

**DISCUSSION PAPER
ON OUTSOURCING
IN CANADIAN HERITAGE INSTITUTIONS
(LIBRARIES AND/OR MUSEUMS)**

PREPARED FOR:

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1. PURPOSE OF THE PAPER

The purpose of this paper is to promote discussion on outsourcing issues among the stakeholders of heritage institutions. The stakeholder group includes heritage professionals, professional associations, governing authorities, elected officials, policy makers and funders from all three levels of government, volunteers and interested parties from private sector organizations that relate specifically to public libraries and museums.

The primary objective of the paper is to present the results of preliminary research into the prevalent perceptions about outsourcing in Canadian heritage institutions. The research conducted in preparing this discussion paper included an examination of the most important and current literature related to outsourcing public sector functions to the private sector, or to other public sector organizations.

The issues are identified, discussed and presented in an objective, yet a comprehensive manner, in order to reflect the perspectives of all stakeholders.

The discussion paper does not address the ideological aspects of outsourcing. Rather, it focuses on a reasoned and informed approach to decision-making about a tool which, under certain circumstances, may be applicable. The discussion paper examines the issues inherent in outsourcing that are specifically related to heritage institutions, particularly public libraries and museums. These issues are presented within the context of a 'larger' discussion about the current use of outsourcing in other sectors.

2. INTRODUCTION TO OUTSOURCING

Outsourcing is not a new phenomenon. Ferdinand and Isabella, as the government of the day, outsourced the discovery of the new world to Christopher Columbus. Not long afterward, armed ships owned and operated by private concerns, known as privateers, held commissions from governments to go forth and capture foreign merchant ships. Sir Francis Drake was knighted for his success as what might be regarded as "an outsourcing agent" for governments.

Although outsourcing has always been with us, the tax revolts in the United States, and the reduction of local government funding levels that began in the early 1970's, placed outsourcing on the public sector agenda. According to Osborne and Gaebler "the average city in the United States had contracted out 27 percent of its municipal services by 1987."ⁱ That agenda has now reached heritage institutions, such as public libraries and museums.

The use of outsourcing as a management tool used by governments and public agencies has been popularized by books and articles, including Reinventing Government: How the entrepreneurial spirit is transforming the public sector by David Osborne and Ted Gaebler. This book became the bible of municipal management in the early 1990's. Because of the book's importance in defining the outsourcing debate, this paper will outline its basic premises.

The first chapter of the book entitled "Catalytic Government: Steering Rather Than Rowing" praises outsourcing. The central message of the chapter is that governments at all levels should be responsible for 'steering', that is, for setting policy, finding the funds to pay for public services, and evaluating the performance of the organization that has been assigned the task of delivering the service. The stated premise is that in general, it is not the government that is best at delivering the service. The book claims that "entrepreneurial governments operate basically as a skilful buyer, leveraging the various producers in ways that will accomplish its policy objectives."ⁱⁱ Former New York Governor Mario Cuomo supported this point of view when he said: "It is not the government's obligation to provide services, but to see that they are provided."ⁱⁱⁱ Cuomo's comment reflects a growing trend at all levels of government, that is, a deliberate move away from the delivery of services and into the management of service delivery.

Osborne and Gaebler stress that the delivery of government services can be outsourced to two sectors - the private sector and the voluntary or not-for-profit sector. The authors point out that the not-for-profit sector, or the third sector, is often the "preferred mechanism for providing collective goods."^{iv}

Peter Drucker also supports the third sector perspective. While examining the role of nonprofits as social agencies, Drucker states that "What is needed is a public policy that establishes the nonprofits as the country's first line of attack on its social problems."^v The conclusions reached by Osborne and Gaebler, and by Drucker should be considered when reviewing alternative delivery mechanisms for heritage services.

3. DEFINITIONS

Outsourcing (contracting out is a synonym) and privatization are possible solutions along a continuum of strategic responses to two major causes of change. These two major causes of change are continued fiscal restraint in the public sector and the increasing use and functionality of information technology. As a response to fiscal restraint, outsourcing, contracting out and privatization can all be viewed as economic concepts in that they are directed at cost reduction or containment and increasing efficiency and productivity. Other new strategic responses, which may include elements of outsourcing, include joint ventures, strategic alliances, partnerships, re-engineering and right-sizing.

Outsourcing has always been part of the way in which heritage institutions operate. For example, the following functions have regularly been outsourced:

- * delivery or courier service
- * facility management and maintenance
- * food service
- * finance
- * guest curators
- * human resource management
- * automation and computer systems

What is new and controversial is the extent to which outsourcing is now being considered for all the functions of heritage institutions. In some circumstances, the entire heritage operation, that is, a public library service or a museum service, has been completely outsourced.

