Strategic Considerations for Outsourcing Service Delivery in the Public Sector

By Germin Ong

2 July 2014
ABOUT THE AUTHOR

Germin Ong, Senior Researcher at the Institute of Public Administration & Management (IPAM), Civil Service College, Singapore.

ABOUT THE INSTITUTE

Institute of Public Administration & Management (IPAM) builds public service capabilities in service management, HR management, public finance and law, and foundational competencies through research, curriculum design, programme development and delivery. In IPAM’s programmes, public officers are equipped with managerial and operational competencies through different learning approaches including classroom-based learning, facilitated group discussions, learning journeys, self-reflection and e-learning.

ABSTRACT

Outsourcing can be a key enabler to help governments across the world deliver better public services in a more efficient and cost-effective manner. However, the public sectors’ experience of outsourcing has not always been positive. To ensure that the government can continue to harness the power of outsourcing to achieve cost-effective delivery of government services, this paper aims to draw insights from both the public and private sector, as well as existing literature to help public agencies improve their outsourcing strategies. The paper will also introduce additional decision-making tools that may be useful to help public agencies adopt a more strategic approach towards outsourcing.

KEYWORDS

Public Outsourcing; Outsourcing; Strategic Outsourcing; Insourcing; Service Delivery; Public Services; Procurement; Decision-Making Tools

DISCLAIMER

This case study is intended for class discussion only and not to illustrate effective or ineffective management.
Strategic Considerations for Outsourcing Service Delivery in the Public Sector

The practice of outsourcing the delivery of services by the public sector has proliferated since the 1980s.¹ Today, the most experienced governments in public sector outsourcing are said to be the US, UK, Canada, India, Hong Kong, Japan and Singapore.² The shifting of functions that historically have been provided by the public sector to the private sector is built upon the premise that outsourcing can be an efficient and cost-effective way to deliver public services whilst allowing governments to focus their time and attention on their fundamental roles of policymaking. Through public sector outsourcing, the private sector now plays an increasingly important role in meeting the needs of citizens.

This drive to outsource public services must however be sited within an evolving political and social landscape. As citizens become more educated and informed, they expect greater responsiveness and accountability in public services.³ Public agencies are now required to better manage their outsource partners and vendors who are responsible for delivering quality and timely services to the public. However, this is proving to be a complex task, as shown by the recent Auditor-General Office report, which found that a number of public agencies had difficulties monitoring and providing effective oversight over services that were outsourced and contracted to external vendors.⁴ ⁵ At the same time, the demand by citizens for good and timely delivery of public services continues unabated.

Concerns over outsourcing arrangements are not experienced by Singapore alone. In countries such as the UK, the value for money proposition that underlies public outsourcing is increasingly being questioned. Social activists in the UK have called for major changes to be made to the existing public outsourcing practices, such as the need for public bodies to account for how social value is generated in their commissioning and procurement of service.⁶

This paper aims to draw insights from the existing literature on outsourcing that could help public agencies outsource service delivery without compromising quality. While there are a number of different approaches that can be used by the government to engage and work with the private sector, such as Public-Private Partnerships (PPP), this paper will focus primarily on the outsourcing model, which is commonly used by public agencies in the delivery of services to the public. Key lessons from the outsourcing journeys of both the

---

¹ NIGP: The Institute for Public Procurement. (2013). Outsourcing in the Public Sector: Examining the role of the Chief Procurement Officer in the outsourcing decision and process.
public and private sector will be revisited. Lastly, the paper will introduce some decision-
making tools that could help public agencies adopt a more strategic approach in outsourcing.

PUBLIC OUTSOURCING

Public outsourcing is the “contracting out” of a service traditionally delivered by public employees.\(^7\) Such activities gained traction in the US and UK in the 1980s as public managers sought to reduce costs and increase efficiency.\(^8\)\(^9\) The push to outsource services was driven by both budgetary pressures, which necessitated a cut in government spending, and economic theories advocating that the public sector should focus on its primary function of making public policies.\(^10\)\(^11\) According to resource-based theorists, managers play an important role in outsourcing decisions by making a distinction between core and non-core activities.\(^12\) Non-core activities are outsourced and left to external service providers, thus allowing organisations to free up limited resources and focus their attention on their core competencies that promise greater growth opportunities. In particular, John O’Looney likens public outsourcing to the divestment activities of corporations which outsource their peripheral activities so as to focus on their core competencies.\(^13\) In broad terms it offers an alternative to Michael Porter’s approach, focussing more on the competences and capabilities of the firm, rather than its positioning in its chosen markets.

