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## Executive Summary

### *Overview of the Issue*

The outsourcing of instruction at community colleges to independent firms is a growing but still limited practice, and thus far it has been largely confined to non-credit courses. The “contracting out” of other services, such as food services, has been a longstanding and accepted way for colleges to meet some of their ancillary needs efficiently, but outsourcing instruction is quite controversial, and many factors determine its usefulness.

Respondents interviewed for this study present several basic arguments against outsourcing instruction. The first is that it is inappropriate to mix the broad public goals of colleges with the incentives inherent in profit-making companies. Second, opponents assert that outsourcing instruction could undermine the tenure-based academic employment system. Third, they argue that the quality of the education provided by contractors may be lower, since contractors might compromise the quality of their services to meet their primary goal: making a profit. A corollary concern is that the courses provided by contractors are narrower and more limited in content than other college courses, and thus unworthy of being considered equal with those taught by college faculty. And, finally, those who believe that the independence of faculty is paramount are disturbed by the fact that outsourcing may result in a lack of control by faculty over course design, instructional materials, and choice of instructors.

Supporters of outsourcing also present cogent reasons for their position. They assert that outsourcing can lead to a more efficient and higher quality education, the result of market forces that reward well-managed companies that sell superior products or services. They also claim that standardized pedagogy and curriculum materials produce predictable and consistent quality. In addition—and of particular interest to community colleges, which operate under severe financial

constraints—proponents cite evidence that outsourcing with a company to provide instructors is less costly for colleges than is hiring faculty, even adjuncts. Contractors can also supply instructors who have specialized and very up-to-date knowledge about course content because they are also working in the field, with the result that courses contain not only superior content but that they are tailored to meet students’ specific learning needs. Finally, through their industry contacts, contractors can help students find post-college employment.

### *The Design of the Study on Outsourcing Instruction at Community Colleges*

While there are, clearly, many different views about outsourcing instruction, little is known about its extent and impacts at community colleges. This report, therefore, presents the findings of exploratory research designed to identify the characteristics of the outsourcing of instruction at community colleges and the forces that promote or block its spread. It is the second in a series of reports by the National Center for Postsecondary Improvement and the Community College Research Center on the relationship between for-profit higher education and community colleges (Bailey, Badway, & Gumport, 2002).

The report is based on information gathered from interviews with community college administrators and representatives of contracting firms. We conducted interviews with the persons responsible for managing contracts with outside organizations for instructional services at eleven community colleges. With one exception, all of the administrators interviewed are responsible for non-credit occupational programs. However, two oversee both non-credit and credit programs and three have joint appointments as faculty in college-credit divisions.

We also interviewed senior managers from two firms that provide instructional services under contract to community colleges: Alamo Learning Systems and I/Tech. We further

conducted an in-depth case study of I/Tech because it is the best example of what we call a *full-service* contracting model—where the contractor provides a wide range of services to the college—and provides some insights into the potential for the most ambitious efforts to contract out instruction.

### ***The Types and Extent of Outsourcing Arrangements***

Community colleges use a variety of contracting out models. A *full-service contractor* not only provides curriculum and instructors, but also assists with the marketing, fundraising, and other program management activities. A *specialized trainer* usually involves provision of the instructor and curriculum by an equipment vendor on topics requiring highly-specialized or proprietary expertise and equipment. The final model, consisting of *on-line course educators*, provides the curriculum and instruction on-line to students registered through the college.

The large number of colleges with which some vendors work suggests that many colleges outsource at least some non-credit instruction. Colleges are far less likely to contract out degree-credit courses, and, as typified by the three colleges in our survey which do so, generally outsource instruction for only a limited number of courses. In every instance, the for-credit courses taught by outside vendors all required highly-specialized or proprietary equipment or knowledge. In all of these cases, the colleges had difficulty finding qualified faculty. We found no cases where a community college contracted out a significant portion of instruction for degree programs.

### ***Reasons Why Colleges Outsource Instruction***

The most frequently expressed reasons are the following:

- The need for instructors with specialized and especially up-to-date knowledge, the need to respond to rapidly growing demand for particular programs, or the need to use a wider set of delivery modes than is available in-house.
- The availability of high quality curricula whose cost to develop in-house would be prohibitive.
- Contractors have greater flexibility in scheduling classes, while colleges are more likely to adhere to the traditional semester-based credit-hour structures.
- The promise of a consistent quality of instruction resulting from a standardized curriculum and the use of specially trained and certified teachers.

### ***Benefits for Vendors***

While vendors could market their services directly to students, partnering with colleges can increase the number of customers and generate higher profits for the following reasons:

- Lower overhead because colleges usually provide the space and equipment.
- Extensive marketing by college, which have ready access to a large pool of potential “customers” for a vendor’s services.

### ***Barriers to Outsourcing Instruction***

Both colleges and vendors have found that some impediments to a mutually productive partnership are insurmountable. The opposition of the full-time faculty is perhaps the strongest barrier to the spread of the outsourcing of instruction. Faculty believe that outsourcing could

potentially threaten faculty jobs and weaken the traditional academic culture at colleges and the tenure-based employment system. Other issues are also common. Vendors who attempt to work with a college that fails to market their services sufficiently do not want to give the college a large discount since it will not acquire a large number of customers. Vendors may also have costs resulting from a college's requirements for instructors and other resources that result in their charging high fees. Colleges, which often must abide by state-determined student tuition limits, simply may not be able to fully offset the services of vendors with student fees; they opt instead to develop courses in-house using adjuncts and commercial textbooks. It is possible, also, that colleges can make a profit from their non-credit programs and want to use the income for other core college missions, not for the services of independent vendors. State regulations and accreditation agencies may also impose insurmountable obstacles to outsourcing, and colleges may not be able to overcome the philosophical objections to outsourcing, reviewed above. Finally, by making use of adjuncts and textbooks prepared for a national market, colleges may be able to gain many of the efficiencies they could through outsourcing, but still maintain direct control over the teaching labor force.

All of these barriers are stronger for credit than for non-credit courses. Thus outsourcing of credit courses is extremely rare. It is more common in non-credit courses, but still not widespread.

### ***Conclusion***

As a result of the many difficulties faced by community colleges in their attempts to outsource instruction, and the hesitance of some vendors to become involved in partnerships that might not be profitable, it seems unlikely that the subcontracting of instruction will be used



extensively in community colleges, although it will remain a factor in the non-credit sector. However, the underlying factors that make contracting attractive will still be present in community colleges: the difficulty that faculty have in staying up-to-date in their fields, the great variation in the quality of curricula and instruction, and the inflexibility of the conventional approach to teaching and organizing instruction. These factors, more than direct competition from private vendors, are likely to provide the greatest impetus for change in teaching and learning at community colleges specifically, and in higher education institutions more generally.

## **Introduction**

Outsourcing is a common practice in many industries. Firms and organizations cannot produce all of the services and inputs that they use and, thus, most organizations contract with independent organizations to provide additional needed goods and services. This “outsourcing” often becomes controversial when jobs within firms are threatened by the cheaper labor used by the contracting companies. Some analysts argue that the growing use of outsourcing often reduces the quality of employment as contractor employees earn less, have less job security, and are entitled to fewer benefits (Appelbaum, Bernhardt, & Murnane, 2003).

The outsourcing of services at institutions of higher education is more controversial than it is at private businesses. Although various auxiliary services, such as food service, are commonly outsourced at many or even most institutions, outsourcing of instruction is much less common. This involves contracting with an outside firm to teach a course or program, including providing curriculum, materials, and faculty. The course can be taught on the college campus and the student is considered to be taking the course at the college.

Outsourcing is part of a broader movement towards the privatization of higher education. Advocates of privatization argue that it leads to a more efficient and higher quality education. If privatization in general, or outsourcing in particular, could lower costs without sacrificing quality, it should be particularly attractive to community colleges, which operate under severe financial constraints. Yet educators are reluctant to outsource instruction because of skepticism about the appropriateness of mixing the broad public goals of colleges with the incentives inherent in profit-making organizations. The outsourcing of instruction could also undermine the tenure-based, academic employment system.

