

Occasional Paper No. 10

National Center for the Study of Privatization in Education

Teachers College, Columbia University

**Issues and Concerns in the Privatization and
Outsourcing of Campus Services in Higher Education**

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November 2000

Abstract - This paper presents an analysis of the issues and concerns of the concept of the privatization and outsourcing of campus services. Traditionally, colleges and universities have operated their own campus services providing goods and services to the institutional community as needed. Some services such as food service and bookstores were turned over to private companies, early on, to operate for the institution. A recent phenomenon has been occurring wherein colleges and universities have been turning to private service providers to operate more and more of their campus services. Although financial incentives appear to be the main reason colleges and universities are moving toward the privatization of campus services, other reasons can also be identified. (*abstract continues below*).

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This paper examines why this phenomenon is occurring and the reasons higher education is so keenly interested in this concept. The paper reviews pressures to privatize; the current status of privatization in higher education; how the decision to privatize is made and what is involved before making that decision; what services are being privatized more than others; the importance of the relationship between the service provider and the institution; and, more generally, the issues involved in the privatization process itself.

In addition the paper then discusses how colleges and universities actually go through the process of privatizing a service and how this process is implemented. The paper presents a discussion of the documents involved in “competitively bidding” the campus service and the process involved in making certain the service provider is the “right fit” for the institution. The contract between the service provider and the institution is discussed and how that contract can be written to protect the institution. Steps to be taken by the college or university in the monitoring of the performance of the service provider are presented to insure that the institution is protected. A discussion of the process of monitoring the contract itself is presented. The role of the campus administrator responsible for the supervision of campus services is explored and how that role is changing with the expansion of privatization in higher education. Different campus services require different approaches in the privatization process and these services are discussed. The paper then deals with the future of the privatization movement and the implications for colleges and universities as a result.

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Introduction

The term privatization, in the context of this paper, refers to the concept of transferring the provision of a service from the institution of higher education itself to a private company (alternatively, “outsourcing”). The original reason that a college or university may have offered a service on campus may long be forgotten and the institution continues to provide the service because it always has done so in the past. The reason for offering the service may be that the service needed to be provided and no one else was available to do so, leaving the institution no other choice but to provide it themselves.

The services being privatized or outsourced are many and varied. Traditionally, these services have been thought of as “auxiliary services” and included such units as food service, vending, bookstores, copier machines, retail stores, laundry machines, specific facilities (such as golf courses, ice skating rinks, coliseum buildings, mail services), and myriad other types of services or facilities.

These services, although important to the institution, were not directly related to the core mission of the college or university and often begged the question, “Why are we in the _____ business?” The concept of privatization in higher education is not, therefore, new. The practice has been in effect for many years as colleges and universities have long turned the operation of food service and bookstores over to private companies. Private companies, through the years, have operated many other services for colleges and universities quite successfully. This paper charts the developments of these private operations.

Pressures to Privatize

There are many pressures on colleges and universities to privatize or outsource their campus services, but the primary reason many institutions have increased privatization is

because of financial pressures. Costs have been escalating over the years in higher education causing financial pressure on colleges and universities to increase. Therefore, institutions have looked for both new sources of revenue and methods whereby costs can be reduced. Because of the very nature of colleges and universities, costs increase at a higher rate than is usually the case with overall inflation in the nation's economy. Goods and services in higher education, for the most part, cost more money. Thus, colleges and universities turn to privatization to deal with the financial crises and to preserve the resources necessary to operate the core educational mission of the institution.

The attraction of privatization comes from several factors. Contracting a private company to operate a campus service may offer revenue to the institution through commissions of sales or guarantees of a fixed amount of revenue. A private company may offer to provide funding for the renovation or construction of new facilities. Additionally, a private company may offer to provide equipment or technology or expertise in operating the campus service that was otherwise not available at the institution.

In addition to these incentives, the private company, which is anxious to do business on the campus, may offer the institution the opportunity to remove itself from the operation of the service and turn it over to the private company. Funds used by the institution for the operation of the service can then be used to support the academic mission of the college or university.

Another financial reason the college or university may opt to privatize the campus service may center on human resource issues. The payroll necessary to operate a service may be larger than the institution can afford to manage. Providing retail campus services with a payroll composed of state employees may require more revenue than the service itself can

generate at public colleges and universities. In addition, the campus service may be plagued with human resource problems that the institution no longer is able or willing to deal with.