Outsourcing is also a response to the impact of information technology. The complexity and the degree of expertise required to install, use and maintain information technology systems has lead many organizations to outsource their information technology requirements. At the same time, the degree of outsourcing that is being considered today would not be possible except for the enabling effect of information technology. Information technology has enabled an exponential increase in communications, information sharing and ongoing monitoring and detailed evaluation. Without the capacity that information technology offers, high level outsourcing would not be possible.

Heritage institutions are being transformed by economic and technological change, and outsourcing is one element of this transformation. To begin to understand these changes, it is important to define the terms being used. However, because of the current rate of change in heritage institutions, it is also very important to remember that the definitions presented in this paper are in flux and are themselves susceptible to change.

Heritage Institution - Definition

Statistics Canada, in its Survey of Heritage Institutions, provides the following definition.

The purpose of heritage institutions is:

"to acquire, preserve, study, interpret, and make accessible to the public, for its instruction and enjoyment, objects, specimens, documents, buildings, and land areas of educational and cultural value, including artistic, scientific, historical, natural and technological material."

Museum - Definition

The Canadian Museums Association defines a museum as:

"a nonprofit, permanent establishment, exempt from federal and provincial income taxes, open to the public at regular hours, and administered in the public interest, for the purpose of collecting and preserving, studying, interpreting, assembling and exhibiting to the public for its instruction and enjoyment, objects and specimens of educational and cultural value, including artistic, scientific (whether animate or inanimate), historical and technological material." ^{vi}

Public Library - Definition

The American Library Association provides the following definition of a library.

"A collection of materials organized to provide physical, bibliographic, and intellectual access to a target group (e.g., For public libraries, people living in a specific and immediate area), with a staff that is trained to provide services and programs related to the information needs of the target group." ^{vii}

Outsourcing - Definition

According to Peter Drucker outsourcing is a "company, a hospital, or a government agency turning over an entire activity to an independent firm that specializes in that kind of work . . ." He expands on his explanation; "In another ten or fifteen years, organizations may have outsourced all work that is 'support' rather than 'revenue producing' and all activities that do not offer career opportunities into senior management. This will mean that in many organizations a majority of people working might not be employees of that organization but employees of an outsourcing contractor." ^{viii}

The American Management Association provides the following definition. "Outsourcing means having an outside agency supply a service . . . Outsourcing involves a long-term investment in a relationship with a third party that should be mutually beneficial to both parties." ^{ix}

Clare Dunkle, in an article comparing outsourcing activities in the library and business worlds, provides the following definition. Outsourcing is:

- * accessing expertise and resources from an external organization to supplement or take full responsibility for a function that was previously accomplished in-house.
- * the purchasing, from an outside source, of goods and services that an organization previously produced or provided for itself." ^x

In general, organizations tend to outsource functions that are not central to the organization, or are not considered as core competencies by the organization. Outsourcing is intended to allow an organization to focus its resources on key areas of value-added capability, or core competencies, rather than spreading resources too thinly and overloading the capacity of the organization.

Privatization - Definition

Privatization is defined as "the transfer of one-time public sector services, such as refuse collection, to private companies," ^{xi} or the "The transfer of public assets to the private sector, by sale, or contracting out." ^{xii} The important difference between outsourcing and privatization is that with privatization complete control over a service is transferred to another agency, whereas with outsourcing, the delivery of a service is transferred, but control, including governance and policy setting, is not transferred. Outsourcing agreements generally stipulate that control over the service is to be retained by the outsourcing agency through a stringent monitoring process.

A variation is 'regulated privatization'. In cases of regulated privatization a government turns over a service to the private sector but protects the interests of the public through regulation.

3.1 Cultural Variations in Privatization and Outsourcing

When examining privatization and outsourcing it is important to note that these terms do not have absolute meanings, but rather they are fluid terms which are open to many interpretations including cultural and national interpretations. As a result, privatization and outsourcing are often adapted to meet local circumstances, needs and values.

A good example of the cultural variations in a term can be seen in the different meanings given to privatization. In the United Kingdom privatization tends to refer to the selling of government-owned industries, such as British Aerospace. In the United States privatization includes the "outright sale of a public enterprise, but it has been expanded to include other types of alternative service delivery such as user fees, voucher systems, franchises, subsidies, and service contracting."^{xiii} In Canada, privatization tends to refer to public services that are being transferred entirely to the private sector. For example, the Government of Ontario has considered the possible privatization of TVO and the Liquor Control Board.

Since the 1970s, fiscal stress and changes in approaches to government in the United Kingdom have resulted in "the role of local government becoming increasingly cast as that of a buyer of services on behalf of the public that can be provided best on a competitive basis by the private sector, and as a local governing institution which, having been overburdened, should have its responsibilities slimmed."^{xiv}

In North America the emphasis has been on reinventing government rather than on privatizing it, as a result, in many ways, of the work of Osborne and Gaebler.