Several recent high profile efforts to outsource instruction at community colleges have generated considerable controversy. In 1999, the Schmidt Commission in New York proposed to contract out remediation for the City University of New York (CUNY) community colleges despite opposition from some CUNY faculty and administrators. Although CUNY did seek contractors for this activity, eventually, no contracts were let and remediation remained an internal CUNY function.

More recently, the City Colleges of Chicago made headlines when the district office decided to contract out its financial and student information operations to private companies (Evelyn, 2002). The moves generated an uproar among Chicago City College faculty because senior college administration officials indicated that they would also consider privatizing some academic instruction, in particular for business and computer science (Allen, 2001). College officials insisted that their goal was to improve the quality of instruction as much as to reduce costs, but faculty members charged the administration and its board with seeking to replace them and dismantle their union. The City College administration so far has not outsourced any degree-credit academic programs.

Despite the emotional response that the issue generates, little is known about the extent and impacts of contracting out instruction in community colleges. This report is based on an exploratory project designed to begin to understand the characteristics of the outsourcing of instruction at community colleges and the forces that promote or block its spread. It is the second in a series of reports by the National Center for Postsecondary Improvement and the Community College Research Center on the relationship between for-profit higher education and community colleges (Bailey, Badway, & Gumport, 2002).

In the next section of the report we describe this study's methodology and approach to information gathering. We then review the controversy and the conceptual arguments for and against outsourcing. Our findings answer the following research questions:

- What are the different ways in which community colleges contract out instruction?
- How widespread is contracting out instruction among community colleges?
- Why do colleges contract out instruction? (And what are the benefits for the vendors?)
- What are the barriers that block the spread of outsourcing instruction?

In the conclusion, we summarize the findings and speculate about the future of the outsourcing of instruction by community colleges.

The report is based on information gathered from interviews with community college administrators and representatives of contracting firms. We conducted interviews with the persons responsible for managing contracts with outside organizations for instructional services at eleven community colleges: four in Illinois; two each in Florida and Maryland; and one each in Michigan, North Carolina, and Pennsylvania. In this exploratory study, our goal was to try to understand the nature and causes of outsourcing, so we sought out colleges that were contracting out instruction; therefore, the sample was not intended to be representative. The community college respondents were selected based on contacts with community college professionals established through previous research by the Community College Research Center and the recommendations of contractor firms. In our initial search, we did not find any colleges that

contracted out credit-bearing courses; therefore we contacted over 500 colleges through the listserv of the American Association of Community College's National Council for Workforce Education, which is comprised of contract training and continuing education administrators from community colleges across the country. Twenty-five of these colleges responded and, of those, three contracted with vendors for credit-bearing courses. These three colleges are among the eleven in our final sample.

With one exception, all of those interviewed are responsible for non-credit occupational programs. However, two oversee both non-credit and credit programs and three have joint appointments as faculty in college-credit divisions. We also interviewed senior managers from two firms that provide instructional services under contract to community colleges: Alamo Learning Systems and I/Tech. Appendix A presents the protocols for the interviews with the two classes of respondents.

In Appendix B we offer a more detailed case study of I/Tech. We do this because I/Tech was the best example of what we call a *full-service* contracting model. In the full service model, the contractor provides a variety of services to the college, including curriculum development, instruction, management, and organization. Although we found that colleges did use several other contractors, I/Tech has had a strong influence on our analysis since it was the most common. By more extensively describing this model, we can provide some insights into the potential for the most ambitious efforts to contract out instruction. If the introduction of market forces does provide important efficiencies then we might expect to find them in this model, which relies most on market forces. This model might also create the greatest possibility for tension between the broad public goals of higher education and the academic culture and the incentives inherent in the for-profit model.

## Conceptual Framework of the Study

The privatization of the higher education market continues to be a controversial topic. The passions generated by this discussion derive from a clash of strongly held and apparently contradictory beliefs. Education in general is believed to have broad public purposes such as cultural enrichment, the promotion of democracy and the skills and attitudes on which democracy is based, socialization, the teaching of a commitment to broader service to society, and the pursuit of research and scholarship on a broad range of topics, many with little immediate commercial value. These values seem at odds with the pursuit of profit and shareholder value.<sup>1</sup> Also, a strain of economic or organizational theory casts doubt on the effectiveness of a for-profit higher education system. According to this view, it is difficult to judge the quality of educational services and, in such cases, for-profit producers have an incentive to lower quality and reduce costs since the public (the consumer) is not able to judge the quality of the service that it is purchasing. In contrast, public or not-for-profit providers, which cannot distribute profits to individuals, do not have this incentive. Thus, the public can have more confidence in the quality of a not-for-profit or public higher education provider (Rose-Ackerman, 1996).

Critics of the public/not-for-profit-dominated higher education system argue that public subsidies, not-for-profit tax benefits, and large endowments cushion educational institutions from competition and encourage a wasteful and inefficient system that lacks accountability. The greater efficiencies of for-profit higher education may explain why some well-known for-profit

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<sup>1</sup> For a discussion of the tension between growing competition from the for-profits and public purposes of higher education, see Immerwahr (2002).

institutions of higher education have continued to be successful during the recent economic slump, despite not having public subsidies, tax exemptions, or income from donations.<sup>2</sup>

This argument is based on a common economic model. For-profit college administrators need to convince prospective students and investors that studying at, or investing in, these colleges is in their best interests; therefore they must keep costs down and quality up. In particular, the apparently most successful for-profit colleges have evolved towards a particular model. Centralized curriculum development and the use of the same materials and curriculum at each of the sites or branches of the college are important components of this strategy. They allow the significant up-front investment costs of curriculum to be spread over a large number of classes and they promote standardization of course content and often pedagogy. Limited scope is another key element of the strategy. For example, the University of Phoenix serves adult working students and DeVry Institute has a limited number of programs that all lead to technology-related degrees. Such specialization allows a focused and simplified approach to advising, student services, and relationships with potential employers of program graduates. Some, but not all, of the for-profits also rely primarily on part-time faculty, often drawn from the relevant industries. This hiring practice gives the colleges great flexibility in their courses and sections and helps guarantee that the content of the course stays up-to-date.

So far, these types of strategies have resulted in a modest but steady growth of the higher education for-profit sector (although some individual firms have experienced dramatic growth). Nevertheless, the market share in both the two- and four-year sectors remains in the low single digits.<sup>3</sup> Since the for-profit institutions are concentrated in a few occupational areas, their

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<sup>2</sup> For a discussion of the success of the for-profits, see Brenneman (2003) and Pitinsky (2003).

<sup>3</sup> For a discussion of the relationship between community colleges and degree-granting for-profits, see Bailey, Badway, & Gumport (2002).

importance within those areas is much greater than overall enrollment shares would indicate, however. Moreover, reductions in state funding for public colleges and resulting increases in tuition suggest that the for-profit market share will continue to grow.

While most of the discussion has focused on for-profit institutions, privatization could also take place through outsourcing or subcontracting functions to for-profit organizations by public or not-for-profit colleges. Subcontracting non-instructional services is already a longstanding practice at colleges and universities. Food services, bookstores, waste removal, engineering, and security are only a few of the services typically performed for colleges by for-profit corporations, and, while there is some controversy about this type of outsourcing, for the most part, these are widely accepted practices (Wertz, 2000).

The rationale for these practices is also straightforward. Every business must make a series of so-called “make-or-buy” decisions. Is the cost of a good or service lower and/or the quality higher if it is purchased than if it is produced internally? A typical view would be that businesses “make” products within their “core competencies” and “buy” everything else. No college, as far as we know, produces its own printer ink, structural steel, or office furniture. It is not surprising that large food service corporations which can develop extensive expertise and take advantage of bulk ordering can feed students for less than an independent homegrown operation. The situation becomes less straightforward when a college might want to customize services for its own philosophy or unique goals (Kirp, 2002). Colleges may also be reluctant to outsource services that college administrators believe can generate net revenues. Thus, if a college administration judged that they could run a profitable food service or bookstore, they might want to retain those functions to earn surpluses that can defray the costs of other activities.



Outsourcing instructional services to outside corporations or businesses is much less common and more controversial, however. Indeed, in an extensive study on privatization and outsourcing in higher education, Richard Wertz (2000) did not even mention instruction.

Why instructional outsourcing to for-profit contractors is less common than complete for-profit institutions is not immediately obvious. Contracting, like the national multi-campus for-profit colleges, would garner efficiencies from centralized curriculum development. Standardized pedagogy would generate predictable and consistent quality.

