficiencies. MA institutions may be the most cost-conscious respondents among those participating in the 2001 survey. Price was more often the dominant vendor selection criterion for respondents from MA institutions than for respondents from any other segment of higher education.

MA institutions reported that their most frequently encountered problem is that their outsourcing projects take longer than ex-
ected to implement. Even so, these institutions tend to be relatively more bullish than research institutions in their attitude toward outsourcing IT functions, and they express a strong preference for outsourcing application services. As a group, MA institutions are the least likely to outsource distributed services and processing services. Not surprisingly, MA institutions reported less participation by units in the outsourcing decision-making process than research institutions but the same level of involvement as BA institutions. Outsourcing decisions in this sector were influenced to a greater extent by state government and by collective bargaining agreements or concerns. Among all institution types, MA institutions are the least likely to spend money on additional outsourcing-related services. This may reflect their concern with vendor flexibility, a concern exacerbated perhaps by the focus on costs and cost controls. MA institutions reported generally positive experiences with the ASP model. Among outsourcers, MA institutions reported the highest rates of participation in consortia.

A Different Drummer for BA Institutions

The survey data show a profile of attitudes and experiences for baccalaureate institutions that differ significantly from those of other types of institutions in interesting ways. After MA institutions, BA institutions tend to outsource the most, owing primarily to a reported lack of adequate in-house skills and a desire to achieve operational efficiencies. A significant portion (20 percent) of BA respondents also report wishing to achieve cost savings through IT outsourcing. BA institutions reported the highest percentage of IT infrastructure outsourcing among all institutions. Respondents do not engage in BPO at all. BA institutions, not surprisingly, aren’t influenced by either state government or organized labor. Respondents from these institutions are, however, strongly influenced by broad employee concerns. The major benefits that BA institutions seek in IT outsourcing are reduced risk, better IT functionality, and IT staff reduction. Among all institution types, BA respondents most often selected IT staff reduction as a desired benefit of IT outsourcing.

Seventy percent of respondents from BA institutions included in the survey reported that they typically select IT outsourcing vendors through a sole-sourcing process, compared with 42 percent of all institutions engaged in IT outsourcing. Of all institutions, BA institutions assigned least importance to the vendor selection criterion of “prior experience with outsourcing.” At the same time, these respondents assigned only moderate importance to “experience in higher education” as a criterion for vendor selection.

When asked about obstacles to IT outsourcing, BA institutions cited budget overruns almost three times as often as other types of institutions. This was also the major issue that BA institutions encountered in their specific IT outsourcing initiatives—again, more often than other institutions. Significantly, these respondents reported no problems with insufficient planning or a flawed internal process. Of all institution types, BA institutions reported the highest vendor satisfaction, and they gave “vendor flexibility” the highest satisfaction rating among all institutions. These findings strongly suggest the existence of an effective set of business practices as an alternative to the conventional wisdom of competitive bidding in this segment of higher education. Among all institutions, BA institutions were least likely to in-source the already outsourced function, but they were also least likely to outsource additional IT functions to new vendors.

BA institutions were least familiar with
the ASP model, and a substantial 41 percent of them did not sign with an ASP because of this lack of familiarity. Those who reported using an ASP generally reported a poor experience. Only 20 percent reported that their experience was “as expected,” compared with 50 percent for all institutions. A relatively high 20 percent of BA institutions reported that their experience was “worse than expected,” while 7 percent regretted using an ASP, compared with 6 percent of all institutions. This subsegment was quite small, so these specific findings cannot be generalized with any confidence.

**Ambivalence Among AA Institutions**

Public associate’s institutions outsource the least among all types of institutions, but when they do outsource IT, they are likely to be motivated by the desire to access innovative services. Interestingly, AA institutions were the least likely to consider cost savings as a benefit of outsourcing. Community colleges cited “lack of cooperation among internal units” as their most important outsourcing issue.

The IT functions that AA institutions most often outsource are application services and e-learning. The least outsourced function is processing services. These respondents outsource almost exclusively on the enterprise level, reflecting perhaps the relative centralization of operations in this segment. AA institutions also reported the least involvement of institutional units in the IT outsourcing decision.

