

# Challenges of Outsourcing University Functions

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## Abstract

This research paper seeks to assess challenges of outsourcing university function & to know about most sensitive issues in selecting an outsourcing agency. It is based on the primary data obtained through university's professional students, non professional students as well as university's employees. The respondents are briefed about the concept & questionnaires were administered. The study reveals that through outsourcing university's functions can be done in a far better way but along with this it also creates some challenges in front of students and university's in source employees. It also discuss about major issues to be considered while selecting an outsourcing agency. Overall this paper unmasks the actual experience of outsourcing of services in university.

Keywords: Outsourcing, service quality, governance

## 1. Introduction

Despite the steady increase in the number of private sector providers of higher education, universities (either public, private central or deemed) remain the mainstay of higher education sector and the core social infrastructure for knowledge production and professional training. To survive in a competitive global market with more than 570 universities in India (22 in Haryana) and to accomplish long term growth, universities need to develop and focus on their core competencies. Research which does not yield new products is pointless, and courses which don't feed job skills are a waste of time. Nevertheless financial limitation still remains the universities' main challenge because they are funded by the exchequer, yet they are expected to provide quality education to their clients (students) whose population has been growing rapidly. Thus limited finances and large student numbers have brought about challenges not only of maintaining but also of improving the quality of services. That is why now a day's university are considering outsourcing as an option in their efforts to cut costs, improve efficiency and meet the demands for greater accountability. The outsourcing focuses on some services previously provided and managed by university itself.

Ender & Mooney (1994) sees outsourcing as a form of privatization that refers to a university's decision to contract with an external organization to provide a campus function or service. It is the act of transferring some of the university's recurring internal activities and decision rights to outside providers. This transference of activities and processes enables the principal (university) to save cost and focus on areas of key competence along with achieving its long term goals.

## 2. Literature Review

Advocates of outsourcing argue that the private sector provides service more efficiently and at lower costs than the public sector, which is unmotivated by profit (Jeffers, 1996). The resulting savings allow the institution to focus more resources on its core educational operations which are teaching and research. (Ender and Mooney, 1994).

Kirp (2004) adds that if a higher institution is to thrive as an academic venture, then teaching, learning and research – the core of the institution – must remain the responsibility of its members. Now a days colleges and universities in India are testing these theories through increasingly outsourcing more of their functions in an effort to reduce costs, increase service efficiencies and to focus on its core competencies. Subsequently, critics of outsourcing feel that contract or outsourced staff may have less loyalty & commitment if they were employed directly by the university. Ender & Mooney (1994) also found that the greatest impediment to outsourcing is staff retrenchment and the negative impact on the morale of existing employees. They also offer a set of guidelines for mitigating the negative impact of outsourcing. These include like involving employees in selecting the contractor and re-bidding the contract often.

There is no shortage of advice on how to go about the process of outsourcing. For instance Rush, Kempner and Gooldstein (1995) suggests a core set of issues and questions that must be explored when management has to decide whether to outsource a particular function or not. They propose a decision making process with six categories of "decision factors" including: Human resources, financial issues, service quality, legal & ethical consideration, any tax ramifications, any other potential conflicts of interest, mission and culture (the effects of choosing an option inconsistent with the university's culture and historical mission, and management control and efficiency. Although there are good reasons to outsource, a number of potential obstacles and problems associated with outsourcing are also recognised. There is a evidence that outsourcing does not reduce cost as expected in some cases (Beaumont and Sohal 2004; Gonzales et al., 2005). However, some researchers have raised concerns regarding the potential loss of internal know-how through IS outsourcing (Willcocks et al., 2004) and the potential loss of intellectual property (Chen et al., 2002; Evaristo et al., 2005). Outsourcing involves the inherent risk of forgoing the development of the knowledge base of the firm. Hoecht and Trott (2006)

## 4. Research Objectives

The major objective of this research is to study the major challenges encountered due to outsourcing university's functions.

The secondary objectives are

- To identify the factors which hamper the university's decision to outsource.
- To examine the different problems associated with outsourcing in university
- To find out the most sensitive issues in selecting outsourcing agency.

### 5. Research Methodology

Questionnaires have been used as a primary source of data collection. The questionnaire was based on the factors that are deemed as significant challenges that can be encountered while outsourcing university functions and the issues in selecting outsourcing agency.

Descriptive cum analytical research was opted to identify the characteristics of the population under study. The main purpose of this research is to examine the challenges of outsourcing university's functions. The study was carried out on 150 respondents including professional, on professional students & teaching and non teaching faculty in MD University. It has also been examined through the questionnaire that which are the most sensitive issues in selecting an outsourcing agency.

### 6. Data Presentation & Findings

Factor analysis test was used to identify the challenges while university outsource their functions. As depicted in Table 1, the mean for all the respondents lies in the range of 1.6133-2.3400, which shows that all the respondents are either strongly agree or agree with challenges stated herewith for outsourcing university's functions. However, along with this through the S.D, which is a common method of dispersion confirmed that most of the respondents are clustered around the mean.

The Kaiser-Meyer-Olkin (KMO) (Table-2) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. Higher values between (0.5 and 1.0) indicate factor analysis is appropriate. As we can confirmed from the Table 2, that KMO value is .608, which shows that sample is adequate for the purpose of the study. Communality (through Table3) is the amount of variance a variable shares with other variables considered. This is also the proportion of variance explained by the common factors.