Although contracting out full programs is rare, the typical course development and teaching processes at community colleges share many elements of the for-profit model. Many courses, especially the large lower-level courses, rely on textbooks developed for nationwide markets. Textbooks often have extensive instructors' manuals and associated workbooks and project guides. Although instructors at community colleges usually have choices among textbooks and can supplement the textbooks with other references, the textbook and its accompanying materials represent in effect a centrally developed curriculum. (Professors at for-profit colleges also have some flexibility in their use of the centrally-planned curriculum.)

And, as in many of the for-profits, the use of part-time or adjunct instructors has also become increasingly common in public higher education, especially among community colleges, where nearly two-thirds (62%) of faculty members in degree-credit programs are adjuncts (U.S. Department of Education, 1999). The use of adjuncts provides staffing flexibility and reduces costs. And, as with the for-profits, it can help colleges stay up-to-date in occupational areas. But, when the colleges use adjuncts and textbooks, they maintain control over instruction; they have to hire, evaluate, and manage the faculty. We shall see that, at least for credit programs, and to

some extent for non-credit programs, the desire to keep control over this management process is a key factor in thwarting the spread of the outsourcing of instruction.

Thus, outsourcing is related to the broader trend towards the privatization and general increased competitiveness of higher education. The use of vendors is widespread and indeed universal in almost all industries, and it is subject, at least in principal, to standard economic forces. Some types of outsourcing (or outsourcing-like activities) at community colleges, such as contracting for auxiliary services and the use of adjuncts and packaged curricula, are common and widely accepted. But the outsourcing of full courses, including teaching, is much less common and more controversial. In the following sections we will describe different types of outsourcing, discuss its spread, and analyze the forces that promote and thwart its use.

## Community College Use of Outsourcing for Instruction

### *Types of Outsourcing Models*

Community colleges use a variety of “contracting out” models. We define contracting out as a process by which a college contracts with a private firm (not an individual) to provide instruction and related services to students attending the college. Under our definition, the students are registered at the college and, in some cases, may not know that they are taking a subcontracted course.

There remains, however, some variation within our definition. For example, a *full-service contractor* not only provides curriculum and instructors, but also assists with the marketing, fund raising, and other program management activities. We present a more detailed discussion of one such contractor firm, I/Tech, in Appendix B. A *specialized trainer* is another model. It usually involves an equipment vendor providing the instructor and curriculum on topics requiring highly-specialized or proprietary expertise and equipment (e.g. flight training, John Deere tractor operation, real estate license preparation, and clean room technology). The final model, consisting of *on-line course educators*, provides the curriculum and instruction on-line to students registered through the college.

There are other models in which community colleges contract for various services yet maintain control over the teaching faculty. The use of *adjuncts* is one form of quasi-contracting. In another model, the *training curriculum vendor* provides the curriculum and training to certify the college’s own instructors in the teaching of the curriculum. But, such models do not fall under our definition of outsourcing.

Thus, contracting out is not a monolithic phenomenon. Colleges use a variety of models that vary in the extent and nature of the services provided by the outside firm. Our focus will be

on those models in which the contracting firm carries out the instruction and retains control over the curriculum and the hiring and managing of faculty.

### ***The Extent of Community College Outsourcing Instruction***

Because we purposely sought colleges that outsourced instruction, our sample cannot be used to obtain a definitive measure of the incidence of outsourcing. The large number of colleges with which some vendors work, however, does suggest that many colleges contract out at least some non-credit instruction,<sup>4</sup> as did all eleven colleges in our sample. We did interview three colleges that contracted out degree-credit courses, but we only found them after a considerable search. And, even these colleges contracted out instruction for only a limited number of courses. In every instance, the for-credit courses taught by outside vendors all required highly-specialized or proprietary equipment or knowledge, including contracting out for instruction in John Deere tractor operation, heavy equipment maintenance, and flight training. In all of these cases, the colleges had difficulty finding qualified faculty. We found no cases where a community college contracted out a significant portion of instruction for degree programs,<sup>5</sup> and, overall, have concluded that outsourcing credit instruction is rare.

The most widely-used *full-service contractor* in our sample is I/Tech, which provides training for information technology (IT) industry certifications under contract to colleges. I/Tech

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<sup>4</sup> For-profits play a greater role as suppliers of non-credit instruction in general than other providers. The 1999 National Household Education Survey indicates that community colleges are relatively minor actors overall in the work-related non-credit market. In that year, over 31 million individuals reported receiving job-related, non-credit instruction from “business or industry, professional associations or labor unions, or government agencies and public libraries.” Only 3.3 million reported receiving such instruction from community colleges or two-year public vocational postsecondary institutions (Calculations by the authors). Over the last 20 years, community colleges have been working to expand their market share in a very large non-credit work-related market.

<sup>5</sup> Some colleges grant “equivalency credit” for courses in information technology provided by an outside contractor. This is part of a larger phenomenon at community colleges in which credit is granted *ex post* for experience or other types of non-credit education. In these cases, the faculty and college retain control over the conditions under which this credit can be granted.

has over 150 partner colleges (including four-year institutions) in 34 states. The company flourished during the tech boom of the late 1990s, when many colleges were having trouble meeting demand for short-term training in IT. I/Tech offered colleges a cost-effective way to respond to this demand with a package of industry-certified curricula and instructors (the latter of which were very hard to find and afford during the boom). It has benefited by capitalizing on its partner colleges' facilities, equipment, and market presence—in a sense using community colleges as a widely dispersed distribution network for training.

The growth of I/Tech is related to the spread of IT certifications. Such certifications are often, although not always, designed by particular companies—Microsoft or Cisco for example. The distinctive feature of this form of education is that the credential is earned based solely on passing an assessment. Students take courses to prepare themselves for these tests, but performance in the courses does not formally determine whether the student earns the credential (they are analogous to courses designed to prepare students for the bar exam). Thus, the teaching of these courses is not regulated either by the state education authorities or by higher education accreditation agencies, although in some cases, the firms that create the credentials do certify instructors and programs. Community colleges have become involved in providing these types of courses through their non-credit workforce development divisions in response to heavy demand from the public and employers. In some cases, colleges have incorporated their certification training into credit programs, or have also designed such programs to prepare students for certification, but in these cases, the colleges usually do not use outside vendors for instruction (Jacobs, in press).

The most widely-used contractor of any type that we were able to identify in our sample is Education to Go, an on-line training vendor that offers courses through over 650 colleges and

universities in the U.S., Canada, and overseas. Education to Go enables colleges to offer on-line courses in a wide range of topics without having to make the investment in research and development that is necessary to provide such courses. In no case do these courses carry degree credit.

The partner college markets the vendor's courses through its catalogue, and students register with the partner college. The college gives the student a pass code and the student logs on and takes the course on-line. Some vendors allow students to proceed at their own pace, but others deliver instruction in modules according to a set schedule (like a conventional class). Typically, an instructor is available on-line to provide support. The college receives a share of the revenue. In the case of Education to Go, the partner college gets 50 percent of the revenue.

As we argued in the Introduction, the contracting out of developmental education has caused considerable controversy. Opposition was particularly strong to New York's Schmidt Commission recommendation to outsource remediation at CUNY—a recommendation that was never implemented.

In Maryland, efforts to outsource remediation made more progress, but in the end they met a similar fate as the CUNY initiative. In 1995, Howard Community College (HCC) in Maryland caused a stir among community college educators when it partnered with Sylvan Learning to provide instruction in remedial math. According to a 1997 article in the *Chronicle of Higher Education*, "Although the arrangement upset some educators, Howard wanted to free up faculty members to teach more college-level courses and see if Sylvan could achieve, for less money, better results than Howard had" ("Maryland's Public Colleges," p. A32). Sylvan charged a fee to its students and offered smaller classes, but used the same tests and materials as HCC professors who also taught remedial sections in parallel with the Sylvan classes. In a 1997 report

on this experiment, the Maryland State Higher Education Commission (1997) found that most of the students in the Sylvan classes said that they liked the extra attention they received from instructors, but the extra cost to the students, according to the report, did not produce success rates that were clearly better than those found in the HCC classes. A faculty member from the HCC math department reported to us in 2002 that neither HCC, nor any other college in Maryland, was outsourcing remedial instruction.