Apart from cost benefits and the ability to free up resources to focus more on policymaking, many governments have embraced the outsourcing model and become buyers of services in order to gain access to expertise held by the private sector. Public agencies may be able to improve their operations and deliver higher quality services to the public by leveraging on the core competencies owned by external service providers. However, although studies showed that private organisations in the US and UK were able to gain access to world-class capabilities by outsourcing their services\(^14\), in the public sector, such benefits have remained elusive, with some governments experiencing higher costs and loss of control over outsourced activities.\(^15\)

---

\(^7\) NGIP, op. cit.
\(^15\) Eisenhardt, op. cit.
DRAWBACKS OF OUTSOURCING

While outsourcing can be a powerful tool for public agencies to achieve cost-effective and efficient service delivery solutions, there are also growing concerns about the extensive use of outsourcing in the public sector. Such concerns are not limited to public agencies but extend to private sector organisations as well. Several studies also found that half the organisations that outsourced processes offshore failed to generate the expected financial benefits. A review of the existing literature reveals five key factors that are driving private companies and governments to revisit their outsourcing strategy and approach.

1. Hidden costs

The first major factor that private companies cite for moving away from outsourcing is that it has failed to meet their expectations of achieving financial savings and good service delivery outcomes. Services provided by the external provider may cost more than expected due to hidden or unforeseen costs. For example, General Electric had previously outsourced the manufacturing of its GeoSpring water heater to manufacturers in China in order to capitalise on lower labour costs. However, due to rising energy and wage costs in China, the costs of outsourcing the production process increased beyond expectation, prompting General Electric to revert to manufacturing the product in the US.

Transactional costs are often also over-looked when outsourcing decisions are made. These costs include vendor management costs which are incurred throughout the life cycle of an outsourced function in order to monitor vendors and periodically re-negotiate their contractual obligations. Such costs tend to be higher when services have outcomes that are difficult to measure. According to Professor Richard Mulgan of the Australian National University, who has written widely on government outsourcing, expected cost savings arising from outsourcing tend to be eaten up by monitoring costs when the outsourced service is complex and requires constant quality control. For example, a number of local public agencies had to invest in additional resources such as technology and manpower to provider greater oversight of their contractors’ performance when the Auditor-General found a number of monitoring lapses during their audit of these agencies.

20 Gay and Essinger, op. cit.
2. Accountability for service failures

The second factor motivating a rethink of outsourcing strategies is due to the rising expectations of citizens and the increasingly complex environment that public agencies need to operate within. Whilst the government can delegate the provision of services to the private sector through outsourcing, it cannot outsource or delegate its statutory responsibilities to provide public services.\(^{24}\) The government remains accountable for the work that was carried out on its behalf by vendors. The political consequences and loss of trust in the government for service delivery failures can be enormous. For instance, during the London Olympics, public trust was lost when the government failed to effectively manage its security vendor G4S, which was contracted to undertake the security coverage for the Games. When G4S could not fulfil its contractual obligations to provide adequate security coverage at the event, despite an increase in costs from £86 million to £284 million, the government had to eventually draft in troops at the 11th hour to make up for the shortfall.\(^{25}\) Given that the UK government is accountable for ensuring that the Games remain safe and secure for all the attendees, including a number of world leaders, this security debacle could have potentially caused huge embarrassment to the UK on the international stage.

The issues of accountability and liability in outsourcing are also pertinent in the private sector. For example, it was revealed that Standard Chartered Bank (Singapore) had private banking client data stolen from its outsourced vendor’s IT system. Even though the bank had outsourced certain services to its external service provider, the bank remained accountable to its clients. The Monetary Authority of Singapore (MAS), as the regulator of the banking industry, is now studying the incident to determine whether regulatory action should be taken against the bank.\(^{26}\)

3. Loss of control

Thirdly, the loss of control over outsourced activities has been highlighted as a major problem by many organisations in both the public and private sectors. For example, the recent spate of technical problems plaguing the Dreamliner 787, a new jetliner developed by Boeing, has been attributed by industry experts to the failure in the company’s outsourcing model. In the past, Boeing’s in-house electronic design unit was responsible for integrating components from different suppliers to ensure they worked properly together. However, when the company decided to dismantle the unit to cut costs and outsource that operation, it reportedly lost effective oversight and control over its systems suppliers. This

