

Outsourcing at the University of Canberra – the story so far...

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Introduction

In June 2009, the University of Canberra entered into a five year agreement with Wipro Technologies to partner the university by providing services relating to Information and Communication Technology (ICT) and Business Process Outsourcing (BPO). These business processes include finance, human resources and student administration related activities and functions.

From a student administration perspective, this was a particularly brave new world. Whilst Wipro has extensive experience in providing information technology, human resources and finance related services to many leading international companies and organisations from a large array of industries, the University of Canberra partnership represents their first experience into the higher education sector. The outsourcing of admissions processing has therefore resulted in a steep learning curve – on both sides of the Indian Ocean.

Now more than one year into the agreement, it is a good time to reflect on what we have achieved so far. This paper will explore the journey to date and relate some of the lessons learnt along the way. It will also touch on some of the remaining challenges and potential future developments that can be achieved from partnerships of this type with external providers.

Outsourcing in the Higher Education Environment

The notion of outsourcing in higher education is relatively new, with most of the literature on the topic being developed in the past decade and emanating from the US (Phipps & Merisotis, 2005). Services most commonly outsourced in the higher education context include food outlets on campus, bookstores, cleaning services, general facilities management, security services and the management of residential and sporting facilities.

A 2002 survey of more than 100 colleges and universities in the US showed that 91% had outsourced at least one service and that 65% of the institutions had outsourced between two and five services and 13% had outsourced more than five services (UNICCO, 2002). Whilst comparative Australian data is not widely available, it could be expected that the results would be similar. The existence of Tertiary Admissions Centres (TACs) in each state and territory is evidence of outsourcing in the Australian higher education environment and services such as security provision, cleaning and maintenance services and the management of sporting facilities are increasingly being outsourced by Australian universities.

Potential benefits and costs of outsourcing

Whilst a lot of the literature focuses on cost savings as the main driver for outsourcing, other acknowledged benefits include:

- Outsourcing suppliers can be engaged to introduce new technology and advanced infrastructure which can be leveraged off in developing economies of scale. This also exposes the institution to an expanded network of strategic partnerships and increased breadth and depth of expertise that might otherwise be unattainable.

- The quality provided by a third party that specifically excels in a particular service and whose reputation relies on the satisfaction of its customers with that service will generally be superior to anything an organization can hope to develop internally.
- For services that require differing staffing compliments at various times of the year, outsourcing arrangements allow an institution to mitigate the cost and risk of staffing inefficiencies that might otherwise occur.
- In areas of high staff demand and turnover, outsourcing arrangements provide access to highly qualified staff with appropriate training, educational support and certification programs that the institution might not otherwise achieve.
- Outsourcing providers can provide expertise and experience gained from other entities to which they have provided services. They will often have implemented systemic improvements and enhancements in other organisations that can be leveraged from in identifying process and product enhancements.

Whilst many of the perceived benefits of outsourcing are tangible in nature, most of the potential costs of outsourcing are intangible. ATP Services, an outsourcing company based in India, indicated in a 2009 press release that the greatest costs or risks associated with outsourcing include:

- Linguistic barriers: where the function is outsourced to a foreign location and the first language of the foreign location is different, significant issues can arise. Differences in accents, word use and phrases can create difficulties and this can occur in both spoken language and written correspondence.
- Social responsibility: when outsourcing occurs, there are generally direct implications on employment opportunities in the community that the institution serves, which may create a level of resentment and negative perception with the community.
- Company knowledge: outsourcing the functions of an institution results in outsourcing of the knowledge base. Knowledge of the company, its history and environment can be quickly diminished as can the understanding of specific nuances about an organisation's activities.
- Staff turnover: as outsourcing companies tend to concentrate on specific functions and services, jobs tend to be highly monotonous and can lead to a high staff turnover. This can in turn affect the productivity of the outsourcing company and have a negative impact on the institution (ATP Services, 2009).

Phipps & Merisotis indicate that a major concern for higher education institutions in outsourcing their services is the lack of understanding of the culture and the mission of the institution that an outside vendor might have, which can directly impact on the experience of students and staff on campus. They argue that this can lead to a perception of poor service and customer satisfaction, especially where the outsourcing has resulted in redundancies in the workforce, which can threaten the sense of community and identity of a campus.

The University of Canberra context

In 1967 the University was established as the Canberra College of Advanced Education. The College became the University of Canberra with effect from 1 January 1990 making it one of the youngest universities in Australia. It is also one of the smallest with approximately 12,000 students and 9,000 Equivalent Full-Time Student Load (EFTSL).

In 2006 and 2007 the University faced a period of great financial concern. Following a period of decreasing enrolments, the University posted a significant financial deficit and identified a number of

underlying cost structure problems. At the same time, and under the leadership of a new Vice-Chancellor, the University was developing a Strategic Plan to cover the period from 2008 to 2012. This Plan includes five specific strategies which are supported by 39 steps (University of Canberra, 2007).

Of particular relevance is Step 4 under the strategy of "Strengthening our Foundations":

Step 4. Streamline our procedures and cost structures, making full use of information technologies and eliminating paper transactions wherever possible.

