

# Wintec: Contracting services from outside the institution

Tertiary institutions frequently face the choice between developing a service themselves or contracting an outside agency to provide it. e-Learning is an activity that seems to lend itself to outsourcing arrangements. The long-running contractual and strategic relationship which Waikato Institute of Technology (Wintec) has had with Intuto is an interesting and instructive example of one such relationship.

WINTEC'S RELATIONSHIP with Intuto began in 2002. Wintec had recently articulated a broad ambition to become a leader in e-learning within the institutes of technology and polytechnics (ITP) sector. However, the leadership were aware that they lacked much of the infrastructure, appropriate courseware or skilled personnel to achieve that vision at least in the immediate future. This was also a time when enrolments were relatively static at Wintec and, in the competitive environment of the day, the leadership were looking for ways to boost their enrolments and revenue.

The original business proposition put to the Wintec School of Business was that Intuto, a very new online education and training company, would take and market courseware already developed to students around the country. Students would study principally online but they would be supported by a network of tutors and regional study centres established by Intuto. Where possible, these enrolments would generate funded EFTS, otherwise they would be resourced entirely from fees. Under this arrangement, Wintec contributed the administration and access to approved and accredited qualifications, while Intuto contributed their Learning Management System (LMS), programme delivery, student support and marketing. Income was divided on a 3:1 basis, with Intuto taking 75% of the revenue for enrolments outside Wintec's region and the ratio being reversed for revenue from enrolments within its region.

This arrangement was mutually beneficial. Intuto offered a national marketing system, a well-supported LMS, a stable of ICT specialists and a network of regional centres and tutors. Wintec offered a range of quality-approved courses and its status as a fully-accredited ITP. Each also offered the other a chance to gear up its business relatively quickly. The relationship certainly assisted Wintec to develop a significant online presence faster than it might have been able to do using its own resources.

Early success with the relationship encouraged Wintec to re-evaluate its e-learning strategy and capability. One outcome was a commitment to continue to develop its own internal capability to develop and support online learning and blended delivery more generally. This commitment was strengthened rather than weakened by the Tertiary Education Commission's (TEC) scrutiny and criticism of low level/low value online

## TAKING THE LEAD

Strategic Management for e-Learning

## Case Study



courses during 2005. It led to a growing commitment to develop the ability to offer the entire Wintec portfolio of offerings through online or blended delivery. This strategy would benefit from continuing access to contracted services, but Wintec would also need to make a steady investment in developing many of the necessary services itself.

The contractual relationship also encouraged the institutional leadership to understand and manage the value of what each party contributed to that relationship. A well-managed relationship requires a clear separation between the various elements of course development and delivery. However, it also encouraged Wintec to focus on the value of its contribution – the development and ownership of courseware and intellectual property – and ways of maximising that value. One consequence has been a move into a joint venture relationship with Intuto for the development and delivery of a suite of English language and ESOL programmes for delivery internationally as well as throughout New Zealand. Another consequence has been the creation of The Curriculum Factory, a commercial arm of Wintec dedicated to developing courseware across a range of delivery platforms and markets.

Each new development marks a shift in the contractual relationship with Intuto. From being a one-off project intended to generate revenue from available courseware, the relationship is now a more complex, dynamic one that reaches into many parts of the institution. While the relationship represents a larger opportunity, it also represents a larger risk.

Wintec and Intuto now have a significant interdependency. Wintec manages that risk in a number of ways. They have a Relationship Manager to oversee the relationship with Intuto, they ensure that all contractual documents address the necessary commercial as well as academic issues and they put a lot of effort into resolving any issues of intellectual property rights at the commencement of each project. They are also moving to secure escrow rights to safeguard their continuing use of the Intuto LMS in the event of any failure of the company. Furthermore, they have safeguarded the institution's financial position by ensuring that ownership in the joint venture arrangement is vested in a charitable trust.

Communications continue to be a challenge in this relationship. The status of an outside contractor or even of an in-house entity such as The Curriculum Factory will always be viewed with scepticism, if not hostility, by some teaching staff. The Contracts Manager must continually ensure that people understand what the relationship is attempting to achieve and the rights and limits of all parties. He must also ensure that communications and relationships with Intuto are managed appropriately.

Both parties to this relationship are optimistic but also realistic about the future. Wintec continues to value its relationship with Intuto for the stimulation it offers as well as for the more obvious marketing, delivery and network services they receive. Intuto appreciates the maturity of its relationship with Wintec and the considerable range of service arrangements it has in place.

However, both parties also recognise that the relationship is essentially a commercial one. The nature of the tertiary environment and of the technology will continue to force that relationship to evolve and quite possibly, at some point in the future, to terminate.

CONTINUED...

## Reflections

There are a number of features of online learning that lend themselves to outsourcing, which are all illustrated by this case study. These are: the highly specialised nature of many of the elements of programme development and delivery; the difficulty institutions face in achieving economies of scale in this area; the fact that most teachers will lack some of the necessary skills or aptitudes; and the relatively high 'front-end' costs involved in the development of courseware and infrastructure.

Chief executives may be well advised to ensure that all such contracts are managed by a duly authorised individual or office with the necessary commercial knowledge. However, they should also anticipate that this office will need continuing support and close oversight to ensure that sound relationships are maintained both with the contractor and with the academic community, and that the work of this office is clearly aligned with institutional strategy.

Institutions should anticipate that a contractual arrangement will be a dynamic one, requiring regular re-thinking and re-negotiating. It is important to ensure that these contractual agreements keep pace with the changing nature of the relationship. However, it is also important to remember that good will and open communication between the parties are more important. If either party has to resort to the small print to secure their rights, it is likely that the relationship has already failed.

The Intuto/Wintec collaboration has been helpful in assisting a regional institute of technology to make some of its offerings available to a much wider market. The current TEC policy on containing institutes of technology within their geographic regions may challenge this kind of development, particularly the prospects for securing continued funding support for such offerings.