In addition to the financial reasons, there are reasons related to expansion of and innovation of services on campus. The emergence of new companies eager to do business with colleges and universities is occurring nationwide: new services are being provided to colleges and universities by companies that are competing for the business of operating campus services. This competition for higher education business has provided colleges and universities the opportunity to “strike the best deal” among those service providers vying for the institution’s business. Businesses previously providing a certain type of service to colleges and universities began to expand their offerings and enter into the provision of other services in an effort to expand that company’s business, “branching out” and extending their expertise into other service areas. This has made the prospect of privatization even more attractive to colleges and universities, particularly if they have already engaged that company to operate another service on their campus.

The privatization phenomenon has gained widespread awareness in higher education as college and university administrators have observed the effects of privatization and have seen what possibilities exist. This increased awareness seems also to have reached those who govern colleges and universities such as boards of trustees, as well as state legislators. State plans for privatization have been drawn up in Florida, with its Final Report on Privatization (1995) and North Carolina, with its University of North Carolina Report on Reengineering Task Force (1995).

Current Status of Privatization

Research into the status of privatization on campuses across the United States indicates the extent to which this practice is occurring. A survey of 2,974 colleges and universities in the United States produced 934 responses asking for the chief business officer of each institution to respond on how extensive that institution had privatized its campus services (Wertz, 1996). Seventy-one campus services were listed. Each of these services listed as a potentially privatized service was privatized to some degree on campuses in the US. Some services were privatized to the extent that eighty, ninety or even one hundred percent of the total number of respondents indicated the service was privatized on that campus. Certain services were consistently privatized without respect to size, control, or location of the institution and some services were privatized to a small extent consistently across the country. The research indicated that the trend to privatize was increasing throughout the United States but also that such privatization took a particular form.

Box 1 presents the results of this survey in three categories: those services typically privatized the most; services privatized by approximately twenty to sixty percent of the campuses surveyed; and those services appearing to be privatized very little.

Box 1

Services Typically Privatized

Campus travel agencies; Asbestos removal projects; Drink and snack food machines; Refuse and waste management; Hazardous waste removal; Video game machines; Banking services; Food service; Construction projects; Student laundry machines; Research waste removal; Textbook publishing; Architectural and engineering services

Services Privatized by 20 to 60 percent of those surveyed

Beauty salon/operations; Student loan collections; Retail store/shopping areas; Worker's compensation programs; Retirement programs; Bookstore; Auditing and accounting; Employee assistance programs; Tuition plans; Unemployment compensation; Copier machines; Printing and publications; Trademarks and licensing; Games/amusement center; Golf courses; Athletic concessions; Physical plant financing; Housing facility building; Day care centers; Campus future planning; Housekeeping; Energy conservation; Recycling programs; Real estate development/operations

Services rarely privatized or privatized by less than 20 percent of those surveyed

Payroll services; Law enforcement and safety; Security; Employee training programs; Student health centers; Faculty clubs; Press; Grounds; Health and safety services; Parking garage; Benefits administration/operations; Maintenance; Parking administration/enforcement; Classification/compensation; Campus mail service; Student counseling centers; Motor pool operations; Conference center management; Recreational areas/camps; Coliseum/arena management; Conference centers; Cinemas/theaters; Computer operations; Housing operations; Identification card production; Institutional research; Student union operations; Student housing staff/programs; Career counselling center operations; Placement center operations; Student financial aid services; Fund raising and development; Admissions; Student activities

Traditional auxiliary service areas such as vending, food service, game machine operations and others were privatized to a higher degree than any other service.

Physical plant or facilities management areas such as buildings and grounds, custodial services, energy conservation, and recycling programs, for example, were privatized at the next highest level. Campus services such as law enforcement and safety, parking, mail rooms, copier machines, printing and publications were next as a group to be privatized. Business services including payroll services, auditing and accounting, tuition payment plans, and real estate operations were next as examples of areas being privatized. Student services such as student housing, career counseling, health centers, student unions, financial aid and others were the least likely to be privatized on any campus.

Topping the list of reasons given by the business officers for privatizing a service was financial—both in generating revenue for the institution and in cost savings as a result of the college or university removing itself from the provision of the service. The next highest ranked reason for privatizing the service was to improve the quality of the service provided. Many administrators stated that they believed a private company could do a better job of providing the service. Other reasons given for privatizing the service included taking advantage of a private company's technological expertise in providing a service. Administrators in the survey indicated that transferring funds from the operation of a campus service to the academic side of the house was an attractive reason for privatizing the

service. Still, another reason for privatizing a service involved solving human resource and staffing problems. Safety and liability concerns involved in the operation of the campus service was a reason some administrators have given to privatize services on their campus and the attendant high costs of insurance.