\(^{24}\) Social Enterprise UK, op. cit.


resulted in multiple systems issues cropping up, much to the ire of airlines and their passengers.27

Several studies have found that losing control over operations had one of the largest impacts on the outcome of outsourcing efforts.28 Based on a survey of 91 outsourcing efforts, academics found that “losing control over the outsourced activity” was a key differentiator between outsourcing success and failure. The problem is exacerbated when public agencies outsource services to large firms that are able to negotiate and dictate the terms of future contracts in ways that are loaded in their favour.29 Over time, this may potentially reduce market competition and even provide the service provider with an advantage that allows it to entrench its position and even become a monopoly. The absence of competition may result in higher costs and poor service. For example, a report published by Social Enterprise UK, the national membership body for social enterprises in the UK, highlighted that the adult social care market in the UK has been dominated by large private providers while social enterprises are being pushed out of public sector markets. This situation, according to the report, has not only driven down the quality of services delivered but also resulted in lower staff wages, leaving workers and their families in poverty. 30

4. Social costs

Next, social activists argue that public sector outsourcing, largely administered based on the best-value-for-money principle, may create long-term social costs that exceed the short-term cost savings achieved by governments. Bidding on price inevitably increases the pressure on service providers to reduce costs by lowering the wages of their workforce. In the long run, significant gaps in the pay and cost of living among workers in specific sectors may result in major social issues that require government intervention and use of public funds to help low-wage workers. 31

Concerns about the unintended social costs created by public outsourcing are increasingly being discussed in Europe, especially UK, as governments seek to implement austerity measures to reduce public spending. For example, Social Enterprise UK issued a report which found that workers in the UK care and prison sectors earned less when these services were outsourced to the private sector. In many instances, wages for some workers were even lower than the legal minimum. The average pay for prison workers in the private sector was found to be 40 per cent lower than prison workers in the public sector. Despite the minimum wage legislation, many private organisations appear ready to subvert legislations through the use of “creative” working arrangements. The external service

28 Barthelemy, op. cit.
29 Social Enterprise UK, op. cit.
30 Ibid.
31 Ibid.
providers’ lack of willingness to invest in training further worsened such situations, contributing little to the enhancement of public service delivery.\textsuperscript{32}

Such social issues have also started to surface in the cleaning sector in Singapore. The government has attributed depressed wages in the sector to cheap sourcing practices which are prevalent in the cleaning industry. Low wages result in high attrition and churning of employees. Concerned about low wages and lack of training opportunities for employees in the cleaning industry, the government has since November 2012 outsourced cleaning services only to service providers accredited under the National Environment Agency’s (NEA) Enhanced Clean Mark Accreditation Scheme. Companies that seek accreditation under this scheme must adopt the Progressive Wage Model (PWM) recommended by the Tripartite Cluster for Cleaning.\textsuperscript{33} In April 2014, the government went further, passing legislation to introduce a licencing scheme requiring all cleaning companies to adopt the PWM, regardless of whether they service the public or private sectors.

5. Loss of expertise

Lastly, a 2013 report by the Institute of Public Procurement, an international body for procurement professionals, highlighted the risk of losing valuable institutional knowledge and expertise held by public employees when a public service is outsourced.\textsuperscript{34} With outsourcing becoming increasingly prevalent, public agencies are losing vital professional knowledge and core competencies. Over time, government departments may lose control over various aspects of outsourced activities, which consequently result in weak control, increased costs and reduced accountability for services.\textsuperscript{35} This erosion of knowledge and expertise could arise because of an incompetent approach to outsourcing, where decisions are often made in an incremental and piecemeal manner. As a result, governments may not realise that they are gradually surrendering their expertise and capabilities to external entities.\textsuperscript{36}

For instance, in Australia, the Centre for Policy Development, a public think tank, as well as the Australian Procurement and Construction Council Inc. (APCC), both pointed out to the loss of public sector expertise in public works. While the public works department had the full range of expertise in managing public works in the early 1970s, outsourcing resulted in the transfer of expertise and knowledge to the private sector. As such, outsourcing of public works has become more costly since private companies retain the experience from public projects and could “resell” such expertise back to the government at higher costs.\textsuperscript{37} The lack

\begin{thebibliography}{9}
\bibitem{32} Ibid.
\bibitem{33} Shanmugaratnam, T. (2014). Speech by Mr Tharman Shanmugaratnam, Deputy Prime Minister & Minister for Finance, at The e2i Best Sourcing Symposium, Ministry of Finance.
\bibitem{34} NGIP, op. cit.
\bibitem{35} Eisenhardt, op. cit.
\end{thebibliography}
of expertise within the public sector may have also contributed to poor procurement and project management, leading to delays and higher project costs.  