In Europe, the term that is often used is 'désétatisation' which refers to decreasing government control and declining government support for cultural and heritage institutions. In response to declining government involvement and funding, cultural and heritage institutions are turning to partnerships with the private sector to replace the declining involvement of governments. Of course, the ways in which 'désétatisation' is applied in the different countries of Europe also vary a great deal.

New Zealand offers another model for providing government services known as the "Contract State." The Contract State "contemplates an administrative regime in which government departments operate more like separate corporations, who act as contracting agencies, and whose services are 'purchased' by the central government. In the Contract State, the core functions of government are policy and strategy development, but not service delivery. The role of civil servants in this system will be more oriented toward contract-management, and service-delivery skills would be less relevant."^{xv} The current Government of Ontario appears to be moving toward this model.

4. THE PRIMARY STAKEHOLDERS OF HERITAGE INSTITUTIONS

Heritage institutions operate in a complex and diverse environment with multiple stakeholders. Some of the primary stakeholders of heritage institutions include the following:

- Trustees of Heritage Institutions
- Heritage Professionals
- Staff of Heritage Institutions
- Heritage Associations
- Elected Officials: Federal, Provincial, Municipal
- Policy Makers and Funders: Federal, Provincial, Municipal
- Community Volunteers
- Consultants from the Heritage Sector
- Private Sector
- General Public

One of the difficulties in discussing outsourcing in the heritage community is that so many of the stakeholders come at the issue from different perspectives and therefore have a different understanding of, and response to outsourcing.

The following examples represent some of the many different perspectives on outsourcing. The examples do not represent the perspectives of everyone in the categories that are cited: They are generalizations presented only for the purpose of comparison.

* Library cataloguers: outsourcing is a threatening term, because cataloguing departments are often considered for total outsourcing.

* Municipal officials: outsourcing is a commonplace, long standing, management tool.

* Labour union member: outsourcing is perceived as a threat to unionized jobs and to the salaries and benefits that go with them.

* General public: outsourcing is largely irrelevant since the question of who delivers the service, or how the service is delivered, is secondary to the quality and ease-of-use of the service.

* Staff: outsourcing is a career threat, because it limits the opportunities for promotion and since outsourcing may also reduce the budget and staffing, it is sometimes seen as a lessening of status.

* Elected Official: outsourcing is seen as a way to reduce costs and/or increase efficiency and possibly to reduce taxes.

Because of the wide range of stakeholders, and the great variety of perspectives, it is uncommon for all stakeholders to support outsourcing in heritage institutions.

5. TRENDS IN OUTSOURCING

Over time, approaches to outsourcing have changed. As with many other long-lived phenomena, the concepts and applications of outsourcing are continually evolving. The following observations represent some of the macro trends that are affecting outsourcing today.

5.1 The Use of Outsourcing is Increasing

Peter F. Drucker states it clearly and concisely - "Increasingly, for instance, you outsource when possible."^{xvi} Technology Forecaster vice-president Sandra Fox, "has characterized the growth in outsourcing as 'astronomical' over the past eight years."^{xvii} In the United States the value of state and local government outsourcing has increased from \$67 billion in 1980 to \$150 billion in 1993.^{xviii} A literature review revealed that there were, on average, three articles per year on outsourcing in the 1980s while in 1997 there were more than six hundred articles on the topic.^{xix} There is no question that the use of outsourcing as a management tool has grown significantly.

The extent of outsourcing is also growing. For example, it has been commonplace for many years for libraries to outsource part of their cataloguing and technical services departments, and for museums to outsource special exhibits. Now there are examples of entire public library systems and museums being outsourced. In 1997, the entire Riverside County (California) Public Library (with twenty-five branches), was outsourced to Library Systems & Services, Inc., of Germantown in Maryland.^{xx} This was the first outsourcing agreement in the United States that involved an entire public library service.

5.2 Outsourcing is Driven by the Need to Contain Costs and Increase Efficiency

Most publicly funded institutions are experiencing a period of fiscal restraint, reduced funding and downsizing or right-sizing. Outsourcing is one of the more benign forms of downsizing or right-sizing, in that it can increase efficiency and it provides the institution with the means to continue to get the work done.

In times of fiscal restraint, once all possible internal economies and internal efficiencies have been implemented, many organizations look outward and examine outsourcing opportunities. Outsourcing is seen as a way to reduce costs because it generally reduces labour costs, especially the costs of employee benefits, as well as the training and capital costs of an organization.