The results of the study cited above were supported in another study that concentrated only on two-year public institutions in the United States (Wertz and Gribenas, 1998). In this survey, 930 instruments were sent to the chief business officers at all public two-year colleges in the United States. The return rate was 49% (or 456 responses). The survey included thirty campus services the business officers were asked to rate as to whether or not that service was privatized on that campus.

The results of this study mirrored the results of the study mentioned above: with some services being privatized by 80%-90% of the campuses responding to the survey and for similar reasons (again, each of the thirty services was privatized by a campus somewhere in the United States). Three reasons were evident. The most often mentioned reason the chief business officer indicated for privatizing the service was financial—revenue generated by the privatized service and cost savings accorded the institution by removing itself from the provision of the service. The second highest reason centered on the ability of the private company to provide resources and expertise to operate the service and to do so in an efficient and effective manner. The third highest reason was a belief that the service would be improved by the private company. The research indicated an increasing trend to privatize campus services on the part of two-year public institutions.

Both studies revealed that the only reason some services were not privatized was a lack of a service provider for the institution to utilize. Given the increased interest on the part of private companies, it would appear that the situation may change in the near future,

and that there will probably soon be service providers in those areas of campus services that colleges and universities will be able to utilize to operate their campus service.

Privatizing Specific Service Areas

Issues have arisen for specific service areas being privatized. Depending on the actual service area, any number of concerns about privatizing a certain service arise.

For example, in the privatization of a bookstore, several issues come to the attention of the institutional community. Will the service provider be able to provide the textbooks to the students in sufficient number by the start of classes each term? Will the price of the books be reasonable and not “gouge” the students? Will students be able to sell their books back to the bookstore at the end of the term for a reasonable amount? In the area of food service, will the service provider be able to provide the college or university with good, wholesome food, priced reasonably? Will there be a variety of selections of the food items? Will the hours of operation of the food service units be compatible with student schedules? Depending on the actual service provided, each service has its own particular issues to be dealt with when considering privatization.

The college or university considering privatizing a service should also be concerned that there is articulation between the service and related activities on the campus. First of all, the service provider will need to be aware of and understand the goals and mission of the college or university. Secondly, the service being provided should attempt to be tied in to or connected to these goals. For instance, if the bookstore is privatized, the service provider should have a natural connection with the academic mission of the institution. Providing both textbooks, tradebooks, and learning resources supports the academic mission of the institution. Then too, the service provider is producing revenue for the college or university,

and in most cases, the institution can use this revenue to fund scholarships. Food service operated by a service provider should be sensitive to the needs of students and may offer late night food service during mid term or final exam time, for example. Service providers should be encouraged to work together to offer such things as discounts on each other's products at the other service provider's places of business. (For example, buy a book in the bookstore and receive a discount on a meal in food service. Buy a meal at one of the units and receive a small gift in the bookstore.)

Service providers may want to sponsor activities or events on campus that support the college or university. Working with the institution is important and being a part of the activities on campus shows support for the institution and further "blurs" the lines between being an isolated private company operating on the campus and a bona fide campus service which is an integrated part of the college or university.

Issues in the Privatization Process

There are many factors involved in the privatization process and the institution considering privatizing a campus service needs to examine these critically. The college or university exists, first and foremost, to serve the academic community and faculty, students, and staff must come first in the entire process. As a result, the quality of the service must be paramount in the privatization process and the question of how well the institutional community will be served should be answered early on in the process. The college or university considering privatization will need to look at the present status of the employees operating the service. If the service is privatized, what will happen to these employees? What, if any, are the obligations of the institution when it comes to dealing with the present employees? Will the institution lose control of the campus service? This last concern

weighs heavily on those college and university officials considering privatization. Will the service still be controlled by the institution or will the service provider take over completely?

Whose service is it at that point? -- the institution's or the service provider's?

In the event that the service provider fails in the operation of the service, what does the institution do? The college or university will need to consider a contingency plan should the service provider not be able to provide the service. The college or university has an obligation to the institutional community to provide the campus service in question and should, therefore, have a plan in place to implement if the service provider fails.

