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Outsourcing in Government Agencies: Factors to Consider Related to Information Technology Initiatives

CAPSTONE REPORT

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Abstract

This annotated bibliography explores positive and negative factors to consider when outsourcing information technology staff and services in a government agency. Topics include types of outsourcing, potential hidden costs and cost control, and monitoring outsourced IT staff. Keys to successful outsourcing initiatives include evaluating in-house staff and services prior to outsourcing, careful creation and management of the outsource contract, building a trusting vendor relationship, and managing customer satisfaction including expectations and complaints.

Keywords: outsourcing, information technology outsourcing, government outsourcing

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Introduction

Problem Area

According to the National Bureau of Economic Research, the world economy is slowly recovering from a recession that began in December 2007, ("Business Cycle Dating Committee, National Bureau of Economic Research", 2007). In the United States, the recession forced many companies and municipal governments to consider ways to reduce budgetary pressures ("Employment by major industry sector", 2012). Salaries and benefits, including health and retirement, are areas often targeted first, especially within governmental agencies.

In response to personnel layoffs, some government agencies have turned to a variety of types of outsourcing of some services (Serna & Anton, 2011). *Outsourcing* refers in general to an outside firm hired to perform work of internal staff (Qu, Pinsonneault, & Oh, 2011, p. 100). However, according to Warner (2010), this action does not always result in budgetary savings because while the government's main goal is to provide a public service, the main goal of business is to make a profit (p. s145). The question that must be asked is: Can the goals of making money and creating a profitable business work successfully within the context of providing a successful public service, and vice versa?

Outsourcing. Stroh and Treehuhoff (2003) provide many reasons to outsource such as to accelerate reengineering benefits; to gain access to world-class capabilities; to benefit from an infusion of cash; to free up resources for other purposes; to manage a difficult or out of control function; to improve company focus; to make capital funds available; to reduce operating expenses; to reduce risk; and to benefit from resources not available internally. However, Stroh and Treehuhoff (2003) posit that the decision to outsource as a quick way to cut costs is based on too little information. They suggest that when a company is ready to outsource staff or services,

the company should keep the core activities in-house and only outsource non-core activities. Stroh and Treehuhoff (2003) continue “that by shifting responsibility for some of these functions to an external service provider, employees will have more time to focus on core activities and help the company gain competitive advantages” (p. 20).

Sanders, Locke, and Moore (2010) suggest four levels of outsourcing: (a) out-tasking, (b) co-managed services, (c) managed services, and (d) full outsourcing, and note that “numerous characteristic differences exist between these categories and many variants of each arrangement are subsumed under each respective category” (p. 7). The simplest of the categories is out-tasking and the most complicated and involved of the categories is full outsourcing (Sander, Locke, & Moore, 2010, p. 7). An issue, as argued by Khan and Schroder (2009), can arise with rules and regulations (p. 380) when a government uses the full outsource model. When a company is selected to perform actions on behalf of a government the company becomes an extension of the government itself, and as such could be viewed as creating rules and regulations (Khan & Schroder, 2009, p. 381). In practice, most companies “will not deviate from any rule if they believe it is to their advantage. However, if something is not in their favor, they can do and undo anything” (Khan & Schroder, 2009, p. 383). According to Sanders, Locke and Moore (2010) “modifications to the initial contract are inevitable” (p. 13), however, they note that in a government setting the contract cannot be changed overnight and any change should be reviewed and approved by the governing body.

Backsourcing. Benaroch, Dai, and Kauffman (2010) state that at the end of the contract the government has a choice to continue with outsourcing or backsource (p. 319). Backsourcing is the decision "to reverse a contract and bring outsourced services back in house" (Benaroch,

Dai, & Kauffman, 2010, p. 319). As stated by Barthelemy (2001), there are hidden costs when backsourcing that many organizations are unaware exist.

Right sourcing. More recently, outsourcing companies have begun offering *right sourcing*, a cost-saving option that charges governmental organizations based on usage instead of the higher priced fixed monthly charges utilized in the beginning (Benaroch, Dai, & Kauffman, 2010, p. 318-319). Right sourcing also allows governments to keep expert staff in-house if a backsourcing scenario is required (Warner & Hefetz, 2007, p. 5). By keeping the in-house experts, governments are not locked into a permanent contract with an outsource provider (Warner & Hefetz, 2007, p.5).

Cloud sourcing. Cloud sourcing is “a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction” (Kudra, 2010, p. 3). “Cloud sourcing is fast emerging as an alternative sourcing model for companies” (Chadha, 2012, p. 3). Although, with using the cloud, security is a top concern (Davis, 2012). Paquette, Jaeger, and Wilson (2010) elaborate on Davis’s assessment with security by stating there are tangible risks “such as the risk of unauthorized access, infrastructure failure, or unavailability” (p. 245) and intangible risks “such as confidence in the technologies capabilities, and public access” (p. 245) associated with moving to a cloud environment. “The government's ability to manage these risks will be a key determinant in the success of cloud computing” (Paquette, Jaeger, & Wilson, 2010, p. 245).