5.3 Outsourcing Now Includes the Public Sector - Government, Non-Profit Agencies and Labour Unions

Not only private sector firms can reduce the costs and increase the effectiveness of a service or a function. Current trends include greater involvement of the government sector and the not-for-profit sector in competition for outsourcing contracts. Osborne and Gaebler identify three forms of competition^{xxi} that make effective outsourcing possible. These three forms are:

* Public versus private: a public agency competes with one or more private firms to deliver a public service or function.

* Private versus private: private firms compete with one another to deliver a public service or function.

* Public versus public: two or more public agencies or government departments compete to deliver a public service or function.

Allowing public sector organizations to compete for outsourcing contracts has improved the morale of public sector employees and has given them the opportunity to demonstrate that they can compete with the private sector. This trend has also allowed some unions to prepare successful outsourcing bids or to present cost-saving plans of their own.

Every outsourcing agreement must have an insourcer, that is, the organization that contracts to do the work. Therefore, while many heritage institutions may see outsourcing as a threat, for some it offers considerable opportunities. A library or a museum, especially those that provide excellence in a particular service, can and should offer to provide that service to other similar institutions. If the best libraries and museums offer to take on insourcing work, other such institutions will have the opportunity to enhance their services, while the insourcing institution will gain a much-needed, new revenue stream.

5.4 Outsourcing has Political and Public Support

Although outsourcing has been with us for some time, it is only recently that outsourcing has gained general political and public support. Politicians and the public are both prepared to consider alternative program delivery systems for public services and functions.

Governments are now actively pursuing outsourcing opportunities. For example, Ontario has adopted the following principles in pursuing alternative service delivery methods:

"Government will remain in direct delivery where only it can best serve the public interest. Government will adopt a 'business-like' approach in delivering these services.

Where there is no compelling reason for direct delivery, Government will pursue alternative models including greater involvement of the private sector."^{xxii}

Empowered consumers and empowered citizens demand more choice and higher quality in the delivery of public services. Increasingly demanding lifestyles and the faster pace of work require that public services be delivered

quickly and efficiently. If outsourcing will help to meet these criteria for the delivery of public services the public will not only support outsourcing but will also expect it.

5.5 Outsourcing is Part of a General Decentralization Trend

Outsourcing is part of a general trend toward decentralization, a movement away from central planning and central financing. Rigid centralization is now seen as inefficient and costly. Outsourcing is part of the process of reducing central control, a process whereby control moves to the outside. Paul Hoffert describes this phenomenon as the bagel effect, where "power and control are moving from system centres to their fringes."^{xxiii} The bagel effect manifests itself through the downsizing of government, which results in governments and the public sector not having the expertise it requires, nor even the manpower to complete its assigned work. Therefore, much of the work previously done by the public sector has had to be contracted out to the private sector. The result is that power and control in the area of job creation has moved from government to small, entrepreneurial businesses. There is no doubt that outsourcing has benefited small business.

Hoffert describes outsourcing as having created a "new mind set that focuses on talent-for-hire, reminiscent of the Middle Ages. In those days, tradespeople travelled from town to town, selling their crafts and services to a variety of clients. Today the talent-for-hire is just as likely to travel to the job virtually, as to travel physically, but the concept is still the same."^{xxiv}

6. ISSUE SCAN

6.1 What is the Impact of Outsourcing on the Quality of Service?

One of the most common concerns about outsourcing centres around the quality of service. Improving quality of service is one of the main reasons public organizations consider outsourcing. However, the possibility of a decline in quality of service is one of the main concerns expressed about outsourcing. Since outsourcing is generally considered as a way to save money, there is fear that it will lead to a reduction in the quality of service. If the outsourcing agreement goes to the lowest bidder and other factors are not considered to be as important as the bottom line, it is quite possible that the quality of service will decline.

The issue of quality of service and service standards may be addressed in an outsourcing agreement. An outsourcing agreement can define specific performance standards, provide a way to monitor adherence to the standards, and identify penalties or actions that are to be taken if the standards are not met.

6.2 What are the Economics of Outsourcing?

From the point of view of theoretical economics, the basic economic principal underlying outsourcing in heritage institutions is one of introducing competition into what has largely been a public sector monopoly. Competition is a mechanism that is used to foster cost-effectiveness and high quality service. In heritage institutions the lack of competition has led to a monopoly that does not present price options and therefore there is limited pressure to control costs. A counter-argument can be made that the cost controls that are placed on heritage institutions by restrictive public sector spending authorities and the competition that does occur between public agencies for public funds, do in fact control costs.

Regardless of the theoretical perspectives, there is no question that outsourcing is primarily an economic tool that is used to reduce costs. Of course, costs are reduced only if outsourcing results in the delivery of the service at the same or higher service level, at a lower cost.

There is some evidence which demonstrates that outsourcing, if done well, saves money.