Deciding on Privatization

Before the decision is made to privatize, the college or university needs to complete some vital steps. The first step in the process is to analyze the present campus service. Is this service meeting the needs of the institutional community? Will this service be able to meet those needs in the future? Are the faculty, students, and staff satisfied with this service? Before committing to privatize a service, these questions need to be addressed by the institution in detail. In the privatization process, it would be helpful to the institution to involve faculty, students, and staff, depending on the service being considered, in the entire process. These groups, as consumers of the service being considered for privatization, are valuable for the input each may be able to offer into what the service should be providing. The success or failure of the service, once privatized, may be determined by what each of these groups perceives the service should be. In addition to monitoring the performance of the service provider, to be discussed later in this paper, the institution will want to keep representatives of each of these groups involved in the evaluating the operation by the service provider.

One of the obvious questions the institution needs to ask is whether there are service providers available to operate the service being considered for privatization. Before even considering the concept of privatizing a service, the institution must ascertain whether a service provider exists for that particular service. When this can be determined, the college or university must then examine the record of the service provider in providing this particular service. Other colleges and universities that engaged the service provider should be contacted for information regarding the service provider's record. Another aspect to consider has to do with whether or not there is more than one service provider available. In an ideal situation, there should be competition available so that the institution can select from more than one service provider. Competition allows the institution to "strike the best deal" when it comes time to making a decision about which service provider to use. It also provides the institution with the best chance of getting the best service. In campus service areas that offer few if any service providers, this entire issue can be a problem. There may not be competition available to select from. Worse still, there may not be a service provider at all for this particular campus service.

In some campus services, there will be an abundance of available service providers competing for the institution's business. In the areas of food service, book stores, vending, laundry and copier machines, to name a few, there are many service providers and a great deal of competition. In some areas of campus services, there are relatively few if any service providers. Some campus service providers are not available at all or at most, there may be one or two service providers to choose from.

An institution must determine that if, indeed, a campus service is privatized, how can it then measure the performance of the service provider? Can the college or university somehow evaluate the performance of the service provider? Are there industry standards

available to measure the performance of the service provider? By what standard is the performance of the service provider measured?

Finally, public colleges and universities in some states may need to check into whether or not a campus service can actually be privatized. Are there state laws dictating how business is to be conducted at public institutions that may prohibit privatizing a campus service? These issues need to be resolved before proceeding with the privatization process.

Implementing the Decision to Privatize

Writing the Request for Proposal (RFP)

When the decision has been made to privatize a campus service, the next most important step involves the selection of the service provider. This is done through the competitive bidding process and usually involves the crafting of a Request for Proposal or the RFP. The RFP becomes the most important document in the privatization process in addition to the actual contract between the institution and the service provider. The RFP must be carefully crafted to specifically state what the college or university wants the service provider to provide.

The institution will want to state a “scope of the work” section depicting the service or product desired. The institution should include in detail the service or product wanted and the terms and conditions under which this is to be provided. Levels of quality for the service or product required by the college or university must be stated as well as the expectations of the institution of the provision of the service itself. The institution must describe the locations on campus where the service is to be provided and the hours of

operation the institution expects the service to be open. There should be no potential for misunderstanding regarding the expectations of the institution for the campus service.

There may be circumstances on campuses whereby the institution wants to take care of the present institutional employees, so that they are not automatically “let go” by the service provider. In these cases, the institution can state in the RFP that the service provider must keep the employees on the service provider’s payroll for a stated amount of time and give each employee an opportunity to work for the service provider. This condition must be so stated in the RFP so that the potential service provider understands the situation regarding the present employees.

There may be specific requirements for the service the institution wants to be provided and these requirements must be so stated in the RFP. It is in the best interests of both the institution and those service providers bidding on the contract to provide as much information as possible. The RFP should err on the side of being inclusive rather than leaving something out which the institution later believes should have been included. As the RFP will become part of the legal document crafted between the college or university and the service provider, the service provider is therefore under no obligation to provide anything beyond what was stated in the RFP. It is the recommendation of this author that the RFP becomes part of the contract itself between the institution and the service provider.

