Are You Ripe for a Corporate Takeover

James D. Gray, Gannett-Tripp Library, Elmira College

ABSTRACT

Will your College opt for a new library management? Why would a corporation, albeit a small management corporation, be interested in managing your library? Why would your College be interested in turning over the management of the library to a corporation? What would the terms of the agreement be? What would convince your college administration to sign a contract? Finally, what could keep a corporate takeover from happening?

Why would a Management Company be interested in managing your library? There are a lot of great library directors who are facing limited salary prospects. Salaries in library management top out quickly and at the top the problems far exceed the remuneration. Part of the problem is where the library manager fits in the larger college picture. Can they make more than a Dean? Can they make more than the average director at similar schools? Library work in colleges is fun and rewarding and people stay in it at low salaries. The supply exceeds the demand and the results are predictable. So the prospect of stepping outside the college salary scale, and outside the usual library marketplace to run a library as a management firm is an attractive opportunity for talented individuals.

Also attractive is the chance to change libraries. To vastly improve them, to your way of thinking. To create an outstanding library, one to be proud of. To outdo others. It also presents a challenge, a rewarding chance to have fun and get a feeling of accomplishment.

Would a library management firm be attracted to your college? That depends almost directly on the available funds and the prospects for changing the library. Of little interest would be "low margin" institutions, those that charge little and have little to work with. Also of little interest would be institutions who really didn't want to change. Places content with the status quo, and schools who are in a position to not care about student, faculty, or administrative discontents. Perhaps public institutions are safe because of the bidding process, government procedures, etc. But, if the prisons can be privatized why not the college libraries?

Why would the College be interested? Student dissatisfaction with the library, particularly at colleges who see the student as a consumer, would be a big factor. Why should any college that is spending a reasonable amount of money have an unpopular library? Administrative dissatisfaction with the library would also be a powerful motivator. Lackluster statistics, continuous demands for more money with no apparent payoffs, and a library staff with an anti-administrative attitude, hostility or withdrawal are strong signs. Combined with rationalizations and denial these lead to an administrative "library problem" that seems to defy solution.

The college could have a baffled chief executive, or a new and decisive one. In either case they could be looking for someone to step forward and take responsibility. Someone believable to say "I can solve your library problem. Let's talk about it." But, these would be clear cut cases where we would expect to find eager interest.

Some might be interested in saving money. Does your library spend more than comparable institutions? Does it show? Do you need a massive influx of capital and have no reserves? Does the library need to modernize and trade new services for old.

And, what about a good library where the staff ranks #1 among all college services on the annual student survey? Where ILL is increasing by leaps and bounds, and circulation and turnstile count are sliding upward? They might be interested because the library is a visible and active part of campus life. People care about library services and it's probably on the admissions tour. Could it be better? This would be a different sell, but possibly no harder.

What would a contract look like? Colleges have contracted for services since the end of World War Two when student numbers overwhelmed colleges. Food Service operations, bookstores, and other "business" services lent themselves to contracted services . If nothing else they were talked about in business terms, run like businesses, and had business records that made comparisons easy. New and expanding services were often considered as business decisions. The considerations in each contract or self-operation decision, according to the Council of Higher Education Management Associations decision making guide(1) are

1. mission and culture--How will this sit with the alumni, faculty, students and administration. Does this represent the way the College views this service and itself?
2. service quality--Will an acceptable level of service be provided
3. management control and efficiency--Can they get more for less?
4. financial--What are the costs of the current and proposed operations.
5. human resources--What about training, hiring, compensation.
6. legal and ethical considerations--Is this still non-profit and tax exempt.

The relative importance of each factor will vary with the activity being considered. Bookstores are different from food services, which are different from security services, and still more different from child care centers.

Contracting for academic services is in its infancy. Mission and culture would be a major concern. Few colleges would happily put a corporate logo on their library or willingly admit they had farmed out the service. Few would be happy to replace a Library Director with a corporate manager. It is also difficult to see a major change in the relations of the library to the faculty or students. If anything, one would expect the library to overcompensate becoming more collegiate and generating impressive traditional library statistics. Service quality is always important in libraries and especially so if contracting for services is being considered. Will students see an improvement? Faculty? How do you measure service quality?

At the bottom of many decisions for contracted services is the search for efficiency without the loss of control. Can you get more for less. Will the institution still have ultimate control and be able to keep the library moving in the desired direction? Will there be economies of scale, more productivity from employees, or low cost subcontracting?

Financial considerations would include a look at the costs of the alternatives. In addition to routine cost questions there are the costs of physical plant and renovations, equipment life cycles and replacement, and addressing deferred maintenance. The impact on other departments like purchasing and personnel are considerations.

Human Resources could be a factor, varying greatly with rural vs. urban libraries, major university vs. small college. If the employees work for the firm will they depart with the firm, including their training? Are unions involved and if so, what would it mean? How would the treatment of the contract employees differ from those of the College and what are the likely results.

The legal and ethical considerations should not be a great concern. Not much would happen that would bring the non-profit status of the college into question. Competition with local merchants or monopoly status on campus would not be issues. Wholesale personnel changes including replacing highly paid people with lower paid people, contracting out, and redoing the fringe benefit package could become an issue.