The table above shows the extracted information after data reduction. We can infer from the result given in table that variable negative attitude by staff after reduction represent 70% of information (Table3)

The table 3 also provides insights into how many variables can be clubbed together to make a single factor. Eigen value represents the amount of variance associated with the factor. Six factors are derived from 16 variables. The percentage of variance indicates the total variance attributed to each factor. The cumulative variance in the above mentioned problem is 63.337. Interpretation is facilitated by identifying variables that have large loading on the same factor. That factor can be interpreted in terms of the variables that load high on it through table 2. Six components are extracted from a list of 16 factors.

Descriptive Statistics (Table 1)			
	Mean	Std. Deviation	Analysis N
negative attitude by staff	1.773	0.868	150
less knowledge & capability of outsourced staff	2.02	0.878	150
low employee commitment /loyalty	1.887	0.966	150
delay in services	2.047	0.915	150
poor monitoring & evaluation	2.047	0.9	150
lack of transparency in functions	1.84	0.883	150
affects lead time	2.033	0.893	150
poor performance std.	2.34	0.327	150
sharing of secret information	1.94	0.892	150
transfer of technology	1.98	0.893	150
reduced learning & innovation of existing employees	2.053	0.888	150
commitment to quality	1.473	0.96	150
Price	1.613	0.528	150
goodwill & knowledge of service provider	1.62	0.73	150
contract terms	1.92	0.755	150
employee involvement (both university & outsourced employess)	1.973	0.732	150

<b>KMO and Bartlett's Test (Table 2)</b>		
<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>		<b>0.608</b>
<b>Bartlett's Test of Sphericity</b>	<b>Approx. Chi-Square</b>	<b>462.363</b>
	<b>df</b>	<b>120</b>
	<b>Sig.</b>	<b>0</b>

• Service Quality

It is clear from the table that 3 items namely low employee commitment & loyalty, poor monitoring & evaluation and delay in services are related to quality of various services rendered by the university. These factors could be considered as a major challenge in university's decision to outsource. Because if employees would not be properly committed & loyal, then they can't work with their full efficiency. Along with this it will also causes delay in the services rendered by the university. Also proper monitoring & evaluation is also important because it is the only consolidated source of information showcasing the previous work done by the university.

HR Issues and Performance

Mainly 4 factors are loaded under this category. This includes:

- Less knowledge & capability of outsourced staff
- Lack of transparency in functions
- Negative attitude of staff
- Affects lead time

These factors hamper the overall services rendered by the university. As these all are concerned with the human resources in the university & their performance, therefore they are clubbed under one head "HR issues & Performance"

• Technological & Learning Aspects :

Three items are loaded onto factor 3. These includes namely sharing of secret information from the university, transference of technology, and it also reduce learning & innovation of existing employees. Therefore these factors are labelled as "Technological & Learning aspects"

• Service Provider Image

Three items that loads onto factor four are related to the issues in selecting the outsourcing agency. This includes

- Goodwill & knowledge of service provider
- Its commitment to quality
- And price

These are the main factors to be considered while opting for a specific service provider. Because all these aspects will ultimately leads to performance and quality of the services rendered by the university. These factors could be labelled as "Service Provider Image"

<b>Challenges of outsourcing (Rotated Component Matrix) Table 3</b>							Communalities
1	2	3	4	5	6		
low employee commitment /loyalty	0.792						0.709
poor monitoring & evaluation	0.776						0.584
delay in services	0.754						0.677
affects lead time		0.74					0.656
less knowledge & capability of outsourced staff		0.639					0.66
lack of transparency in functions		0.581					0.575
negative attitude by staff		0.552			0.463		0.626
transfer of technology			0.818				0.581
sharing of secret information			0.765				0.615
reduced learning & innovation of existing employees			0.593				0.749
price				0.836			0.448
goodwill & knowledge of service provider				0.6		0.534	0.387
commitment to quality				0.495			0.719
contract terms					0.838		0.678
employee involvement (both university & outsourced employees)						0.775	0.725
poor performance std.						-0.558	0.742
Eigen values	2.068	1.871	1.841	1.599	1.419	1.336	
% of variance explained	12.923	11.695	11.509	9.995	8.867	8.348	
cumulative %	12.923	24.618	36.127	46.122	54.989	63.337	

- Legal Issues In Outsourcing

Item which is loaded into factor 5 related to the contractual & legal aspects while outsourcing the services. Main issues which can be included in legal aspects are: The Term of the Agreement; The Services to be Provided (scope of the agreement)' Ownership of Intellectual Property ; Ownership and Confidentiality of Data and Trade Secrets; Delegation of responsibilities; The Termination Clause etc.

- Employess Engagement

The variables that are grouped under this factor due to heavy factor loadings includes involvement of employees in various functions & fixing appropriate performance standards. By doing this, the services of the university could be managed properly & the scope of the services could also be widened.

## 7. Conclusion

This research was carried out to find out the major challenges in outsourcing university functions. In light of study findings, all the challenges & issues can be explained in terms of six factors namely Governance of services, Disruptions in services, Service levels, Technological & learning aspects, Managing & administering outsourced services, Legal issues in outsourcing There is need to take these factors into consideration by the university while it outsourced its services.

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