Ensuring the RFP is the Right Fit

The college or university should want to be certain that the service provider is a “right fit” for the institution. In a specific section of the RFP, the college or university requires that all potential service providers state their qualifications. These qualification requirements should be stated by the college or university and tailored to the needs of the institution. For

example, the college or university can ask the bidders to provide some of the following information:

- ❖ How long has the bidder been in the business of providing this service?
- ❖ Which other colleges and universities is the bidder currently providing this service?
- ❖ What accounts over the past number of years (usually 3 to 5) has the bidder lost and what was the reason for losing each account?
- ❖ What references can the bidder provide which demonstrate the bidder's ability to provide the required service on this campus? (The college or university should state in this section of the RFP whatever other information or qualifications are expected from the bidder).

In the next section of the RFP, the institution may require that the potential service provider follow the format of the RFP and state in their own words how they plan to actually provide the service on the campus, should they be awarded the contract. By doing so, the institution will be able to judge how well the potential service provider understands just what the institution wants in the provision of the service and how well the service provider understands the institution itself. By requiring the potential service provider to demonstrate in their own words their understanding of the service the institution wants, the institution can better determine the "suitability" of the service provider. It is also recommended that the RFP require that the potential service provider state also what improvements or innovations they could offer in the provision of that service. The institution is, in effect, asking the potential service provider to state how they would perform for the institution and how well they understand that particular campus culture.

The RFP states specific requirements that the institution wants in the provision of the service and also requires the potential service provider to elaborate on how they would

provide the service beyond what the institution may consider basic service. The institution should provide an opportunity in the RFP for the potential service provider to state their own case to their advantage in selling themselves to the institution.

Another important aspect of the RFP is what the college or university, in turn, will provide in this relationship. This may include a description of the facilities the institution will provide as well as what services it will provide. The institution should state clearly what facilities are involved with a specific description of the condition of the facilities. Services the institution will provide or not provide or will charge for should be delineated. For example, are utilities provided or are they to be charged to the service provider? Is campus mail and telephone service provided or is there a charge? Institutional vehicles may be available to the service provider but at what cost? What privileges will the service provider employees have, if any? Will the employees of the service provider have use of the college or university facilities at no charge? Will such benefits as athletic tickets to events on campus at no or reduced costs be available? All of these issues should be stated in the RFP to avoid false expectations and confusion later.

Basically, the RFP should answer the fundamental question: Who is responsible for what? For example, is the service provider responsible for trash removal? What about the areas immediately outside of the facility that the service provider is to occupy as part of the service? Facility upkeep? Who is responsible for the upkeep and maintenance of the facilities and equipment which may be owned by the institution but operated by the service provider? If the service provider arranges for renovations or equipment for the institution during the contract period and the contract period is over, who retains ownership of the equipment? In addition, should the service provider be paid for those renovations that were completed or equipment provided that was unamortized during this period? These

arrangements must be stated clearly in the RFP so that both the potential service provider and institution know exactly what will occur and when it occur during the course of their relationship.

The criteria for awarding the contract should be developed by the college or university to reflect the priority the institution places on quality of the service, prices to be charged for the service, ability of the service provider to adapt to changing conditions on campus and any other factor the institution deems to be important. The award criteria should be stated in order of importance and assigned a numerical ranking for purposes of quantifying a rating system.

The institution should also include such information as the termination conditions for the contract. Under what conditions would the institution terminate the contract? To protect itself, the college or university must state the conditions in detail for terminating the contract. Such conditions as quality of the service provided, ability of the service provider to correct whatever the institution finds unacceptable, ability of the service provider to adjust to changing circumstances at the institution, or other considerations the institution deems to be important should serve as the stated reasons for the institution to terminate the contract with the service provider. The Request for Proposal document should receive wide distribution and be provided to as many service providers as possible to allow the institution the opportunity to have several proposals to choose from. A list of service providers should be compiled and if the institution is a public one, the state in which the institution is located will probably have a state procurement office which can assist in the identification of potential service providers.

When the RFP has been distributed and potential service providers have had a chance to review it, the institution may want to hold a “pre-bid” meeting to meet with all potential

service providers interested in bidding on the contract. This provides the college or university the opportunity to explain to the potential bidders in detail and, face to face, the kind of service the institution wants. In turn, the potential service providers see the campus first hand and can directly ask institutional officials, questions about the service or the institution itself.

Analyzing the Proposals

The RFP states the date by which and place where bid proposals are to be submitted. At this time, the college or university will analyze the bid proposals, rate them, and make a decision as to which service provider is to be awarded the contract. It is recommended that a committee made up of faculty, students, and staff be formed to analyze and make a decision about the winning proposal. This decision should be in the form of a recommendation made to the appropriate college or university official. It is helpful if the committee members have some connection or interest in the service to be provided. This group may then be helpful in the monitoring stage of the contract.