The Wright State University Library outsourced its cataloguing function. The University Librarian reported that the average cost per title was reduced from \$17 to \$6 and that the turnaround time was reduced from between six and eight weeks to two weeks. The Wright State University saved \$250,000 per year.^{xxv}

The University of Alberta Library outsourced the cataloguing and physical processing of library materials. The library reported that "the cost of the service was about 40 percent lower than carrying out the work internally, largely because the staff involved could work differently outside the university context - fewer meetings and other unrelated duties."^{xxvi}

6.3 How Complex is Outsourcing?

Outsourcing is a complex undertaking. If not done well, outsourcing can lead to significant financial and personnel problems, and to a drop in the quality of the outsourced functions. Managing an outsourcing program effectively takes training and experience. The personnel involved in the outsourcing projects must be adept at writing contract specifications, negotiating and managing contracts and monitoring their performance.

The outsourcing of any heritage function requires that the people involved with the project - from both the heritage institution and the outsourcing company - must have a thorough knowledge of the institution's purpose and methods. It is not always easy to find qualified firms with the expertise to undertake specialized heritage functions, although this situation is changing as outsourcing becomes more common among heritage institutions. The era of downsizing has produced a cadre of heritage professionals who are ready to accept outsourcing contracts.

An organization that is new to outsourcing might wish to consider beginning with a function or service that consists of relatively straightforward tasks that are easily quantifiable. More complex outsourcing projects may follow once a sufficient level of expertise is developed.

6.4 Will Outsourcing Solve Fundamental Organizational Problems?

Outsourcing in itself is not a solution for fundamental organizational problems such as lack of vision, lack of direction, communications problems, funding problems, morale problems, low service quality and service delivery problems. In fact, if the organization is having major problems in any of these areas there is a strong possibility that any outsourcing initiatives will fail, since strengths in most of these areas are prerequisites to successful outsourcing.

6.5 What Legislative/Legal Issues Need to be Addressed?

The decision to outsource may be affected by:

- * federal legislation
- * provincial legislation
- * municipal bylaws

The different jurisdictions in Canada have different requirements that govern libraries or museums and public sector employees. Any heritage institution would have to determine what legislation may have an impact on the decision to outsource before undertaking an outsourcing initiative.

Outsourcing a specific function may not be governed by specific legislation. However, a decision to outsource the entire heritage service, such as a library or museum service, may not be permissible under provincial legislation. Outsourcing an entire operation could affect eligibility for federal or provincial funding. Privacy legislation and other legal issues, including liability and insurance coverage, may also affect the decision to outsource.

One of the major legislative issues to be considered is labour legislation. Labour legislation concerning outsourcing within the public sector varies among federal and provincial jurisdictions.

"In nine jurisdictions (excludes British Columbia, Saskatchewan and the territories), legislation is in place that qualifies or excludes many public sector employees and employers from the application of the general

labour relations statutes... Municipal employees may be working in the public sector, broadly defined, but they are usually covered by the private sector labour relations legislation in each jurisdiction."^{xxvii}

Successorship rights are a significant issue in labour legislation. Outsourcing will not result in a successorship rights issue except where it can be determined that a transfer of work is deemed to be a 'sale of business' or 'part of business' within the meaning of the relevant legislation. In this case, the successor employer is bound by the terms of the collective agreement of the predecessor employer until the respective labour relations board declares otherwise. Labour relations boards have determined that a public sector activity is deemed to be a "business" for the purpose of determining successorship rights.^{xxviii}

Other relevant labour issues concern those collective agreements which may contain restrictions against contracting out certain functions performed by unionized employees and the requirements for suitable notices of layoffs.

6.6 What Should be Considered for Outsourcing? The Issues of Professionalism, Core Competencies and Core Values.

It is generally agreed that in heritage institutions some outsourcing is acceptable and appropriate. For example, few would disagree with the outsourcing of facility maintenance, cleaning, legal services, accounting services, photocopier maintenance and food services. These are generally seen as tasks that fall outside the realm of the heritage professional and as tasks that are peripheral to the core functions performed in a heritage institution.

There is less agreement about the outsourcing of support or "backroom" functions, although the practice is commonplace. Richard Abel, an early proponent of outsourcing in libraries, defines backroom functions in the following manner:

- 1) the surveillance and supply of new books in terms of a particular library's specific collection parameters; (Abel is referring to the building of a new opening day collection)
- 2) the cataloguing and processing of books;
- 3) the furnishing of the hardware/software requisite to the automation of library operations."^{xxix}

Abel elaborates by saying that in general the selection of materials for libraries cannot be outsourced, since "this function is too closely related to the singular collecting requirements of a particular institution at a particular time, as defined by the library's patrons and public services objectives."^{xxx} The definition of a library provided in section 3.3 begins by stating that a library is "a collection of materials . . ." According to this definition, the selection of library materials would appear to be a core competency and Abel is being consistent with this definition in stating that the selection of materials should not be outsourced.