Thus, outsourcing non-credit instruction appears to be common, although still in restricted fields. The use of vendors for credit-bearing instruction is rare. And despite the considerable efforts to contract remediation, in the cases that we were able to find, so far these efforts have not come to fruition.

### ***Reasons Why Colleges Outsource Instruction***

What explains this pattern of the use of outsourced instruction? A standard economic model suggests that colleges would consider an outside vendor if the vendor's quality of the instruction would be superior to the service provided under the supervision of the college, and/or its cost to provide it would be less. But in economic models, the search for the optimal outcome is limited by institutional, legal, or financial constraints. We shall see that such constraints are important in the determination of community college outsourcing.

Our investigation of eleven community colleges suggests that they contract out instruction when they require instructors with specialized knowledge or when they need to respond to rapidly growing demand for particular programs. Contracting out also allows colleges to offer a broader set of up-to-date training programs using a wider range of delivery modes than

they could if they developed and taught them in-house. According to one community college dean of non-credit programs, by buying curriculum or outsourcing instruction:

[Y]ou are buying a program development package. The amount of up-front work you have to do is minimized. ..If it would take you 400 hours to develop a...program and you can cut this time to 40 hours, that frees up a lot of your time to do other things....We capitalize on the reputation of the outside group in being up-to-date.

The costs of developing high quality curricula—both the direct expense and opportunity costs—are substantial. Contractors are able to spread the cost of program development over many user institutions. Working through a contractor allows colleges to afford curriculum and services that would be difficult or expensive for them to obtain individually. For example, I/Tech provides institutions with access to curricula certified by Microsoft, Cisco, and the other large IT vendors. I/Tech's training programs are also certified by the major vendor companies. Through I/Tech, colleges can gain access to such certified programs and to expensive e-learning services in a sort of buyers' cooperative.

In fast-changing high tech fields, the use of contractors helps the colleges stay up-to-date. Because they are teaching and have other duties, full-time faculty often have difficulty staying current in their fields. Further, in many cases, there is little pressure on them to stay current.

According to one administrator:

Most of our faculty have been here for 30 years, haven't worked in the business environment, and can't bring that to the table....Whereas when you look for a contractor, you can make sure that their skills and knowledge and certifications are current....You can be more choosy....You can choose the contractor to meet the specific needs of the students or company you are dealing with.



In most of the colleges we contacted, few members of the regular faculty were certified to teach IT industry certification programs that were being offered through the non-credit side by contractors. Moreover, specialist contracting firms have very close relationships with the relevant industries, so contracting with such firms to provide instruction would, in general, help colleges keep up-to-date in both their credit and non-credit programs.

Colleges are less constrained by the academic calendar or schedule limitations in collective bargaining agreements when they contract out for instruction than when they depend on full-time faculty. Formal collective bargaining agreements often dictate how much faculty can teach and under what conditions. Even where unions are not present, faculty members tend to operate according to the conventional semester-based credit-hour structures. Thus, colleges are better able to respond the varied needs and scheduling constraints of their students. Reflecting a view we heard from several respondents, one continuing education administrator maintained that “[f]ull-time faculty are not available to teach when employers and the general public want training.”

By contracting out some courses, colleges are therefore able to provide services to their students that they would not be able to provide on their own. As long as the tuition and fees at least cover the cost of the contract, providing these services is of value to the college. Then, the vendors can allow the colleges to concentrate on the areas that they can do well. As one non-credit administrator told us:

If we tried to take on and do ourselves the A+, MCSE, MCDA, Oracle, the security [certifications], the webmaster things, I would have to spend all my time and energy in the IT area keeping up with the certifications, finding instructors, and dealing with the technical issues in the classroom....I don't think we would be able to do the other things we do in contract training. We couldn't be as

successful in HVAC [Heating, Ventilation and Air Conditioning], welding or do all the management and leadership training we do.

College administrators responsible for outsourcing pointed out that, because vendors used a standardized curriculum and employed specifically trained and certified teachers, they provide a consistent quality of instruction. For example, I/Tech requires that all of its instructors not only be certified in every topic they teach, but have at least three years of relevant industry experience, as well as experience teaching. I/Tech also tests all candidates to ensure that their knowledge is up-to-date. These administrators argued that, although the best of the college professors provided instruction just as good as that provided by the vendors such as I/Tech, the quality of instruction delivered by the full-time college faculty overall was much less consistent.

In the case of on-line education, both the technology and business model are undergoing a broad and very significant change that will probably not be complete until there is a generational turnover in college faculty. Although on-line instruction has spread rapidly, colleges have had difficulty in providing the professional development and support services for faculty and students necessary to ensure the growth and quality of this mode of instruction (Cox, in press). Education to Go is a firm that specializes in designing and delivering this type of instruction. Therefore, it can focus its attention and resources on developing the appropriate technology infrastructure and faculty skills for on-line education. Such an effort is beyond the resources of many colleges, given the current state of faculty skills and rapid advances in on-line technology. Contracting out e-learning allows colleges access to a scope and quality of programs and a skilled instructor labor force that the colleges would have difficulty developing internally.

Thus, outsourcing for the colleges provides flexibility and access to instruction and delivery modes that they might not be able to develop on their own. During the tech boom in the

1990s, it was particularly difficult for colleges to find qualified faculty, so they turned to contractors who had focus and resources to build up a network of faculty in the tech fields.<sup>6</sup> The continuing rapid changes and growth in on-line education have also made it difficult for colleges to keep up with the human resource needs of that approach.

### ***Benefits for Vendors***

While contracting out instruction has many advantages for colleges, why do the vendor firms participate? After all, for non-credit courses, which comprise the vast majority of contracted out instruction, vendors could work directly with students without using the college as an intermediary.

Providing instruction through colleges lowers overhead for vendors because the colleges typically provide the space and equipment. This allows the contractor to broaden its reach with little capital investment. Furthermore, using the college is a form of marketing. Community colleges interact with thousands of students in both their credit and non-credit divisions and tend to be known in the areas they serve as a place to come for low-cost education and training. According to the president and founder of Alamo Learning Systems, which provides training and consulting on quality systems and certification:

[Working with colleges] gives us greater reach, gives us broader distribution, which is the biggest challenge a company like ours faces....The biggest expense for us is to get the business—the marketing. If we can get the business, we can compete with anybody.

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<sup>6</sup> It is not surprising, therefore, that some of the community college respondents reported reducing their use of contractors for IT certification as the market for IT has cooled and colleges have had an easier time finding or training appropriate faculty.

Alamo Learning Systems has worked with community colleges on several occasions over its twenty-five year history and has recently established an exclusive marketing agreement with a community college system in the Midwest.

### ***Barriers to Outsourcing Instruction***

Although in some cases, the colleges and the vendors both gain from outsourcing, there are a variety of barriers that thwart the expansion of this practice. Sometimes, for various reasons, the costs, in terms of resources and effort, are too high, either for the college or the vendor. But the fundamental problem is that contracting out instruction results in the college's loss of control over the relevant faculty and pedagogy. We will discuss each of these factors in more detail below.

From the perspective of the vendor, the college margin—the difference between the fee paid to the vendor and the revenue received by the college—is in effect a marketing premium. But vendors interviewed for this project stated that some colleges were simply not good marketers. In these cases, it does not make sense to give the college a large discount. In other cases, the vendors may have effective direct marketing capabilities and see little advantage in working through the colleges. Therefore, the vendor will charge a high fee for the services that it provides.

To offset large vendor fees, the college may have to charge relatively high tuition to offer these courses. Potential customers—i.e., students—generally expect community colleges to offer prices lower than those of private providers. One college director of contract training stated:

I can't afford a partnership [with a training vendor] that takes me to the Cadillac level. [For example] I don't do too much AMA [American Management Association Training] because the books cost \$80 apiece. When I add that to my

instructor's cost and add my margin, I'm almost as much as the highest price consultant who's my competitor out of D.C. or Baltimore.

In such cases, it is more feasible for a college to develop the training on its own, using cheaper, off-the-shelf curriculum materials and adjunct instructors who are not necessarily certified to teach the given topics.