Another issue specific to the University of Canberra was the known skilled shortage in the Australian Capital Territory with specific reference to information technology and finance specialists. The University had continual difficulties in attracting and retaining well qualified and affordable staff in a relatively small but highly competitive marketplace.

Given this background, the University initiated a Process Simplification Project, supported by funding from a Workplace Productivity Program (WPP) grant. An external review was conducted by AT Kearney who found that the University had a large number of fragmented administrative processes that were supported by a skeleton resource base with a lack of specialist skills. The review also found that there was significant institutional frustration created by a complex administrative structure and processes and that this had created significant inefficiencies and a lack of economies of scale.

One of the recommendations of the review was to consider the outsourcing of facilities management, some ICT management and general business processes and to consider both onshore and offshore providers. The University's response was to support this recommendation with various outsourcing arrangements developed as follows:

- The operation, management and development of student accommodation (non-exclusive) on the University of Canberra campus was outsourced to Campus Living Villages (CLV).
- Prospective student inquiry management for both domestic and international students was outsourced to a Melbourne based company (Hobsons).
- The management of facilities and grounds maintenance was outsourced to Spotless.

Whilst these developments were significant, they did not address the underlying concern with the viability of other administrative support areas of the University and it was decided that the outsourcing of ICT, human resources and financial services should be engaged. This process was instigated in February 2008 and after a detailed process of site visits, external advice and internal approval processes, a contract with Wipro was signed in June 2009.

The outsourcing contract with Wipro was established to cover ICT applications maintenance and support, application development and infrastructure services and support. It also covers business processing outsourcing for human resources, finance and student administration functions. The engagement covers functions including payroll, accounts payable and receivable processing, bank reconciliation, student admissions and government reporting requirements.

Wipro is an Indian based provider of information technology, business process outsourcing and product engineering services. It has more than 100,000 employees and an annual revenue figure of more than \$7 billion. It lists more than 800 different clients covering 35 countries in the Americas, Europe and Asia Pacific region. Wipro has been in Australia since 2002 with centres in Sydney, Melbourne and Adelaide and has developed strong partnerships with large product companies in the region.

The University of Canberra partnership represented the first engagement that Wipro had undertaken with a higher education institution. Given the extensive experience that Wipro had in general business process outsourcing, this was not seen as a significant risk to the University, but it did have particular implications for the outsourcing of student administration functions. In June 2010, the University of Canberra and Wipro celebrated the first anniversary of the five year contract.

The outsourcing process

The move to outsource ICT and business processing functions to Wipro went through a number of agreed phases. An initial transition phase was implemented from June to August 2009, which involved the initial hand over of responsibilities with significant support from University staff to ensure appropriate understanding and process knowledge was transferred. This required University of Canberra staff to provide detailed work instruction and work flow documents to Wipro as part of the transition phase.

A stabilisation phase then took place between August 2009 and February 2010. During this period, Wipro were charged with delivering the outsourced services with little intervention from the University. Regular discussions and reciprocal site visits were maintained during this period to ensure expected service levels were achieved and dedicated staffing levels were reviewed where required.

From March 2010, the contract reached “steady state” which recognised that Wipro had assumed responsibility for the day-to-day operations of the agreed services and that they were being delivered to the expectations of the University.

As part of this process, a series of agreed metrics were developed so that Wipro could regularly report to the University against a series of key performance indicators. These indicators were agreed as key metrics to measure the ongoing success of the relationship and were specific to each service provided through the engagement. Wipro provide weekly and monthly reports against the agreed metrics and these are supported by monthly, bi-annual and annual meetings to discuss performance, areas of concern and potential areas for further development.

Lessons learnt so far – A Student Administration perspective

Whilst the comments made in this section will generally relate to the student administration engagement, many of the issues identified are common to other areas of the engagement to varying degrees of extent. In no particular order, the most significant lessons learnt from the first year of the outsourcing arrangement include:

Underestimating the complexity of the work was widespread

The initial approximation of time and resources required to transfer functions to a third party located in a foreign country were generally conservative. In most parts of the engagement, additional training time and resources were required as part of the stabilisation phase to ensure the University was comfortable in signing off on the steady state phase of the relationship.

This was particularly evident for the admissions processing that was outsourced and in many ways not an unexpected outcome. Given that Wipro had no experience with Higher Education institutions or the Australian Higher Education system, the time spent in updating work flow and instruction documents and then training the external staff members in dealing with the various scenarios they would face in processing applications for study was far greater than first expected.

There were also several revisions to the number of continuing staff required by Wipro to provide the appropriate level of processing to meet the performance measures agreed through the engagement. A related issue that was initially underestimated was the need to retain an appropriate level of experienced staff on campus to support the work being undertaken offshore. For admissions, this included staff that could deal with applications that had specific issues requiring escalation and the processing of applications for special cohorts.

If cost savings were to be seen as the only driver for outsourcing, this may have been deemed to be a noteworthy concern, but given that the University had a longer term view of the various success measures, this was deemed to be a necessary learning outcome of a completely new way of fulfilling this function.