To outsource core functions or competencies, such as, selection, collection development or cataloguing in a library, or authentication in a museum, is seen by many professionals as de-professionalization because for many, the profession is defined by these core functions. However, it is not clear where the line between core functions and non-core functions should be drawn. There is disagreement over which functions are in fact core functions. For example, librarians cannot agree about whether or not cataloguing is a core function.

Peter F. Drucker, in an attempt to draw the core function line claims that those positions which do not lead to promotion to senior management within the organization should be considered for outsourcing because they do not fit within the value system of the organization.

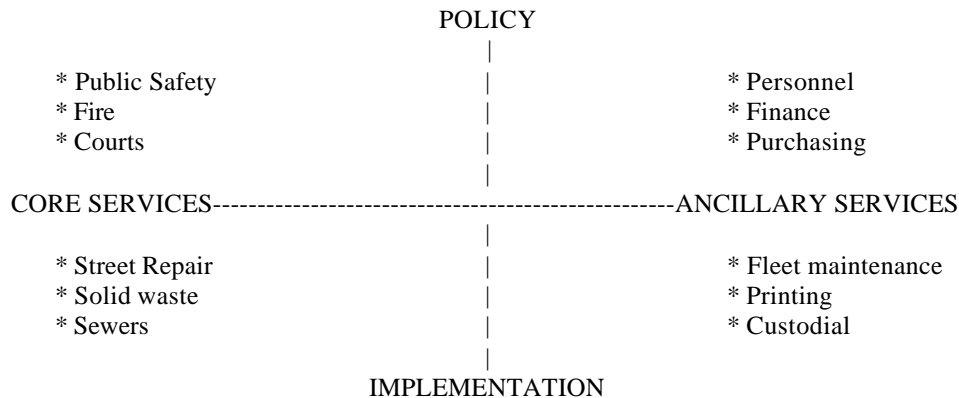
In general it is agreed that core functions, or core competencies within heritage institutions should not be outsourced, and that non-core functions may be considered for outsourcing. However, a problem arises because core functions may be difficult to define. Heritage professionals, boards of trustees and funding agencies may each have a different perspective of what constitutes a core function. For example, changes to the definition of core competencies may have a direct impact on the jobs of professionals. Therefore professionals will tend to define what

they do as a core function. However, if the primary consequence of outsourcing is intended to be cost effectiveness and the value of core functions is ignored, then it may be perceived that almost everything can be outsourced.

When considering outsourcing, a heritage institution would be well advised to determine which functions it should retain and which functions it may consider for outsourcing.

The City of Indianapolis developed a competition matrix intended to aid strategic thinking when considering outsourcing.

Figure 1. Competition Matrix^{xxx}



According to the creators of the matrix, the services in the bottom right-hand quadrant (Ancillary/ Implementation) are the most suitable for outsourcing, whereas the services in the upper left-hand quadrant (core/policy) are the least suitable for outsourcing. Lawrence Martin, the author of the article in which the matrix is presented concludes that both museum operations and library operations fall into the ancillary/implementation quadrant. Obviously this positioning in the matrix would immediately start an argument within the heritage community not only because of the position assigned to museum and library services but also because there is no obvious differentiation between core and ancillary services.

6.7 Can Outsourcing Have an Impact on Institutional Purpose and Values?

If it can be demonstrated that the purpose and the values of the institution are unchanged by outsourcing then the discussions among all the stakeholders in heritage institutions about the use of outsourcing as a strategic management tool would be approached with greater confidence. The discussion on outsourcing should begin with a focus on the institutional purpose and values behind the services provided by heritage institutions rather than on the means of service delivery. Once there is agreement on the purpose and values of heritage institutions the discussion can concentrate on the best means to deliver a service that reflects the purpose and values of heritage institutions. For instance, it is conceivable that traditional heritage facilities, such as libraries and museums, may disappear because of the use of different service delivery systems, but that the purpose and values of these institutions could be preserved in other structures.

Heritage institutions may have to ask themselves several questions concerning institutional purpose and values, such as:

- Does outsourcing affect the institution's purpose and values?
- Are heritage institutions re-defining what they do and is this changing the core values of heritage institutions?
- If a heritage institution adopts a new mandate could outsourcing be the best way to meet this new mandate?

The answers to these types of questions will be fundamental to reaching consensus on an approach to outsourcing that is satisfactory to all the stakeholders of heritage institutions.

Charles Willet^{xxxii} presents an interesting argument against outsourcing because of the impact on the culture of libraries. Willet claims that if library selection is outsourced, librarians will pay less attention to minority viewpoints and to local publications and publications produced by alternative presses. Outsourced selection tends to favour the mainstream publishers. As a result, public libraries will play a lesser role as defenders of democracy, minority viewpoints and of freedom of expression. If Willet is right outsourcing material selection could have an impact on the culture of the library and the community it serves. It is interesting to note that library material selection has been identified as a core competency.