The proposal contents should be matched against the award criteria and the selection committee should be instructed to carefully evaluate the proposal accordingly. The process should be fair and accurate to insure that the institution is getting the best service provider possible. The committee should be asked to carefully review the proposals and a meeting to discuss the proposals should be held. After a discussion is held, the committee members should rate the proposals and submit the ratings for tabulation. When this has occurred, the results of the ratings should be summarized and some consensus reached about which proposal was rated the highest.

The institution may want to interview the top three or four bidders on campus. If the institution chooses to interview the top scoring bidder or the three or four top bidders, the committee will want to discuss several issues:

1. The ability of the service provider to understand the particular campus culture.
2. How well the service provider would serve the faculty, students, and staff.
3. How well this service provider fared on other campuses in providing the service.
4. How well the service provider would work with the college and university in providing this service.
5. How would the service provider describe their relationship with the college or university and how would the service provider insure that the relationship remained healthy over the course of the contract.
6. Does the service provider have the resources to provide the services required?

The service provider submitting the highest rated proposal should be thoroughly reviewed either at the committee level or by an institutional officer. This review should include checking into the financial status of the service provider. Financial statements and annual reports can be required when the service provider submits their bid proposal and someone at the institution familiar with financial reports should review these documents.

The selection committee should then take this information as well as the rating of the proposal and make a recommendation to the appropriate college or university officials. At this point, the college or university officials responsible for making the final decision should review all of the material at hand and decide if the information justifies awarding the contract to this particular service provider. The college or university should feel confident about the service provider and the ability of the institutional official to work with this group

before proceeding with the official contract. When this stage has been reached, it is time to proceed with the awarding of the contract.

The Contents of the Contract

Much of the work in the preparation of the contract should already have been done by this point. The Request for Proposal should contain a great deal of what the college or university expects and will hold the service provider accountable for in the provision of the service. The service requirements should be in the RFP along with the conditions for operating the service on campus.

The contract should state very clearly that the Request for Proposal, which the college or university wrote, and the proposal, which the service provider submitted, are part of the contract. By incorporating the RFP and the proposal into the contract, the institution's standards, requirements, expectations, understanding, and what the institution will provide are clearly part of the contract. In turn, that which the college or university believes it has agreed to are clearly documented in the proposal submitted by the service provider. In many instances, the institution will refer back to both the RFP and the proposal to clarify what was originally agreed to by both the institution and the service provider. This method provides a clear reference to what both parties entered into for the provision of the service in the first place and leaves little room for misunderstanding. The college or university official responsible for the supervision of the service provider should maintain, at close hand, a copy of the RFP and the proposal of the service provider to refer to in the course of the contract period.

With this in mind, the contract need not reiterate all of the contents of the both the RFP and the proposal. The contract may, instead, state clearly that both the RFP and the

proposal are incorporated in and are an official part of the contract and each party will be held liable for that which is stated in both of these documents. The contract should state the college or university will reference both of these documents throughout the course of the contract period and these documents will remain the final word defining all agreements and arrangements made between the institution and the service provider.

The contract may highlight the financial terms of the agreement or any other points that the institution may wish to emphasize. It should be understood that the only acceptable method for changing or amending the contract would occur only if both parties agree in writing to actually change the contract.

Implementing the Contract

After the contract has become official, the college or university should begin implementing the new arrangement with the service provider. Meetings will need to be held with the institutional employees of the service that was privatized. The selection committee involved in the review of the proposals should meet with representatives of the service provider and college or university officials should meet with this group as well.

During these meetings, the college or university needs to set the exact date the service provider takes over the service. Whatever arrangements, if any, the college or university stated in the RFP and contract concerning the institutional employees should be planned at this point during these meetings.

Plans to announce the transition from an institutionally operated service to a privately owned company operated service should be determined. The effectiveness and success of the service provider in the provision of this service will depend on how this transition period

is handled. Whatever the college or university can do to promote a smooth transition during this period will be to the benefit of that institution.

An important consideration in this entire arrangement is the fact that the college or university community will not necessarily view the service as being operated by the XYZ Corporation, but will think of the service as the college or university 'bookstore', 'dining service' etc. The service will typically be viewed as being that of the particular college or university itself. The college or university, then, has a vested interest in making certain that the service provider does an excellent job in the provision of the service and its performance will reflect either positively or negatively on the college or university.