Interestingly, community colleges that did not report engaging in IT outsourcing reported the highest influence by state governments on the decision. Conversely, those AA institutions that did outsource reported relatively low influence by state governments. Again, sample sizes in this segment of higher education are not sufficient to draw confident generalizations. Further research is suggested on the specific role government plays in the IT outsourcing decision.

Unlike other institutions, community colleges reported being highly influenced by collective bargaining units in their outsourcing decisions; 65 percent of outsourcing AA institutions reported influence by collective bargaining units, compared with 21 percent of all institutions. These institutions more often than any other type cited insufficient planning and resistance from collective bargaining units as obstacles to their IT outsourcing process. However, they encountered budget overruns as an obstacle to a lesser extent than other institutions. Superior cost controls may in fact be an artifact of competitive bidding. After research institutions, AA institutions are most likely to use competitive bidding for vendor selection. Of all institutions, AA institutions gave the greatest importance to “prior experience in higher education” as a vendor selection criterion.

IT outsourcing in the community college segment seems problematic. Surprisingly, AA institutions gave price the lowest ranking as a vendor selection criterion, yet these respondents ranked the lowest in IT outsourcing overall vendor satisfaction. While these respondents did express relatively high satisfaction with vendor reliability, customer service, and project management skills, they are most likely to switch from current IT outsourcing vendors, highly likely to in-source currently outsourced IT functions, and least likely to outsource additional functions to new vendors.

After research institutions, AA institutions reported the highest level of familiarity with the ASP model and the highest level of active participation with ASP vendors. ASP adopters in this sample were more satisfied overall with their ASP experience than others in higher education. Again, small sample
sizes diminish the value of this finding. Despite higher than typical reported satisfaction levels, 15 percent of community college respondents using an ASP believe they selected the wrong vendor.

**Conclusions and Recommendations**

As higher education finds itself under increasingly intense competitive and financial pressures, outsourcing in general and the ASP model in particular may become increasingly attractive ways to obtain scarce IT resources, streamline operations, and make the university or institution as a whole more flexible and efficient. The survey data document the extent to which this process is causing both satisfaction and anguish. A significant minority admits to projects that went seriously wrong. In higher education as well as in the broader commercial and government markets, outsourcing is now perceived less as an option and more as the way modern business is done—especially e-business. Already, myriad administrative, course management, and communications functions are being interconnected electronically.

**The Human Factor**

A preponderance of evidence, supported especially by the case studies, suggests that higher education will be slower than either commercial firms or government organizations to adopt IT outsourcing. The sector lags because of various human factors unique to its organizational structure as well as its special sense of purpose.

Unlike most commercial firms, many institutions of higher education can boast of continuous operation over more than a century, and they expect to remain in operation far into the future. From their perspective, levels of business risk that commercial firms accept as normal may be too high. Also, competitive pressures aren’t forcing them to be pioneers in the area of IT operations. The luxury of adopting this long-range perspective may fade as financial and other pressures increase, but higher education’s essentially skeptical stance will not likely change any time soon—nor should it.

Institutions of higher education share a unique sense of mission and purpose. Their sense of uniqueness and the organizational structures that result create employee concerns that have no counterpart in the commercial market and are less important in government. According to survey data, public and private institutions alike report that employee concerns represent their single most important obstacle to outsourcing, even though only 12 percent of respondents from all institutions related these concerns to organized labor.

Apart from this, institutions of higher education—both large and small—have bureaucracies that are easily threatened by change, even small changes. Tradition, simultaneously a strength and a weakness, weighs heavily on faculty, staff, and administration alike. Higher education institutions are justifiably proud of their histories, and, in the quest to build communities around enduring values, eschew academic and business fashion. As a result, institutions that can afford to do so become IT innovators at the margin while remaining skeptical, second-wave adopters at the core. Private institutions, particularly private liberal arts institutions, compete on the basis of personalized services and intensive labor (low faculty-student ratios). Such institutions are necessarily careful about substituting IT capital for people.