Other cultural issues include intellectual freedom and privacy, which are part of the culture of public libraries, and authenticity and restoration which are part of the culture of the museum community. Can those values be transmitted to the service provider or will they be lost or diminished through outsourcing?

Jane Jacobs provides one possible answer. In her book *Systems of Survival* Jacobs argues that there are two distinct ethical and moral systems or syndromes. One is the guardian syndrome (organizing and managing territories) which relates to public services or public servants. The second is the commercial syndrome (trading and producing) which relates to business and the private sector. Since each syndrome represents different values and morals individuals operating in one syndrome cannot, and should not be expected to act as if they reside in the other. Perhaps this is why there has traditionally been a lack of understanding and respect between representatives of each sector. Many library and museum people are distrustful of people from the private sector. According to Jacobs, conflicts occur when the precepts of one syndrome are imposed on the other. Jacobs claims that mixing the syndromes produces "monstrous hybrids". However, if a symbiotic, mutually advantageous relationship is established where each syndrome keeps the negative side of the other syndrome in check while accentuating the positive, the result is civilizing.

If Jacob's syndromes are interpreted in terms of outsourcing, then outsourcing projects that mix the values of the private and public sector will result in monstrous hybrids. However, outsourcing projects that retain the values of both the private and public sectors, while keeping those values in check, will result in a civilizing partnership. People can operate in both the guardian syndrome and the commercial syndrome. For example, a person can operate a business and work in the commercial syndrome, but can also serve on a museum board of directors and thus function in the guardian syndrome. Sometimes people who operate in both syndromes, and are able to keep them separate, make the best museum or library board members.

6.8 How can Outsourcing Affect Labour/Management Relations and Union Agreements?

Outsourcing can have a direct impact on jobs and on the work done within a heritage institution. When a function is outsourced the staff who have traditionally done this work may be affected. The staff may have their jobs eliminated or they may have their job assignments changed. Outsourcing can result in union grievances over job losses or changes to jobs. Changes to the collective agreement must often be negotiated before outsourcing can legally take place.

Because of the possibility of layoffs and changed job assignments, outsourcing can have a negative impact on staff morale. When outsourcing its cataloguing services, the University of Alberta Library attempted to deal with these consequences by soliciting staff responses to the proposed changes. The university also guaranteed continued employment elsewhere in the library if such transfers were necessary. Alternatively, some public service organizations and public sector unions have been encouraged to compete for outsourcing contracts or to present their own cost saving plans as an option to outsourcing.

6.9 Can Perceptions be Changed so that Outsourcing Becomes a Preferred Option?

The results of the literature search that was conducted in preparation for this discussion paper clearly indicate that some of the stakeholders of heritage institutions see outsourcing as an important and timely issue. For government officials at the federal, provincial and municipal level outsourcing is an option and in many cases it is seen to be a

preferred option. Librarians, although they have considerable reservations about outsourcing, have recognized it as one way of dealing with the combination of shrinking resources and increasing public demands and expectations. Museum people, judging by the considerably lower volume of literature on the subject, seem to have had less exposure to the concept. However, museum people are accustomed to a considerable level of outsourcing of ancillary services, and to the use of guest curators for special exhibits and seasonal activities.

Therefore, the answer to the question asked at the beginning of this section is - Yes, perceptions can be changed and perceptions are changing from the perspectives of heritage institutions, funders and service suppliers. Outsourcing may become more of a preferred option as:

- * trends in the business world continue to support and promote outsourcing
- * more success stories, demonstrating real savings without sacrificing quality become available
- * more qualified suppliers enter the heritage outsourcing market
- * technology continues to change the way that certain functions are performed, to improve the exchange of information and the means of communications between vendors and heritage institutions, and to change the ways in which services are delivered.

7. THE POTENTIAL ADVANTAGES OF OUTSOURCING

7.1 Improved Organizational Focus

An important reason for a heritage institution to consider an outsourcing arrangement is to enable it to delegate non-core functions to another organization. The heritage institution can then concentrate on doing that which it does best. In this scenario outsourcing is part of a growth strategy. Through outsourcing, an organization is able to concentrate on those things that offer the most potential for innovation and high quality service.

7.2 Cost Control or Lower Costs^{xxxiii}

Another important reason for a heritage institution to consider an outsourcing arrangement is to reduce or control costs.