In another case, the Holmes Corporation partnered with the American Society for Training and Development (ASTD) and the American Society for Quality Control (ASQC) to provide certification training in human resource and quality management. But the firm's costs, and therefore its prices, were too high for most community colleges and the venture failed.

In addition, building the necessary relationships with colleges is not easy for the vendor, and the time and resources required to do so must be balanced against the marketing value of the partnership. Some vendors find that it takes too long to form partnerships with community colleges because of the bureaucratic barriers and resistance from the faculty.

Colleges also may see non-credit and continuing education courses as a source of net revenue. Some administrators hope that revenues from non-credit operations can be used to cross-subsidize other activities that are considered part of the core college missions, but do not generate enough revenue to cover costs (Bailey & Morest, 2003). In these cases, colleges would be reluctant to contract out those activities to a for-profit vendor.

The factors that stand in the way of expanding the outsourcing of credit instruction are particularly notable for credit courses. Although colleges have some flexibility in setting tuition for non-credit programs, in many states, tuition and reimbursements for credit programs are limited by state regulations. Vendor costs then have to be low enough to accommodate the need to charge tuition below the state-set ceiling. Otherwise, the college will lose money for each

student in an outsourced course. One college that is trying to offer contracted courses for college credit is considering charging special fees, not limited by tuition ceilings, to cover the difference between the state-approved tuition rate and the contractor charges.

Every respondent indicated that full-time, degree-credit faculty members are likely to resist any effort to contract out instruction on topics where there is overlap with what they teach. It is perhaps not surprising that the faculty would oppose contracting out instruction when doing so appears to threaten the faculty function. In many industries, workers have resisted the subcontracting of previously internal functions when they have had the power to do so. And in many postsecondary systems, faculty members have used their control over curriculum and instruction to resist subcontracting. As one director of workforce education and training said, “Ownership of curriculum is very important to the credit faculty...They [the faculty] don’t like someone dictating to them what they should teach in class.”

State regulations and accreditation agencies reinforce the faculty resistance to outsourcing instruction. Respondents in our sample of colleges stated that many state higher education agencies oppose granting credit and providing state reimbursement for courses taught by instructors who the college does not control directly. Accreditation agencies often require master’s degrees for instructors of credit-bearing courses, and these requirements may not coincide with the instructor qualifications sought by the vendors.

Faculty members also sometimes object to the content of outsourced instruction. Representatives of colleges in our sample reported that faculty members frequently argue that the sort of training provided through contractors is too narrowly focused on specific skills. This is particularly an issue with respect to training for industry certification in information technology. Several respondents suggested that credit-program faculty members tend to distrust vendor-

specific programs associated with Microsoft, Cisco, Oracle, and the like because they see their courses as too focused on narrow sets of technical skills that are not “transferable.”

In some cases, the vendor’s instructors were not accessible enough for students.

According to the associate dean who oversaw a contract with a vendor:

[With many of their instructors] there was not the connection or a buy-in to the college or to the students....We want someone who is going to be a dedicated faculty member.

This complaint is consistent with the general concern that contractors fail to adjust to the special focus or idiosyncrasies of a college (Kirp, 2002). It is not clear that adjuncts have this type of “buy-in” either, although it may make a difference that adjuncts are under the direct control of the college while outsourced instructors are the vendor’s employees or contractors.

Thus, so far, except in very specialized circumstances, contractors have made few inroads into the for-credit, degree-granting programs at community colleges. Clearly, contracting out threatens the interests of the faculty and the academic traditions, which still characterize the instructional systems at community colleges and are reinforced by state regulation and accreditation policies. On the other hand, as we have pointed out, “privatization” is rife in community colleges in the sense that much of the curriculum is determined by choices made by commercial publishers, and the majority of courses are taught by adjuncts. Still, what we have found is that contracting, in the sense of hiring a firm to provide curriculum *and* instruction for degree-credit courses, is rare at community colleges.

## Conclusion

Contracting out instruction to private firms by community colleges has been seen as a part of a broader trend towards the privatization of higher education. Arguments in favor of this trend suggest that since private firms must compete in an open market they will introduce efficiencies and be concerned about quality and “customer” satisfaction. At the beginning of the 21<sup>st</sup> century, the trend towards privatization of higher education is further encouraged by the growing skepticism, or even hostility, towards the social role of the public sector. But several factors thwart the trend as well. One important factor is the skepticism about whether a profit-making firm can serve the broader public goals of higher education. In addition, the continuation of state and local subsidies, although declining in amount, still provide a buffer between the tuition charged by public institutions and by private firms. These same forces influence the use of subcontracting at community colleges. Subcontracting of auxiliary services is already widespread and, as we have seen, it is also present, although on a much smaller scale, for instruction. From one point of view, subcontracting might be seen as a good compromise that can garner some of the efficiencies of private markets while maintaining the broader public roles of the community college. Nevertheless, it is extremely rare in the divisions that teach credit-bearing courses, and still limited even in the non-credit divisions.

It is clear from our investigation that in analyzing the contracting out of instruction, a sharp distinction must be made between the credit and non-credit functions of the colleges. For the latter, referring to present trends as the “privatization” of non-credit instruction is misleading. As we pointed out, community colleges are only minor players in the non-credit market, which has therefore already been “privatized.” Given this environment, outsourcing may provide the colleges with opportunities that they would not otherwise have. From the point of view of



institutional interests, this is a very different situation than the one in the for-credit instruction market, where public and not-for-profit institutions dominate the sector, and the for-profits are attempting to gain a market share starting from a very low base.

We have defined subcontracting as a process in which a college uses a vendor to provide the curriculum and the instruction. The fundamental characteristic is that the faculty members teaching the courses are hired and managed by the vendor. We have argued that there are some clear incentives for both colleges and contractors to engage in the subcontracting of non-credit instruction, and some partnerships have had considerable success. Nevertheless, there are costs to both sides and, so far, the spread of the practice has been limited.

Several important factors discourage the use of outsourcing at community colleges. First, one reason that subcontracting, by our definition, is not more common is that by using adjuncts and commercial textbooks, colleges can achieve many of the benefits that might result from contracting. These include lower cost (due to low adjunct salaries), staffing flexibility, economies of scale in curriculum development, and—for occupational programs—use of instructors who have close ties to industry or who are currently employed in industry (and thus have up-to-date knowledge of their subjects).

Second, outsourcing threatens the interests of full-time faculty members. Opposition to subcontracting by incumbent employees and their representatives is common in many industries, and community colleges are no different. In addition to possibly putting the jobs of faculty members at risk, contracting out also challenges the academic traditions in which the faculty control the curriculum and select the professorate. Moreover, creditors and state regulators object when the internal faculty do not control the instructor and curriculum content.

Finally, sometimes the cost of contracted programs is simply too high, given state imposed limitations on tuition and FTE reimbursements.

All of these factors are more important for for-credit instruction than for non-credit, and partly explain why contracting is much more common in the non-credit divisions. We found contracting out of credit courses only when no faculty member could be found for very specialized topics.

Administrators of non-credit divisions were much more comfortable with contracting out instruction than were their credit colleagues, and every community college respondent predicted that the contracting out of instruction would continue to be a feature of community college non-credit programs and divisions. Continuing education in most colleges is based much more on a business than on a traditional academic model. Since non-credit programs are not state regulated or overseen by accreditation agencies, they face fewer personnel requirements or tuition limitations. Tuition is only limited by the expectations of potential students that community college tuition will be low. Nevertheless, even in the continuing education divisions, full-service subcontracting is primarily used when the college has trouble recruiting appropriately trained faculty (even adjuncts). In these cases, vendors presumably have an advantage because they are specialized in the appropriate areas and can focus their efforts on developing and training a network of instructors. In some cases, contractors can also provide curricula that may be hard to find or develop in some technical fields. Thus, we have seen the greatest concentration of contracting in the fast-changing IT certification fields and in on-line instruction. Both are areas where, for different reasons, colleges have had trouble establishing a full-time workforce with appropriate skills or a stable network of adjuncts. Even these trends may weaken, though, as the end of the IT boom may have made it easier for colleges to recruit and manage a skilled IT

faculty, and as faculty members in general become more comfortable and experienced with on-line instruction.