Language and cultural differences cannot be ignored

All of the staff engaged by Wipro as part of the contract with the University are well educated, with a minimum bachelor degree education. However, English is a second language to all of them and so communication with staff, students and external bodies needs to be carefully managed.

The experience at the University of Canberra has been that telephone conversations can be difficult not only because of the quality of the connections, but also due to accents and phrases that are used in different contexts in India. There are also issues with the written language, with many Wipro staff being able to converse well verbally, but struggle with getting the correct messages across in email communication and other written forms.

This has created a learning opportunity for both sides of the engagement. Staff at the University of Canberra have developed a mentoring role in supporting the development of stronger communication skills from Wipro staff. This has included the initial development of standard email templates for Wipro representatives to use in particular circumstances and to learn from in developing additional templates as required. Not only has this assisted with the communication aspects of the engagement, but it has also engendered better relationships between staff from both organisations. It has also given the University to critically evaluate its own processes and communication techniques to identify potential areas for improvement.

Cultural differences also need to be recognised and carefully managed as part of the relationship. In some areas, perceived performance issues have been traced to gaps in expectation of the service being received and provided by the relevant parties. This has occasionally led to review of contracts and scope of work documents to develop an agreed understanding of service levels.

Context of the university environment is essential for success

Given that key business processes were being outsourced to a third party in a foreign country with no experience in the Australian higher education sector, understanding the context of the University of Canberra environment has been critical.

This has resulted in regular site visits from senior Wipro staff for each aspect of the engagement, and was particularly important for the ICT engagement and the service desk role in particular. This has also been an issue for the student administration engagement with specific efforts made to educate colleagues in India about the higher education sector in general and the University of Canberra environment in particular.

Recent initiatives have been aimed at assisting Wipro colleagues to feel a part of the University of Canberra community. This has included the development of service awards for excellent customer service and consideration of other tangible initiatives including potential scholarship opportunities for selected Wipro staff to undertake further studies at the University of Canberra and possible reciprocal visits between selected University of Canberra and Wipro staff as recognition of outstanding performance.

A strong and detailed communication plan needs to be developed

During the early phases of the outsourcing engagement, there was significant resentment from some areas of the University of Canberra community. Given that redundancies were well documented as part of the transition to an outsourcing arrangement, the perception of a loss of service was understandable and somewhat expected. In some areas, a culture of using Wipro as a scapegoat for performance issues also developed in the initial phases of the engagement.

The University communicated openly and broadly with staff through the transition stages of moving functions offshore, which included staff briefings by the Vice-Chancellor and the development of a frequently asked questions register on the website. However, this continues to require close attention and management. In some areas, including services provided by student administration, continual emphasis on a "one team" approach has been required. For example, if a concern is raised by a member of the university community regarding an admissions issue, then it is dealt with as a student administration issue rather than a Wipro or University of Canberra staff issue. Similarly, if positive feedback is received for a specific situation, this is shared with all staff involved regardless of location.

The perception of the outsourcing arrangement being wholly focused at saving the University money is a difficult perception to change. Continual communication of the non-tangible and tangible benefits for engaging in an outsourcing contract has been, and will continue to be, required.

Quality assurance is challenging, but has its rewards

Given that many of the metrics used to continually monitor and evaluate performance were based on quantitative data, the issue of quality assurance has been an ongoing challenge. The regular reports provided by Wipro provide indicators of error rates and turnaround times, for example, which they calculate based on the data they have available to them. Given that no specific resources were allocated to quality assurance as part of the engagement, this has resulted in random sampling techniques to verify or question the accuracy of what is presented.

A problem with this process has been the availability of staff time to undertake these sample checks. In the initial phases of the implementation, quality assurance largely took place as the result of complaints and concerns received from prospective students or their agents. A greater focus has been placed on allocating time to this process going forward. This will benefit both parties involved in the engagement with a greater sense of assurance hopefully achieved by staff at the University and the increased scrutiny on the activities of Wipro staff leading to stronger reliance on their performance.

Further opportunities can be explored

Whilst the scope of work being outsourced as part of the engagement with Wipro was seen to be extensive and wide-ranging, the development of the relationship over the past twelve months has provided indications that further opportunities might be available.

As the University gains more comfort and stability with the services provided by Wipro, it continues to explore other prospective services that would warrant further consideration. These considerations range from the somewhat obvious opportunities to expand on the existing services provided under the contract to potential initiatives of a broader nature that might be possible using the breadth and experience that the Wipro company has to offer.

Conclusion

The outsourcing agreement between the University of Canberra and Wipro has been widely considered to be successful during its first year of operation. Whilst there have been issues to be addressed by specific parts of the engagement, the general consensus is that it is heading in the right direction and meeting the long term objectives of the University.

Whilst literature on outsourcing in the higher education context is relatively limited, it is in some ways comforting to know that the potential benefits and risks of outsourcing that have been published have been experienced to some extent at the University of Canberra.

Many lessons have already been learnt in the first year of the engagement. In some instances, these lessons were not unexpected and it has been the extent to which they have impacted on the services provided that has provided the learning experience. In other circumstances, unforeseen issues have been identified and dealt with to enhance the relationship and have lead to further opportunities being recognised.

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