

Modelling IT Outsourcing Process: The Case of Slovenian Municipalities

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ABSTRACT

Slovenian government has adopted the utilization of outsourcing as one of the main instruments to tackle national/municipal budget deficit and stimulate cost effectiveness of the public sector. While lacking experience as well as formal regulations and expertise in the field of outsourcing, public sector started straying to the growing and increasingly less justified outsourcing of public services, leading to a completely opposite effect than expected and desired. Being aware of the complex and almost unparalleled role of information technology (IT) in the modern organization, IT sourcing issues could define the main trajectory of public sector action in the future as well as articulate its development strategy and long-term goals of e-government in general. This paper focuses on in-depth analysis of the critical success factors of public sector outsourcing, while employing the international studies and primarily the results of the research from 2010, concerning outsourcing of IT-projects in Slovenian municipalities. This paper provides additional analysis of the material, procedural and other relevant aspects within the process of IT outsourcing, an overview of its potential implications and eventually presents a contextual framework and a set of applicable guidelines for quality management of IT outsourcing process and effective implementation of e-government projects in the public sector.

Keywords: Business Management, IT Outsourcing, IT Outsourcing Implications, IT Outsourcing Management, Material and Procedural Aspects, New Public Management, Public Sector

1. INTRODUCTION

Since the 1980s the government systems have been undergoing major changes, resulting in the numerous and exhaustive reforms and transformed social role of the public sector. Public sector has been regarded as rigid and inefficient bureaucratic structure, unable to generate overall societal development and progress, while exceeding budgetary resources and

developing an independent and self-sufficient logic, maximizing its own benefits and growth. Originating from the aforementioned observations governments resorted to measures and actions which have become known as New Public Management (NPM). NPM paradigm may be characterized as a public sector transformation towards greater flexibility, performance measurement (Hodgson et al., 2007), cost efficiency and more result-oriented services (Hood & Peters, 2004). The main assumption underlying the concept of NPM is the transfer

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of private sector strategies (Martin, 2010) and managerial principles of planning, measurement and evaluation to the public sector (Lapsley, 2009) as well as applying user centricity notion in the future development of public sector and its services.

Concept of NPM has had undoubtedly a major impact on development and functioning of Slovenian public sector in the last two decades, however it should be noted that apart from positive results, many negative, unexpected effects have been experienced as well (Lapsley, 2009). The first phase of its implementation was very promising especially in the field of creating more user friendly services (Hood & Peters, 2004), education of public officials and simplification of the administrative procedures, while its second phase concerning efficiency and effectiveness of the public sector in general was much more difficult to achieve (Hodgson et al., 2007; Lapsley, 2009). Conducting public sector reform on the basis of NPM principles, government has adopted the utilization of outsourcing as one of the main instruments to tackle national budget deficit and stimulate cost effectiveness of public sector.

Despite the high expectations, subsequent experience has shown that outsourcing cannot be a panacea for the majority of problems in the public sector, which most frequently occur due to poor long term strategy (Cordella & Willcocks, 2010; Jensen, 2007), or even lack of it. On the other hand, regardless of the long term strategies and goals, public sector often acts indiscriminately and irresponsibly while implementing and pursuing non-reflectively set objectives. Nevertheless non-critical and over abundant implementation of outsourcing projects has led to some unforeseen problems in public sector (Hood & Peters, 2004; Willcocks & Lacity, 2009). Slovenia has encountered problems with outsourcing especially in the last five years and on-going financial and economic crisis just revealed its magnitude. Seeking short-term solutions on account of the NPM philosophy and lack of experience in this field as well as neglecting all other organizational aspects except costs (even cost-effectiveness of some

outsourcing projects is very doubtful in the long run) have steered some public sector organizations to the unfortunate position (Cordella & Willcocks, 2010; Stanimirovic, 2010). Because of a variety of negative implications caused by outsourcing, some public sector organizations found themselves in a very difficult situation (Vintar et al., 2010). In fact, their continued operation is no longer possible without external suppliers, while on the other hand, outsourcing is undermining their organizational foundations such as control over costs, human resources and future development.

Furthermore, significant problems are charted in movement to the wholesale use of competitive tendering and positioning outsourcing as a strategic tool of public management. Over the last two decades outsourcing has become a principle in most parts of public sector, which caused uncontrolled "brain drain", outflow of vital professional knowledge and loss of core competencies in public sector (Jensen, 2007; Lacity et al., 2010). It is evident that situation has escalated to the point that some government departments, depending on external suppliers (Boyne, 1998; Martin, 2010), completely lost control over preparation, development and realization of planned projects, which consequently results in weak control over increasing costs and reduced accountability for services (Cordella & Willcocks, 2010; Stanimirovic, 2010). Sourcing issue is currently a very hot topic and represents one of the fundamental problems in the process of building a cost-effective while long-term successful public sector.

Despite the large quantity of strategic documents and guidelines for future development of public sector, the number of recommendations concerning management issues, and principles containing instructions on material and procedural aspects of public sector outsourcing is very scarce. Often it seems that the implementation of outsourcing projects and maintaining outsourcing relationships in the public sector is left to inertia and intuition of individual government departments, instead of being a part of a rational and consensual strategy

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