Trends in state financing, though, may provide added incentives to subcontract. One continuing education dean argued that state budget woes and declining public funding of community colleges will promote greater dependence on programs that support themselves. This, in turn, will increase demand for contracting out instruction, she believes, because community colleges lack the resources for the necessary up-front investment in curriculum development and, to some extent, the staffing and capability to market and manage customer-responsive training programs.

But, so far, in areas in which the colleges can manage to find the professors, non-credit divisions have still tended to manage the instruction internally. One reason is that continuing education is often counted on to generate a surplus and contracting out would either reduce or eliminate that surplus. Since most non-credit instruction is not delivered through the public higher education institutions, vendors certainly have the option of providing these services directly to students, rather than through the colleges. Thus, the partnerships remain attractive to vendors as long as the value of the marketing exceeds the amount of the discount they presumably give the college and the costs in time and money needed to manage the relationship.

Therefore, it seems unlikely that the subcontracting of instruction will be used extensively in community colleges, although it will certainly remain a factor in the non-credit sector. We suspect that for-profit institutions will be a more significant force for the privatization of higher education than subcontracting for credit- and degree-based instruction. But the underlying factors that make contracting appear attractive will still be present in community colleges. They include the difficulty that faculty have in staying up-to-date in their fields, the

great variation in the quality of curricula and instruction, and the inflexibility of the conventional approach to teaching and organizing instruction. These factors, more than direct competition from private vendors, are likely to provide the greatest impetus for change in teaching and learning at community colleges specifically and in higher education institutions more generally.

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## Appendix A: Interview Guides

### *Interview Guide: Contractors*

Hello. I am calling from the Community College Research Center at Teachers College, Columbia University. (For more information on CCRC, visit our web site at: <http://www.tc.columbia.edu/~iee/ccrc/>.) We are conducting a study of community colleges that contract out instructional services. Dr. Thomas Bailey is directing the study, which is being funded by the National Center for Postsecondary Improvement (NCPI) at Stanford University. The findings will be presented in a report to NCPI on why community colleges contract instructional services and what are the benefits and costs of doing so. The findings will also be presented to the CCRC advisory board (see our web site for a list of members) and to interested audiences through publications and conferences sponsored by the American Association of Community Colleges, League for Innovation in Community Colleges and education research organizations.

I would like to ask you some questions about the instructional services your organization offers under contract with community colleges. We are most interested in cases where colleges contract with an outside organization such as yours to provide and/or manage instruction for students registered with the college.

We would like to audiotape this interview for accuracy. *All of your responses will be kept completely confidential. Neither you nor your organization will be identified in any way in the published reports from this study without your permission.* We will allow you to review the final report before publication for accuracy and confidentiality. The interview should take no more than 25 minutes.

**Name and Title:** \_\_\_\_\_

**Organization:** \_\_\_\_\_

**Business Phone and E-mail:** \_\_\_\_\_

**Interviewer:** \_\_\_\_\_

**Date:** \_\_\_\_\_



1. What sorts of instructional services do you provide under contract to community colleges?
    - Student assessment
    - Curriculum development
    - Instruction
    - Instructor hiring
    - Instructor training
    - Student support services (academic advising, career counseling, etc.)
    - Student job placement
    - Program planning
      - Market studies / needs analyses
      - Curriculum planning
      - Facilities/equipment planning
      - Course scheduling
    - Program marketing
      - To prospective students
      - To prospective employer clients
    - Other?
  2. How specifically do you provide these services? What is your organization's role and that of the client community colleges? What are the financial arrangements? How do colleges pay for your services?
  3. Have you offered any instruction under contract to community colleges for degree credit?
  4. Why do you partner with community colleges to provide these services? Do you partner with other organizations to provide similar services? What advantages do community colleges offer?
  5. What problems have you had partnering with community colleges?
  6. What benefits do community colleges get from contracting instructional services to your organization? How do community college students and employer clients benefit?
  7. How can community colleges make most effective use of your services? What are some examples of colleges where the relationship has worked especially well?
  8. How do you market your services to community colleges? How do you decide which institutions to work with?
  9. Do you expect the level of your business with community colleges to expand, contract, or stay about the same over the next two years? Why? What changes do you foresee in how you work with community colleges to provide instructional services?
  10. What other educational services does your organization provide? What is the connection between those other services and your work with community colleges?
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### ***Interview Guide: College Personnel***

Hello. I am calling from the Community College Research Center at Teachers College, Columbia University. (For more information on CCRC, visit our web site at: <http://www.tc.columbia.edu/~iee/ccrc/>.) We are conducting a study of community colleges that contract with outside organizations to provide instructional services. Dr. Thomas Bailey is directing the study, which is being funded by the National Center for Postsecondary Improvement (NCPI) at Stanford University. The findings will be used for a report to NCPI on why community college contract instructional services and what are the costs and benefits of doing so.

I would like to ask you a few questions about the experience your college has had in contracting out instructional services. We are most interested in cases where your college pays an outside organization to provide and/or manage instruction for students registered with the college.

I would like to audiotape this interview for accuracy. *All of your responses will be kept completely confidential. Neither you nor your institution will be identified in any way in the published reports from this study without your written permission.* The interview should take no more than 25 minutes.

**Name and Title:** \_\_\_\_\_

**Institution:** \_\_\_\_\_

**Business Phone and E-mail:** \_\_\_\_\_

**Interviewer:** \_\_\_\_\_

**Date:** \_\_\_\_\_

A. *Use of Contractors for Instructional Services*

1. What instructional services at your institution are provided through outside contractors?

- Student assessment
- Curriculum development
- Instruction
- Instructor hiring
- Instructor training
- Student support services
- Student job placement
- Program planning
  - Market studies / needs analysis
  - Curriculum planning
  - Facilities / equipment planning
  - Course scheduling
- Program marketing
  - To prospective students
  - To prospective employer clients
- Other?

2. What is the name of the contractor used in each case?

B. *Questions about Specific Contractors*

1. What services does [CONTRACTOR NAME] provide to your institution?

2. How long has your institution contracted with [CONTRACTOR NAME]?

3. Why did you decide to contract out these services with [CONTRACTOR NAME] rather than provide them internally through the college's faculty and staff?

4. Why did you decide to contract with [CONTRACTOR NAME] rather than some other contractor?

5. How effective has [CONTRACTOR NAME] been in providing these services?

6. What problems or limitations have you encountered?

7. What are the benefits of using [CONTRACTOR NAME] to provide these services?

8. What are the drawbacks of using [CONTRACTOR NAME] to provide these services?

9. How has the use of [CONTRACTOR NAME] affected the quality of instruction offered to students and/or employer clients?

10. What connection is there, if any, between the instruction provided by [CONTRACTOR NAME] and the college's college-credit programs?
11. What sort of approval (board, senior administrators, faculty council, others) was needed to contract with [CONTRACTOR NAME]? Was there any resistance to contracting with [CONTRACTOR NAME]? If so, what were the concerns?
12. What sort of financial arrangement do you have with [CONTRACTOR NAME]? How much do the services cost? Where does the money come from to pay for [CONTRACTOR NAME]'s services? What financial benefit does the college receive?

*C. Trends and Implications*

1. What are the benefits of using outside contractors to deliver instructional services?
2. What are the drawbacks?
3. Has the experience of working with contractors changed the way your department or your institution generally does business? If so, in what ways?
4. Do you see any trends in the use of contractors for delivering instructional services at your institution? At community colleges generally?
5. Do you know of other community colleges that have used contractors to provide instructional services (successfully or unsuccessfully)? Could you please provide us with contact names at those colleges?

Thank you for your time.

## Appendix B: Case Study of I/Tech

### *Overview*

I/Tech is a privately-owned firm that started in the Frederick, Maryland area in the early 1990s to broker instructors for information technology (IT) certification courses. We consider I/Tech to be representative of a *full-service* model of outsourcing in that it not only provides curriculum and instruction, but also helps in marketing and enrollment management. Other examples of this model include Absolute Solutions (IT industry certification training), Alamo Learning Systems (ISO certification), K-Force (training of medical record coders), and TrainingTrack.com (an I/Tech competitor affiliated with Boston University's Corporate Education Center).