Outsourcing can lower costs because the:

- * private sector contractors may be able to accomplish the task with fewer staff, especially in the areas of supervision and administration;
- * the costs of labour and employee benefits of a private contractor may be lower;
- * community nonprofit contractors might accomplish the tasks partially through the use of volunteers;
- * larger contractors might achieve economies of scale and further reduce costs by centralizing support services;
- * ongoing costs for permanent staff and training, and overhead costs for space and equipment may be reduced.

7.3 Increased Flexibility

Outsourcing can provide greater flexibility to management in making adjustments to the size of a program, service or function. Outsourcing enables an organization to get the work done at the time it needs to be done. This is particularly the case for special programs, sudden emergencies, temporary tasks or seasonal work such as summer programs at libraries and special exhibits at museums.

7.4 Increased Access to Specialized Skills and Expertise

Outsourcing enables organizations to gain access to expertise and state-of-the-art capabilities that are not normally available in-house. Institutions can benefit by contracting with specialists or professionals for specific tasks that the organization could not afford to hire on a permanent basis or might not need except in particular circumstances.

Many organizations outsource very specialized, technical information and communications technology requirements.

7.5 Improve Service Quality

Outsourcing to a supplier with more expertise or more staff can result in an improvement in the quality of the work done or the service provided. By building quality measures into the outsourcing agreement it is possible to improve turnaround times, volume output or even to introduce more innovation and creativity into the work being outsourced.

8. THE POTENTIAL DISADVANTAGES OF OUTSOURCING

8.1 Loss of Control

The boards and management of the heritage institution may have to surrender some control over the functions being outsourced. Loss of control can be minimized by:

- * not outsourcing core functions, thus retaining control of what is critical to the organization;
- * linking outsourcing contract payments to specific deliverables;
- * treating outsourcing companies as partners rather than vendors;
- * ensuring that the outsourcing partner understands and supports the purpose and values of the heritage institution.

8.2 Decline in Service Quality

When a function is outsourced, there may be a risk that the new group doing the work will not maintain the same levels of quality as previously established. Successful outsourcing depends on careful planning and attention to details such as how the quality of the level of service is to be maintained or enhanced. Service quality controls can include establishing:

- * service standards and levels,
- * performance measures,
- * monitoring systems,
- * rewards for exceptional performance,
- * penalties for nonperformance,
- * third-party quality inspection.

8.3 Risky Dependency

When a function is outsourced to another agency, whether a private business or a not-for-profit organization, there may be the risk that the heritage institution will become too dependent on that agency. However, when entering into an outsourcing agreement, the heritage institution can have a contingency plan defining what is to be done if the service provider ceases to function.

Because many of the functions of a heritage institution might be unique to that institution, there could be very few alternative service suppliers available. In the situation where there is only one alternative supplier the dependency of the institution on the supplier may become excessive, as there would be no fall-back position should the supplier fail. When there is only one alternative supplier there is no competition therefore it is possible that the anticipated cost-savings may not be realized.

8.4 Negative Impact on Jobs and on Professional Careers = staff morale problems

When a heritage function or service is outsourced, the jobs in the heritage institution related to the performance of that particular function or service usually become redundant. Therefore, some public sector jobs will be lost unless the heritage institution decides to reassign those positions to different departments or work areas.

When professional functions are outsourced, professional jobs may be lost, together with the expertise that accompanies them. The remaining professional staff may have fewer opportunities for advancement because the jobs that have been outsourced could no longer be available to them. The outsourcing of professional work is often perceived to be, and in fact, often does lead to the de-professionalization of those jobs.

Because of the impact on jobs and promotions, outsourcing always has an impact on staff morale and it can be negative if not handled effectively.

8.5 Negative Public Relations

Outsourcing brings another organization into a partnership relationship with the heritage institution. The partnering organization may have an impact on the level and type of service provided by the heritage institution. The outsourcing arrangement may result in a deterioration of service which will reflect poorly on the heritage institution. The deterioration in service may cause a negative public relations problem for the heritage institution.

If the outsourcing partnership turns out to be a bad match for the heritage institution, it may also lead to the questioning of the competence of the management team that established the outsourcing arrangement. This can lead to a loss of trust between the governing board and the management team.

9. CONCLUSION

Outsourcing has become an established management tool. Outsourcing can be a cost-saving and efficiency-building mechanism. Heritage institutions, as well as their governing authorities and funders, have begun to consider outsourcing as an alternative service delivery mechanism, and in many cases individual libraries and museums have made successful use of outsourcing. However, outsourcing presents both benefits and problems. If not done well, outsourcing can cause significant problems.

In order to benefit from any opportunities and advantages offered by outsourcing, and to avoid the pitfalls of poorly implemented outsourcing, or the problems of inappropriate outsourcing, there is a need for:

- * conducting more research on outsourcing in heritage institutions,
- * collecting more information on outsourcing,
- * more collaboration among heritage institutions on outsourcing issues.

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