How does the institution ensure that service provider will do a good job? By monitoring the performance of the service provider and monitoring the contract itself on a regular basis. This will be discussed in the next section of this paper.

Monitoring the Contract

Formal Monitoring of the Contract

It is in the best interest of the college or university to monitor the performance of the service provider and regularly refer to the contract to make certain the service provider is complying with the agreement.

The person at the college or university responsible for supervising the service provider is usually known as the contract administrator or manager. This person should be the individual who makes certain that the service provider is doing what it is contracted to do in the provision of the service. The contract administrator should be meeting regularly with service provider representatives. Not only should the contract administrator be

overseeing the performance of the service provider, but should also be listening to the service provider representatives in an effort to help them do their jobs better. The contract administrator's job also includes asking the question regarding whether or not the institution can do anything for the service provider in operating the service.

Throughout this entire arrangement, the institution should be treating the service provider as a "partner" in this process. As was stated earlier, the college or university community will typically consider the service to be the institution's no matter who or what is providing the actual service. Therefore, it is in the best interest of the institution to work very closely with the service provider to make every attempt to make the provision of the service as good as it can possibly be.

The contract administrator should be the institutional official who has the contract together with a copy of the Request for Proposal and the service provider's proposal within easy access so that person can readily refer to all of these documents. The contract administrator should be on campus doing "site visits" to the areas where the service provider is providing the service. The contract administrator can then see first hand what kind of service is being provided.

Periodic meetings with the selection committee and the contract administrator can be scheduled throughout the course of the contract period. The committee members should be solicited for their support in assisting the contract administrator in the monitoring duties of the service provider's performance. Some continuity is always helpful and although members may change on the selection committee, this committee should be called upon again, the next time the service is to be re-bid. Involving the committee members provides additional monitoring of the performance of the service provider and keeps the committee

members in touch with the performance of the service should they be involved in the next bid process.

Community Monitoring of the Contract

It is also helpful to solicit the input of those college or university community members who use the service that was privatized. Using some method that involves either a brief survey or questionnaire will provide feedback to the institution about the service being provided. Who better than the actual users of the service can give an assessment of how the service is being provided?

This information should then be used by the institution to measure the performance of the service provider. It will be up to the contract administrator to then determine whether, based on this information, the performance of the service provider is satisfactory or whether it needs to be improved. In the case of the latter, the contract administrator will need to share the information with the service provider and request that corrective action be taken in those areas that were determined to be unsatisfactory.

For many campus services, there may be “industry standards.” Those standards which are widely accepted in the industry as performance standards to measure the effectiveness of the service provider in providing that particular service. For example, in the custodial and maintenance field, there are generally accepted standards measured in square feet or square yards regarding how much space should be cleaned within a building and within certain time limits by one custodial worker. Such standard measurements may be available to the college or university to assist in the monitoring of the performance of the service provider.

As was pointed out previously, the contract between the institution and the service provider should contain a section on termination of the contract. Hopefully, what corrective action needs to be taken by the service provider will be taken to bring the provision of the service up to the standard the institution has set. However, the contract administrator will need to remind the service provider that if corrective action is not taken the institution can terminate the contract.

The contract administrator also has the responsibility to be certain that the service provider is submitting to the institution all of the reports the institution called for in the RFP. Financial reports, analyses, and other documents, depending on the kind of service being provided, will be very important to the college or university. In addition, either the contract administrator or some designated official at the institution who is capable of reviewing financial or technical reports should regularly analyze these reports and stay up to date on the performance of the service provider as indicated in these reports.

It is hoped that the relationship of the college or university will be seen as a “partnership”. However, the service provider is, after all, a private company with its own agenda and company philosophy. The institution has, in effect, “hired” the company to provide this particular service or product. It behooves the college or university to remain constantly aware of this and be in a position whereby the performance of the service provider can be and is monitored regularly. Regular dialogue between the contract administrator and the service provider is an absolute necessity. The relationship should be a “win-win” arrangement whereby the institution is very satisfied with the performance of the service provider and the service provider strives to provide excellent service to the college or university while at the same time attempting to be a part of that institution itself. The ideal service provider, early on, understands the culture of that particular college or university

where it is providing the service and makes every effort to “fit in” with the college or university community.