In 1998, I/Tech managers recognized a need among community colleges for a packaged set of instructional services to meet the growing demand for training for IT industry certifications. I/Tech approached Frederick Community College and, according to I/Tech's vice president for business development, discovered that colleges needed a broader set of assistance than just the recruitment of instructors:

As we discussed what their needs were, and the level of their needs—which included curriculum development, marketing, corporate sales, training, management of the process, tech set-up—we realized there was something much deeper [than just instructor brokering] that needed to be put in place.

Throughout the next year, I/Tech worked with Frederick Community College, and a couple of other colleges (Harrisburg Area Community College in Pennsylvania, Hillsborough

Community College in Florida, and Guilford Community and Technical College in North Carolina), to pilot and refine the model.

The number of colleges involved with I/Tech has grown from a handful in 1999 to over 150 (which includes four-year institutions) today in 34 states. The company plans to expand its partnerships with four-year institutions (where it offers IT certifications as a complement to degrees), and focus its efforts on institutions with a strong regional market presence. According to I/Tech's vice president for business development:

We have seen growing interest from four-year schools for our programs because they are interested in getting more involved in supporting the community, they want to connect more closely with local businesses, bring people into their doors and increase the number of students in continuing education programs....[More recently] we've seen growing interest among four-year institutions in pairing some of our non-credit certification programs with a four-year degree....to augment theoretical or classroom-based learning...

I/Tech works exclusively with higher education institutions and provides instruction in three modes or formats: (1) "open enrollment courses," which are advertised in colleges' brochures and are open to the public; (2) customized or contract training for employers and their employees; and (3) e-learning, both synchronous and asynchronous. Last year, of \$25 million in sales, about \$15 million came from open enrollment courses and \$10 million from contract training and e-learning.

Through I/Tech, colleges get access to certified curricula and instructors without having to become certified themselves. I/Tech is certified as a "C-Tech" provider, which means that it can use curriculum materials developed by Microsoft, Cisco, and the other system producer companies that set the certification standards. I/Tech recruits, manages, and pays the instructors,

all of whom must be certified to teach their topics and have experience in both industry and teaching. All instructors are independent contractors to I/Tech.

I/Tech staff also helps partner colleges with marketing by conducting an initial market study, developing templates for college catalogues and newspaper ads, and providing tips on marketing. I/Tech pays for half of the marketing costs for courses open to the public. More recently, I/Tech has installed sales representatives in various parts of the country to help colleges develop training contracts with employers. This past year, I/Tech assigned a staff person to help colleges apply for federal grant funding and state and local workforce training funds.

The college partners purchase and set up the labs, pay for half of the marketing costs, and register the students. In return, colleges get a share of the revenue. A couple respondents said that their college's share is 25 percent, but this percentage may vary.

### ***Why I/Tech Works with Colleges***

Working with colleges to provide training has a number of advantages. One is low overhead, because the colleges provide the equipment and facilities. This enables I/Tech to have a broad reach with little capital investment. I/Tech's vice president for business development believes that the prohibitive cost of "bricks and mortar" is the reason why many computer training firms are closing facilities and are in financial trouble in the midst of the current market slump.

Low overhead also allows I/Tech to offer lower prices for training than the brick and mortar competitors. I/Tech claims that its prices are 25 to 40 percent lower than the competition's. However, the college respondents that we interviewed indicated that they can



generally offer I/Tech training at only a 10 to 20 percent discount to prevailing prices for such training.

I/Tech builds on the local reputation of community colleges (and some four-year institutions with strong non-credit divisions) as low-cost providers of technical training. As I/Tech's vice president for business development stated:

We're able to go into an area, run one newspaper ad and generate enough interest to fill a class—we would never be able to do that on our own because people don't know who I/Tech is....We pitch it as "this is [College X's] program powered by I/Tech." Every ad we place reflects [the partner college].

I/Tech managers have talked about the potential of establishing contracts with large companies to deliver training to their employees through a national network of community colleges. None of the colleges we interviewed had participated in such an arrangement, although in some cases I/Tech has generated contracts for training with employers through its regional sales staff.<sup>7</sup>

### ***Why Colleges Contract with I/Tech***

I/Tech offers colleges an affordable way to respond to the demand for IT certification training with a broad range of industry-certified programs taught by industry-certified instructors who I/Tech recruits and manages. As a C-Tech, I/Tech brokers relationships with Microsoft and other large vendors that might not be responsive to an individual college but are willing to work

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<sup>7</sup> There was some disagreement between I/Tech and the community college respondents about who does most of the work in selling contract training. I/Tech said it does most of the "heavy lifting" through its regional sales force. The colleges said the regional sales reps are new to some areas at least and, while they are hopeful about the prospects, to date they have generated most of the contracts with employers themselves. In general, most colleges have done far more I/Tech training through courses open to the public than through contracts with employers.

with I/Tech as a link to a large network of colleges. I/Tech also provides technical and financial assistance with marketing, supports that many colleges would not otherwise have.

I/Tech began working with community colleges at a time when many were having difficulty responding to the exploding demand for IT certification training. The colleges we interviewed indicated that their credit programs were too slow-moving and inflexible to respond to the strong demand for a broad range of often specialized training. The cost of recruiting qualified instructors when they could command so much more in the private sector was a big problem for many colleges trying to launch IT certification programs during the boom:

We pay instructors \$1,700 per semester for college-credit courses, regardless of their credentials....So it became very difficult to find qualified instructors who were willing to teach for that little.

Moreover, college-credit courses are too long and inflexible to accommodate the short-term training programs sought by many working people. At the same time, most community college non-credit divisions operate with a bare-bones staff and lack the resources for large-scale program development. Some of the community college respondents who contracted with I/Tech said that, if they had developed the IT certification programs on their own (a couple had tried unsuccessfully), it would have taken a tremendous amount of time.

Probably the biggest challenge facing most colleges during the tech boom was recruiting qualified instructors and deploying them to meet varied and often highly specialized demand for training. I/Tech had started as an instructor broker and is an expert at helping colleges find qualified instructors.

### ***How Well the Partnerships Have Worked***

Colleges that started with I/Tech in the beginning seemed to do very well during the boom, and were able to recoup the costs of their investment and even make some profit. For example, in 2001, one of I/Tech's early partners generated \$500,000 in I/Tech training through open enrollment courses and \$250,000 through contract training. Some of the colleges we interviewed have been able to generate a surplus from the I/Tech revenue that they can use to develop new programs.

None of the community colleges we contacted have made money selling I/Tech's e-learning services to employers. I/Tech provides these services through partnerships with KnowledgeNet and, more recently, Element K. One respondent argued that the reason I/Tech has not been successful with e-learning is that it has tried to sell the service separately from classroom instruction. He and at least two other respondents suggested that the only way to sell e-learning effectively to corporate clients is as part of "blended, customized solutions" that combine e-learning and classroom training according to the needs of customer. I/Tech seems to understand this. According to its vice president for business development:

A company may only have six people at a given site who want a given course....They may have an additional 20 people scattered at other sites who want the same course but can't be in the classroom. With our e-learning component, it brings it all together and gives us a chance to be a "one-stop shop."

I/Tech and its college partners have not yet been able to convince many employers of the benefits of e-learning as a “one-stop shop” for training, however.

In the wake of the technology crash and September 11<sup>th</sup>, demand for open enrollment courses has plummeted. Some colleges are trying to compensate by trying to generate more contracts for customized training with employers. According to I/Tech:

With open enrollment, you build the program, advertise it, and hope the students show up....With corporate training, you have a much better handle on what services the client wants and are able to customize the services to meet those needs....With corporate opportunities, you can be more aggressive, you can leverage deals, you do a tiered pricing schedule which obviously you can't do with open enrollment—you can do a lot more things to win business than just cross your fingers and hope they show up.

But the contract training market is tough as well. According to one college respondent:

Businesses now are saying “I will only pay for the training I have to do.” In the open enrollment [programs], the person who would have spent the money [for training] now says “I don't know if I'll have a job and if I go through the training will I get a job with the certification and little or no experience?”

Some colleges are seeking grant funding through the H1-B, Trade Readjustment Act (TRA), the Workforce Investment Act (WIA), and state and local training funds. I/Tech's vice president for business development estimated that at least half of the training I/Tech currently offers is funded at least in part by publicly funded grants. He said, “everyone [in the IT training field] would be out of business if there were no grant funding.”