For example, Singapore’s Ministry of Health was found to have overpaid $0.83 million to the contractor for the construction of Khoo Teck Puat Hospital in 2010 because of fluctuations in the price of steel reinforcement. The Ministry had to engage and rely on a consultant to determine the price adjustments. However, the Auditor-General found that the contractor was not entitled to the price adjustment under the contract terms. This could have been due to a lack of internal expertise in project and contract management for such projects.

In the private sector, the extensive outsourcing of manufacturing and services to Asian firms has been highlighted as the key reason for the competitive decline of US companies in the 1980s and 1990s. For example, American companies had dominated the consumer electronics market before 1980. However, rampant outsourcing of manufacturing activities to Asia allowed companies such as Sony, Panasonic and Toshiba to learn and acquire vital technological competencies and skills from American companies. By the 1990s, Asian firms practically owned the consumer electronics industry, resulting in the decline of American companies in this sector.

**KEY LESSONS**

To avoid the negative consequences arising from an incompetent approach to outsourcing, it is important for public organisations to recognise the three key fundamental mistakes that executives commonly make when considering an outsourcing strategy.

First, according to Aron and Singh (2005), most executives find it difficult to distinguish between [1] core processes that they should not outsource, [2] critical processes that they may consider outsourcing, and [3] commodity processes that they can outsource. Organisations need to discern between these three types of processes to ensure that they have control over core processes, which are the most important activities that drive performance and provide organisations with a competitive advantage. Critical but non-core activities must also be managed appropriately. Commodity processes, such as office cleaning, contribute little towards performance, hence they can be outsourced. With service delivery becoming more complex, coupled with rising public expectations for more responsiveness and accountability, public agencies may find it increasingly challenging to determine the core functions and critical activities to ensure public services are delivered effectively. This may require them to go beyond policymaking to also consider the impact of outsourcing on service delivery.

Second, most organisations do not take into account all the risks that accompany outsourcing. Most of the time, executives may use simple cost and benefit analyses to make...
outsourcing decisions without realising that they may surrender control and competencies over the longer term. Further, when the performance quality of an activity done in-house is low, many managers may be tempted to outsource it without diagnosing the key reasons for the poor performance. If poor management is the main cause of weak performance, outsourcing may not necessarily be the appropriate solution.41

Organisations should ensure that a comprehensive risk assessment is performed to identify and manage both operational and structural risks before an outsourcing decision is made.42 To manage such risks, public agencies should consider retaining sufficient in-house expertise to manage the external service provider. This may also help reduce switching costs if agencies subsequently decide to bring the processes back and insource from within the organisation.

Third, most organisations do not consider all the different types of outsourcing structures available.43 Beyond the decision to consider outsourcing or insourcing, public agencies can also consider alternative structures such as joint ventures or the setting up of captive centres that evolve from being part of the organisation into independent service providers. One good example in the public sector is the establishment of Vital, which was set up to provide services to multiple public agencies, and to improve efficiency and cost effectiveness by exploiting economies of scale.44

Public agencies may also adopt the private sector’s approach of developing “extended organisations”, a hybrid form of organisation whereby the organisation works closely alongside its service provider, with each party embedding itself in one other’s operations.45 Toyota has adopted this structure successfully to build a strong competitive position in the auto industry. Research also suggests that the extended organisation is the most cost-effective way to manage outsourcing. When researchers compared how a captive centre, an external service provider and an extended organisation executed several moderately complex activities in the financial services sector across a two-year period, they found that the captive centre was able to produce the highest service quality among the three throughout the period of their study. The extended organisation was able to produce almost the same quality of performance but at lower cost. When the researchers looked at activities that were more complex, the same results held. This suggests that organisations can also look beyond simply external outsourcing to consider other organisational re-design and structures to achieve the same outcomes.46