Privatizing Different Services

The privatization concept of campus services at colleges and universities is often different for different services. Revenue generating services such as bookstores, dining services, vending operations, printers and copiers, trademark and licensing, may be different from those services which are more “service” oriented. The college or university may have campus services that generate a great deal of revenue and therefore may be interested in maximizing the amount of revenue these services can generate.

The Request for Proposal may then be written to solicit the best deal for the institution financially while providing what the institution hopes will be excellent service. Other campus services may be privatized primarily in the hopes of reducing costs for the college or university. Still other campus services may be privatized because the college or university has determined that it has neither the human resources, the financial resources, nor the technical expertise to operate this particular service. It may be the case that because of any one of these reasons, the institution wants the service provided, but believes it cannot do so by itself. In these cases, the RFP may be crafted in such a manner that the financial return to the institution will not be weighed as heavily as other factors that are more important to the college or university.

There may be still other reasons the institution chooses to privatize a campus service. One reason may center around the fact that the institution has been unable to successfully provide a certain service, or have made many attempts to do so, which have cost a great deal of money, and have created a lot of frustration in the process. College or university officials

may at that point be “throwing up their hands” and choose to turn the operation of the service over to someone else.

Therefore, there will be many different approaches the college or university may take toward privatizing campus services. There may be over one hundred campus services available on one campus alone in higher education. Some of these services, such as the revenue generating services mentioned above, may have some similarities while other services will be completely different. Some services will have many, many service providers available and willing to operate a campus service and other services will have few if any service providers available to operate a campus service. As mentioned previously, those campus services heavily privatized for many years in higher education will have “track records” which can be reviewed by an institution considering privatization. Other services, most newly privatized in higher education, will obviously not have an extensive record or history of performance that can be reviewed. Although the concepts involved in the privatization of campus services remain fairly constant, these concepts are different for different services, and will depend ultimately on what the college or university actually wants.

This then reverts back to the importance of the document discussed earlier: the RFP and how it is written. Articulating what the institution wants is key to this entire privatization process and should be reflected in the RFP itself. If revenue is the most important factor to the college or university, the RFP should reflect this. If the institution wants, above all else, excellent service to the faculty, students, and staff, then this should be reflected in the RFP. The RFP should clearly state the intent of the college or university in privatizing this particular campus service. The award criteria should then be weighted to reflect this in the rating system.

Although many of the same principles apply, the monitoring of the service provider will differ depending on the campus service being provided. This will also occur depending on the emphasis the institution places on what it wants from the service in particular.

This situation contributes to the complexity of the privatization process and there is no “one size fits all” formula to the privatization process. As mentioned, although there are many common principles in the privatization process, different principles will apply in different situations to different campus services.

Future of Privatization in Higher Education

The financial pressure on colleges and universities will almost assuredly continue into the future. Institutions of higher education will continue to be forced to look for other sources of revenue, for methods of cutting costs in providing services, for other alternatives other than the institution providing new and existing services, and for other resources to operate their campus services. Institutions will continue to consider the possibilities of privatizing campus services because of these reasons. The academic mission of the college or university will be viewed as the primary area to protect and rightfully so. This will necessitate a closer look at all of those activities not directly involved in the academic process.

The movement toward privatization will continue to grow in those areas already highly privatized. New areas of campus services will attract the attention of those companies looking for more business opportunities. Colleges and universities interested in privatizing more of their campus services will call upon their past experience with privatized services and move toward privatizing those services which they previously operated themselves. This, combined with the availability of more service providers for campus services, will

increase the likelihood that the privatization movement will grow in higher education in the United States.

This development will also have an effect on college and university administrations in that it will require them to be able to successfully deal with private companies, to have the skills necessary to if not craft, at least, be familiar with Request for Proposal documents, and contracts, and be able to dissect and analyze bid proposals. The administrator will need to have the skills necessary to monitor the performance of a service provider and be able to protect the interests of the institution at all times. The role of contract manager will expand with the increase in the number of service providers on campus. The management philosophy involved in overseeing an institutionally operated service is by its very nature different from the management philosophy of overseeing a private company providing a campus service.

The continued move toward privatization in higher education will have many ramifications for the college or university faculty, students, and staff where campus services are being privatized. The movement also has many ramifications for the administrators overseeing the provision of the service as well. Concern has been expressed that higher education may reach a point where big business, by operating too many campus services, will affect the very nature of the college or university culture. This remains to be seen, but is something to be considered in the future. The privatization movement in higher education is an interesting phenomenon and one that will need to be watched in the future as students of higher education analyze the effects of this development.

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