One college we interviewed recently canceled its contract with I/Tech. In part, this was due to the declining demand for IT training. The college has decided not to offer IT training for the time being, but one of its for-credit program faculty members has gotten certified and plans

to do the training when the college decides to restart it. At the same time, the college was not fully satisfied with I/Tech's services. Specifically, the instructors were not accessible enough for students. I/Tech had recruited most of them from a large urban area three hours away from the college, which is located in a rural community, so these instructors came to the college to teach their classes but were generally not available at other times to meet with students. In at least two cases, instructors left mid-course and had to be replaced, which was very disruptive. According to the associate dean who oversaw the contract with I/Tech:

[With many of the I/Tech instructors] there was not the connection or a buy-in to the college or to the students....We want someone who is going to be a dedicated faculty member.

I/Tech did not provide a person on campus to represent I/Tech and answer the questions of current and prospective students. This burden fell on the college's staff, who felt that they were not qualified to advise students on technical issues. In contrast, the same college contracts with a commercial truck driving training firm that assigns a full-time staff person to the college to work with students, tell them what to expect, help them register, support the instructors, and make sure things run smoothly. Students see this person as a representative of the college, not the contractor company.

Individuals in this college and others we interviewed argue that, for contracting of instructional services to work well, it has to be invisible to the student. Ideally, students should not be able to tell that an outside organization, rather than the college itself, is providing the instruction. As one person said, "It has to be transparent. The student shouldn't see any difference between working with I/Tech and working with one of our own."

### ***Relations with College-Credit Programs and Faculty***

Of the eight colleges we contacted which have contracts with I/Tech, none offer I/Tech training directly for college credit. One college offers “equivalency credit” for students who have completed I/Tech courses and two others offer such credit to individuals who pass particular IT certification exams—offering, for example, x number of credits for A+ certification and y credits for an MCSE. The college estimates that about half the students enrolled in I/Tech open enrollment courses last year were seeking college credit and about three-quarters of the students enrolled in I/Tech training through the college’s contract training programs were seeking equivalency credit. The main reason why this college decided to offer I/Tech courses for equivalency credit is that one of its largest customers, a military base with over 2,000 technicians and scientists, requested that the college offer IT training for credit so that students could take advantage of the military’s tuition benefits, which can only be used for college-credit courses. Several of the college’s private sector clients for contract training have also requested courses for credit, similarly so that employees can use their tuition benefits. The other reason why this non-credit division was able to offer credit for I/Tech courses is that the non-credit division started offering IT certifications and was successful before the credit faculty started to consider offering training toward certification. According to the division’s director, “We [the non-credit division] beat them to the punch.” The non-credit division also had the support of the president, who appointed the associate dean for customized business training as co-chair of the college’s curriculum committee.

Another one of the colleges that offers equivalency credit for individuals who earn industry certification is seeking to offer I/Tech instruction directly for credit. The college’s dean of workforce and economic development, who oversees both credit and non-credit IT programs

at this college (and is herself a tenured member of the IT faculty), has still not reached an agreement with the credit faculty on how to offer credit, though she is confident it will happen.

Every respondent indicated that college-credit faculty members are likely to resist any effort to contract out instruction on topics where there is overlap with what they teach. For-credit faculty will argue that the sort of training provided through contractors is too narrowly focused on specific skills. But faculty interests are at stake, too. I/Tech's vice president of business development says that he encounters resistance from the full-time credit faculty at most every community college he approaches:

There is always this resistance when we walk into a school: "Well, we already do this in our credit programs"....I can always tell when I walk into the room who the [full-time] faculty are—they are the ones with their arms crossed....The continuing education folks are the ones who are smiling and jumping up and down with enthusiasm.

Representatives of I/Tech argue that I/Tech training is entirely different from credit programs and that, therefore, I/Tech is not a competitor to credit programs. I/Tech argues that its programs are on a faster track than credit programs and cater to a different type of student (older students not interested in degrees). Plus, the full-time faculty are generally not involved in contract training programs. According to I/Tech's director of business development, "My main job is to go into a school and convince the faculty that what we do is completely different from what they are doing on the credit side...."

Some of the community college respondents (all of whom represented non-credit divisions, although three oversee credit programs as well) seemed to agree that credit and non-credit programs do serve different student markets. A director of non-credit occupational programs said that, "On the [academic] side of the house, it would take two years to get your

MCSE. My students can't wait two years." At the same time, she was careful to get approval from the academic division to work with I/Tech:

We involved the VP of curriculum from the beginning. It is very important to get his buy-in because....continuing ed is the red-headed step child of the school in spite of the fact that, out of 42,000 students, 30,000 are in continuing education....We are in constant conflict with the [academic] division.

The director of contract training at one community college rejected the notion that it is acceptable to offer similar material through separate programs and divisions. Not only does it lead to duplication of resources—which a smaller college like his can ill afford—but, he believes, credit students should have access to industry certified instructors and curricula and that continuing education students should not be denied college credit for mastering material similar to that covered in credit programs. He said that it is “hypocrisy” that the college faculty can teach A+ and MCSE courses because they have degrees and are faculty, even though neither they individually nor their programs have been certified by outside industry groups. He went on to say that:

The argument [for offering the same content separately through credit and non-credit programs] doesn't hold up....It's really about defending turf and egos....instead of what is the best issue for the learner.

Some of my colleagues in [non-credit divisions] other colleges are trying to do an I/Tech partnership because they are trying to move fast....but they're being shut down by the academic side who's saying “there's no assurance of quality” and “only we can develop this course” and... “we're going to spend college money to develop these courses ...and we don't care if you can get it for free today [through I/Tech] and gain a percentage on it, we're going to take our time and do it our own way.”



Several respondents indicated that credit-program faculty tend to be suspicious of industry-certified training programs based on their view that such training focuses on very narrow, industry or even vendor-specific skills and not on broader, more readily “transferable” knowledge and skills. One respondent expressed this variant of the “training versus education” argument as follows:

The problem with the vendor certification is that, while it is a good industry credential.... it doesn't necessarily teach the other subject matter and is not necessarily a great problem-solving curriculum. What I would rather have is a two-year degree in networking...in which students are coached...and take the certification test....The degree is much more valuable for the student in the long run....We have identified which credit courses are necessary to prepare students to pass particular certification exams....The curriculum should [incorporate] the content of the industry certification into the academic degree [instruction]...But this is not the same as teaching an industry certification prep course on the credit side of the house. You want an industry certification course? Go to the *non*-credit side of the house....We have to be careful in community colleges not to be a mouthpiece for private vendors. If you take Cisco and then go to work on a Novell system, it doesn't help you much. On the other hand, if you know networking principles, whatever product is “hot” at the moment, you will be able to handle it.

Other respondents argued that, with respect to the technical content at least, I/Tech instruction tends to be more hands-on and related to real-world problems and situations than credit program courses taught by the credit faculty. One respondent, who directs continuing education programs, but was a faculty and chair of the college's IT department, believes that the quality of technical instruction through I/Tech is “far superior” to that offered in the college's credit programs. The reason is that I/Tech instructors are all “seasoned professionals”—they not only have to be certified to teach a given topic, but they have to have at least three years of relevant industry experience as well as experience in the classroom.

### ***The Future of the I/Tech Business Model***

The current downturn in the market for IT training is a challenge for everyone in the business, including I/Tech. A lot seems to be riding on how successful I/Tech will be with its new effort to expand partnerships with four-year institutions and other organizations that have a strong market presence.

I/Tech claims to offer a more consistent level of quality because it is centrally managed. At the same time, there are serious questions about how quickly and far I/Tech's business model can be expanded while maintaining adequate quality. Perhaps the most important benefit that I/Tech offers colleges is the recruitment of qualified instructors. To do this effectively requires building local networks of contacts. This was a natural for I/Tech in the Frederick, Maryland, area where I/Tech got its start as an instructor broker firm. It is another thing entirely to go into Phoenix or Chicago, or any other new city where these relationships have to be built from scratch. Expansion into large urban areas may be more feasible, especially now that demand for instructors has declined, but moving into small markets, where instructors often have to be recruited from far away, will likely be very difficult.

In the current slump—when the demand is no longer so overwhelming, the competition from for-profit trainers has cooled, and colleges have some experience working with I/Tech and other contractors—some will probably decide that they can do IT training themselves and not have to rely on I/Tech. This is especially true of college