**STRATEGIC OUTSOURCING**

The current outsourcing framework utilised by the public sector in Singapore offers a systematic method to help public agencies determine the best approach to make
outsourcing decisions.\footnote{Renamed Optimal Sourcing Policy and framework.} It provides a set of strategic guidelines to help agencies consider whether to outsource or not. This framework is based primarily on the “best value for money principle” in which the Singapore Government advocates the procurement of services from sources that can best meet its requirements and which offer the best value in terms of benefits and costs, so as to help government agencies deliver cost-effective services to the public without a drop in service delivery.\footnote{Ministry of Finance. (2009). Public funds accountability, \url{http://app.mof.gov.sg/newsroom_details.aspx?type=parliamentary&cmpar_year=2009&news_sid=20100322483370121005}, accessed on 2 Dec 2013.}

However, for public agencies, especially those providing services directly to the public, it is important that decision makers move away from the focus on costs and benefits. The “value for money principle” requires decision makers to consider both the benefits and costs of outsourcing. Decision makers lacking awareness and understanding of the impact of outsourcing on service quality may inevitably outsource to the lowest bidders without giving the same level of attention to service quality when they make outsourcing decisions.

Apart from cost considerations, it is also vital that agencies adopt a long-term view when making outsourcing decisions. Given the inherent long-term nature of most outsourcing arrangements, the contracting out of certain services may have a profound impact such as a loss of control over the delivery of the outsourced activity in the long run. If organisations had embraced outsourcing based primarily on short-term financial benefits without a comprehensive long-term strategy in place, they may encounter the kind of unforeseen outsourcing problems that municipals in Slovenia had encountered. Due to excessive and discriminate outsourcing, many government departments in Slovenia lost control over the preparation, development and completion of public projects, resulting in weak control over increasing costs and reduced accountability for services.\footnote{Vintar and Stanimirovic, \textit{op. cit.}}

For example, the Slovenian government’s efforts to invest in information communication technology (ICT) to simplify tax procedures did not achieve the intended costs savings for the government; the actual expenditure eventually exceeded the costs savings obtained.\footnote{Decman, M., Stare, J., and Klun, M. (2010). E-Government and cost-effectiveness: E-Taxation in Slovenia. \textit{Transylvanian Review of Administrative Sciences}, No. 31E, pp. 48–57.}

Hence, organisations need to adopt a more strategic approach towards outsourcing. Beyond the outsourcing framework\footnote{Known as Government’s Optimal Sourcing Policy and Framework.}, public agencies should have an in-depth understanding of the nature of the services they provide so as to determine whether they are core, critical or commodity type of services at a whole of agency or whole of government level.

**TOOLS FOR MAKING STRATEGIC OUTSOURCING DECISIONS**

This paper introduces two additional frameworks that could help public agencies in their strategic outsourcing decision process. One of these frameworks allows for an objective...
evaluation to identify core processes that should not be outsourced. The other helps to identify the risks associated with outsourcing.

1. **Strategic Importance and Criticality Matrix (SIC Matrix)**

One of the key criticisms of outsourcing decisions is that organisations fail to distinguish the criticality of the activities and services that are outsourced. In this aspect, the Strategic Importance and Criticality Matrix (SIC Matrix), developed by Dornier et al. (1998), can be useful for public organisations. Given that the final product or service to be delivered to the public may consist of multiple components, the SIC Matrix looks at the contribution of each component part in relation to the final product. It assesses two dimensions critical for evaluating outsourcing or insourcing decisions - (i) the strategic value, representing the stand-alone value of the particular activity, and (ii) the criticality of the specific individual activity, the extent to which the activity considered for outsourcing contributes to the performance of the final service delivered to the public, as depicted in Figure 1 below.

![Figure 1: Strategic Importance and Criticality Matrix](source: Dornier et al. (1998)).

The matrix classifies activities into four categories - novelty, propriety, commodity and utility. Propriety activities are the core competencies of the organisation and are deemed critical to the delivery of the final product. They are also likely to be the heart and soul of the service that is delivered to the public. Such activities should not be outsourced. On the other hand, commodities are activities requiring low expertise and contribute little to the final product and are therefore good candidates to be considered for outsourcing. Activities classified as novelty and utility activities can also be considered for outsourcing. Novelty activities require core competencies to operate but they are not an essential part of the service to the public. Utility activities are critical to the final product but are based on readily available expertise. They should be outsourced only if the external service provider is able to offer adequate cooperation to ensure service availability.

---

While the SIC matrix is useful for organisations to identify and distinguish the types of activities that can be outsourced successfully, it does not take into account the types of risks that organisations may face in outsourcing processes. To consider and manage the relevant outsourcing risks, organisations may consider using an additional decision-making tool based on a three-step approach introduced by Aron and Singh (2005).  