The range of library management contracts would be great. All or few of the library staff could be replaced with a new team. Total automation of facilities could be part of the deal or already accomplished. The management firm could invest in the library, putting in equipment and remodeling and recoup the investment over five years, or operate the existing plant.. Setting grand plans aside, here is a timid, bare bones library contract:

1. Name of the agreement and names and addresses of parties.
2. The Purpose.
   The College wants a great library at a predictable and controllable price. It wants a library that exceeds the norms for similar libraries. It wants a library that satisfies the needs of the students and faculty of the institution and is the center of the institution.
   Specifically, the Management Firm will:
   1. Increase the use of the facility, particularly, the share of the use that represents students working and studying in the library and using library facilities.
   2. Increase the circulation of books.
   3. Increase the use of the other collections of the library
   4. Continue to develop the collections of the library in a professionally responsible manner.
   5. Provide professional reference service at least 70 hours per week and provide a system of library instruction.
   6. provide the materials needed for student and faculty work that are not available at the library through Interlibrary loan or a similar system.
   7. Increase student satisfaction with the library and its collections and services. Satisfaction to be measured on the Campus Environment Survey and by other mutually acceptable means.
3. The Work.
   The Management Firm will manage the College Library on a day to day basis. Hours of operation will remain the same as in the 1996-97 year. All current services will be maintained unless changes are agreed to by both parties.

   Persons employed to work in the library will be College employees in all respects with the exception of the Library Director who will be an employee of the Management Firm. Salary increases will be granted by the Management Firm from a pool established by the College.

   The library budget for the period of the contract shall be $__________

In addition, the College shall make available $___________ for library materials, and $__________ for capital purchases. The Management Firm may transfer sums among these accounts with the consent of the College. The College will also provide $_________for improvements to the library at the direction of the Management Firm.

The library will be entitled to all College services including bookkeeping, maintenance, security, telephone, computing, parking, etc. on a equal footing with other College departments.

The College will be responsible for the utilities of the Library.

4. Term and Termination
5. Rights and Obligations of the College
    1. The Contract Administrator will be the Academic Vice President
    2. The College will provide utilities, bookkeeping services, maintenance and cleaning, security, telephone, computing, parking, and all services generally provided departments and employees.
    3. The College will have prior approval on
        1. all prices, charges, and fees
        2. all subcontractors
        3. appointments
        4. alterations in service sites or hours
        5. modifications in facilities and any major equipment acquisition
        6. signage, and advertising
6. Rights and Obligations of the Management Firm
    1. financial information will be available to the College. Detailed revenue/expenditure information per the institution's needs.
    2. all laws, including health and labor, will be obeyed
    3. sole supervision of the library staff, adequate supervision of the staff, and availability for consultation on staff matters.
    4. periodic program audits or reports to ensure compliance with the spirit and terms of the contract.
    5. facility and equipment audits
7. Continuations, extensions, and cessation of contract.
8. Standard provisions including insurance, legal responsibility, how to amend, choice of law, suspension of services, etc.

The basic sell would vary with the institution. The basic idea would be to listen to the complaints of the administration and propose a solution. Agree to accept responsibility for making specific changes, and sign.

A more difficult sell, perhaps for a relatively popular library, with rising statistics, might require reaching deeper into the basket. One could mention that

1. while the turnstile count is impressive, how many of those represent users of the library and how many are doing nonlibrary business? 50%?
2. while circulation numbers are high and climbing, what percentage of the student body borrowed books last year? 56%?
3. While the money spent on library materials has been increasing dramatically and there is continuing pressure for more and more, how many of the books purchased five years ago have
4. ever been checked out? 50%? How many if you don't count the faculty member who ordered the book?
5. While ILL is increasing, how many students use ILL? 17%?
6. And, while people like the library staff, one must keep in mind that people like libraries. Libraries are wonderful things. Students know they should know how to use them and use them
7. frequently. So it is not surprising that when asked for an opinion a student replies that he likes the library staff and the library. How many of those who actually use the library like the staff and services?

A hard sell could include more. Perhaps specific performance standards where problems are being experienced. More detail on what will be done to increase student use and satisfaction.

1. Working with the faculty to increase the number and quality of library assignments?
2. Staff training, performance standards, and rewards.
3. A promotional campaign to sell the" library of the millennium" to the students and faculty.

If needed the promise of help in admissions, fund raising, and other areas vital to college life could be discussed. Probably avoided at all costs would be the economics that give the management firm its nonprofit profit. How much can be saved on the cost of processing a book, thirty dollars?

How do you defend against a takeover? There are some natural protections. The library budgets of many institutions are not prizes that will be readily sought and the problems of most schools are not easily solved. Colleges that take in very little money and rely on high commitment levels as in small catholic institutions are probably safe. While the budgets of state schools make them attractive everything else about dealing with the state is dissuasive. Schools that have recently tried to fix the library problem, perhaps by building a new building, will not be anxious to do more.

The Management Firm will also have an uphill fight if they have no track record and must prove their competence. Colleges will not easily take a chance. The history of the institution with other contracted services will play an unknown role.

Ultimately, the notion of increasing use and satisfaction at the same time may prove impossible. It is not unreasonable to assume that some of the high marks for libraries come from those who should but don't use them. And, some of the low marks come from those who have used them and been dissatisfied. Increased use is likely to further strain the library's ability to meet the new demands?

The best defense, of course, is to tackle the problems now. Very few of the reasons to employ a management firm are things that can't be tackled by the existing library administration. Few would have to be negotiated with the college administration. While some colleges may be interested in using contracting to unleash the hounds of hell on their libraries, the mission and culture of institutions are great protections. Staff purges and unusual budget cuts are as unlikely from this source as others. Colleges seem to want libraries that are a source of pride and centers of the institution and will keep looking for ways to get there.

NOTES

1. Philip J. Goldstein, Daphne E. Kempner, and Sean C. Rush, Contract Management or Self-Operation: A Decision-Making Guide for Higher Education (Alexandria: APPA) ,5.