Few institutions have the luxury of the new Franklin W. Olin College of Engineering in Needham, Massachusetts. Specializing in engineering education (electrical, computer, and mechanical) on a brand new
70-acre “greenfield” campus, it admitted its first group of 30 pilot student-partners in fall 2001. In fall 2002, the college’s first full freshman class takes up residence in classrooms that are fully wired with state-of-the-art fiber-optic cabling and high-speed Internet connectivity to support totally mobile computing everywhere on campus. Most significantly, Olin doesn’t need to condition its vision of IT by its history or its legacy technologies. Not surprisingly, this institution chose an outsourcing solution for its IT infrastructure.

**Sourcing and Contract Administration**

The survey data suggest that higher education needs to engage in further research and training concerning the procurement and management of IT outsourcing and ASPs. Higher education lags the federal government in competitive bidding, where full and open competition is used in more than 50 percent of all contracting. While these practices appear to be effective in the governmental context, their effects in higher education are more equivocal. Public research universities appear to be effective and satisfied focused outsourcers who make extensive use of competitive bidding. Community colleges appear to be winning the battle of managing costs through competitive bidding, yet at the same time they seem unhappy overall with IT outsourcing outcomes. Baccalaureate institutions in particular demonstrate that sole-sourcing can be highly effective in producing positive long-term outcomes. While respondents from this educational segment report challenges in managing project costs, their IT outsourcing arrangements enjoy high flexibility, sustainability, and institutional satisfaction. In essence, users of sole-source methods may pay more, but ultimately they seem to get what they wanted.

These findings aren’t conclusive, but it seems clear that competitive bidding and sole-source contracting can either succeed or fail as procurement strategies. The keys seem to be uncovering effective practices in these areas and understanding the contexts in which these practices are most likely to achieve traction.

**Planning and Requirements Definition**

Case studies, particularly the California State University case study, demonstrate the importance of planning and careful definition of outsourcing requirements. Critics may complain that the CSU planning process was long and its preparations for outsourcing arduous. However, one fruit of that institution’s patience was a rapid decision-making process for vendor selection. CSU’s agreement with UNISYS, which appears to be operating as expected, seems to have benefited from good requirements definition.

**Evaluating Vendor Types**

The survey data show a diversity of approaches toward outsourcing, including marked differences in preference regarding which IT function is most appropriate for outsourcing, which type of vendor to use, and whether to organize outsourcing on the enterprise or unit level. Beyond that, the choice of a hosted and managed solution or an in-house one should reflect the institution’s values, its level of executive support, and the use of a well-planned, broad-based approach to vendor selection. In some cases, the highly targeted, best-of-breed approach that outsources only specific applications is appropriate. In others, it’s better to use the comprehensive, bundled approach, whereby a single outsourcing vendor, acting as a general contractor, selects the applications that are most compatible with a package solution.
The Customization Question

Few aspects of software implementation, or outsourcing, can run up costs faster—or cause as much anguish—as battles over the appropriateness of customization. This battle must be fought and resolved before vendors are called in. When they’re involved, they are subject to painful conflicts of interest. Although demands for customization can represent attractive new sources of profitable work, those demands can also put schedules behind, cause budget overruns, and produce severe stress among stakeholders in the project.

The survey data show contradictory responses to questions about customization. The decision of whether (or how much) to customize is often contentious and a source of friction between institutions and vendors, and among faculty, staff, and administrators.

System Performance and Vendor Reliability

Survey respondents corroborated the experience of customers in commercial and government markets by ranking cost savings as less important than experience, performance, and reliability in the vendor selection process. Even the federal government’s complex and detailed procurement requirements permit agencies to select a vendor’s higher priced bid if the decision can be defended with offsetting benefits.

In higher education, as in the commercial market, experience repeatedly has proven the importance of avoiding the lure of deceptive, short-term cost savings that expose the enterprise to long-term risks with a potential for very expensive remedies.2

Endnotes

1. Poor planning, poor project management, and poor communications are widely understood and agreed-upon sources of project failure in this arena.

2. The University of Alberta case study demonstrates how the widespread consequences of disruptions to an ERP system can more than justify paying what may be a premium to an outsourcing vendor with the skill and capability to deliver reliable functionality.