2. 3-Step Risk Assessment Framework (by Aron and Singh, 2005)

The first step requires public agencies to rank the processes considered for outsourcing by looking at two dimensions — (i) the ability to create value for the public and (ii) the ability to capture value for the organisation. The processes are ranked along these two dimensions and are then subsequently added together to arrive at a total ranked score for each process. Based on the total ranked score derived for all the processes, a value hierarchy is then created. The higher-ranked processes in the hierarchy are considered more critical to the organisation’s strategy and thus should not be outsourced. On the other hand, lower ranked processes can be considered for outsourcing. The ranking exercise provides a useful and standardised basis for organisations to make objective comparisons of processes across the organisation.

**Figure 2: Value Hierarchy - Example**

<table>
<thead>
<tr>
<th>Process</th>
<th>Value-creation ranking</th>
<th>Value-capture ranking</th>
<th>Total ranking</th>
<th>Outsource?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process 1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>Should not</td>
</tr>
<tr>
<td>Process 2</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>Can consider</td>
</tr>
<tr>
<td>Process 3</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>Can consider</td>
</tr>
</tbody>
</table>


Based on the results of the ranking, the second step requires the organisation to assess the two types of risks that they may face when outsourcing lower-ranked processes — operational risks and structural risks. Operational risk refers to the risk that processes may not operate as intended after outsourcing. Structural risk refers to the risk that relationships with service providers may not work as expected. For example, service providers may behave in ways that reduce the agency’s benefits from outsourcing, such as putting in less effort than was agreed on earlier or altering the contract terms when they gain greater power in the vendor-buyer relationship.

Such risks can be managed if the organisation is able to codify the work to be outsourced, as well as develop effective metrics to measure the quality of services provided. This will allow for sufficient oversight and management of external service providers to ensure they deliver and execute services as required and also for the public agency to monitor their

---

53 Aron and Singh, *op. cit.*
performance effectively. Assessments of operational risks and structural risks are to be conducted separately for each process.

**Figure 3: Evaluating Operating Risk & Structural Risk**


The third and final step is then performed after the organisation has determined the operational and structural risks of outsourcing the particular process. This is done using the matrix shown in Figure 4, which indicates the optimal outsourcing or insourcing approach based on the different levels of risk identified in the second step. Given that outsourcing is not an all-or-nothing decision, the matrix provides useful alternative suggestions to consider setting up captive centres or using the extended organisation structure to work with their external service providers closely.

**Figure 4: Choosing the Optimal Outsourcing or Insourcing Approach — Simplified Model**
APPLICATION FOR THE PUBLIC SECTOR

Outsourcing can be a key enabler to help governments across the world deliver better public services in a more efficient and cost-effective manner. However, the public sector’s experience of outsourcing has not always been positive. The increasingly complex operational environment and rising public expectations have made outsourcing decisions more challenging and difficult today.

To ensure that the government can continue to harness the power of outsourcing, public agencies should adopt a more strategic approach when they outsource services. Beyond the current frameworks and policies that have been designed by the government to help public agencies make their outsourcing decisions, executives may also rely on additional decision-making tools, such as the SIC Matrix and the three-step approach developed by Aron and Singh (2005), which provide greater strategic guidance for evaluating outsourcing decisions.

In addition, outsourcing has a direct impact on a government’s ability to deliver the necessary services to the public. Hence, outsourcing decisions should not be considered in isolation. Given that the potential loss of trust in government arising from service delivery failures can be significant, organisations must analyse outsourcing from an agency, as well as the whole-of-government level. It is also important to review past outsourcing decisions to ensure that they remain relevant and appropriate in today’s context.

It is essential that public agencies ensure that skilled professionals with the relevant expertise are engaged right from the start when they evaluate outsourcing decisions. This can include finance leaders and professionals, as well as risk management experts within the agency. Agencies must also ensure that staff with the relevant expertise and understanding of the standards, tools, and processes to deliver the service be retained. This may help public agencies enhance their ability to monitor and negotiate with external service providers to ensure quality service delivery.

With Chief Executive Officers, Quality Service Managers, finance and other senior executives playing a more strategic role in outsourcing decisions, public agencies can be more confident that public outsourcing will continue to play a key role in the delivery of public services.

***end***

54 NGIP, op. cit.
55 Ibid.
56 Sealock and Stacy, op. cit.