Purpose Statement

The purpose of this annotated bibliography is to identify literature that examines potential positive and negative factors to consider when outsourcing information technology staff and

services in government agencies. Within this study, a positive factor is defined as any option with the potential to result in controlled contractual costs and a negative factor is defined as any option with the potential to result in contractual cost overrun (Barthelemy, 2001, p. 60-61). The goal is to develop a set of factors for consideration by municipal government employment committees when determining the potential risks and benefits of outsourcing IT staff and services in a given situation.

In this paper, outsourcing of IT staff and services in the private and public sectors is reviewed and associated to a municipal government organization. Experiences from governments in the United States and abroad are used as examples with the intent to allow the reader to create an informed decision when deciding to outsource, and at what level to outsource IT staff and services in a municipal government.

Audience and Significance

The audience for this annotated bibliography is government decision makers tasked with evaluating the possibility of outsourcing IT staff or services. Outsourcing is not a new concept in the government (Levin & Tadelis, 2010), however, technology costs have steadily increased and technology staff have come under review as an outsourcing opportunity (Serna & Anton, 2011).

This paper examines types of outsourcing and costs of outsourcing in governments around the world and in the private sector when outsourcing technology staff or services. The goal is to create a set of positive and negative cost factors for government staff to consider when reviewing the option of outsourcing technology staff or services.

Barthelemy (2001) discusses four stages of potential hidden costs to outsourcing IT: (a) vendor search and contracting; (b) transitioning to the vendor; (c) managing the effort; and (d) transitioning after the outsource. As noted by Barthelemy (2001), "IT is one of the most

expensive parts of the organization to establish and maintain. But, a vendor with many clients can operate at a scale a single enterprise cannot” (p.60). These four stages are used as coding terms during the deep reading and analysis of the selected literature.

Research Questions

The annotated bibliography is organized around the following content areas, framed as research questions:

Main Question

- What are the key positive and negative factors for consideration when outsourcing government IT functions?

Sub Questions

- What types of outsourcing are available to a municipal government for IT outsourcing?
- What costs are often overlooked when outsourcing?
- How can outsourced IT staff be monitored to ensure a high level of service and customer satisfaction, while also maintaining control over cost?

Delimitations

Timeframe. Articles selected for use in this study are published within the past 12 years due to the quick evolution of IT and outsourcing strategies. Information on government is found not to be updated as often as documents about technology, therefore 12 years appear to be a good balance between current technology and government information.

Focus. The primary focus of this paper is the outsourcing of technology staff and services within a government agency. Outsourcing is not a new concept in the government (Levin & Tadelis, 2010), however, technology costs have steadily increased and technology staff have come under review as an outsourcing opportunity (Serna & Anton, 2011). This paper reviews

types and costs of outsourcing in other governments around the world and in the private sector when outsourcing technology staff or services. The goal is to create a set of positive and negative cost factors when government staff is reviewing the option of outsourcing technology staff or services, with emphasis on four stages of the potential hidden costs derived from Barthelemy (2001). The paper is focused further by targeting the information to municipal government managers.

Exclusions. Related aspects that could be explored but are not addressed in this paper include:

- Effects of outsourcing and high security information at the federal government level.
- Who monitors the contract of an outsourced service?
- Revising poorly constructed contracts.
- When contract costs exceed estimated costs.
- Effects of early terminated contract due to non-compliance.
- Outsourced company goes bankrupt.

Reading and Organization Plan Preview

Literature selected for this annotated bibliography is initially scanned for key words and placed into categories based on research questions. Criteria outlined by Bell and Frantz (2012) is followed to maintain referential integrity.

Reading plan. The reading plan follows steps describing an approach to conceptual analysis, outlined by Busch et al. (2012) on the Colorado State University Writing Center website:

1. Determine level of analysis

2. Determine how many concepts to code
3. Determine to code for frequency or existence of a concept
4. Determine how to distinguish among concepts
5. Develop coding rules
6. Decide what to do with irrelevant information
7. Code texts
8. Analyze results

Organization plan. References selected for the Annotated Bibliography section are organized around themes (Busch et al., 2012). The themes are associated with a sub-question; the themes are (a) types of outsourcing (Sanders, Locke, Moore, & Autry, 2007; Stroh & Treehuhoff, 2003); (b) potential hidden costs and cost control (Barthelemy, 2003; Brown & Potoski, 2003; Sanders, Locke, Moore, & Autry, 2007); and (c) monitoring outsourced IT staff (Im & Yoon, 2005; Song & Wong, 2009; Warner & Hefetz, 2007). Details of the plan can be found in the Research Parameters section.

Definitions

The Definitions section lists terms and definitions that have a direct relation to the information presented. Each term and definition comes from literature presented in the Annotated Bibliography section of this document.

Backsourcing – When a company decides to bring outsourced function back in-house (Benaroch, Dai, & Kauffman, 2010, p. 319).

Cloud sourcing – A fast emerging alternative sourcing model for companies (Chadha, 2012).

Co-managed service – Assigns a larger scope of work to the outsourced vendor who works collaboratively with the outsourcing company, the outsourcing company has direct control of the work (Sanders, Locke, Moore, & Autry, 2007).

E-government – A service offered electronically by a government most often through a web page or smartphone application (Chen, 2002).

Full outsourcing – The outsourcing company allows a vendor to independently manage a company function and allows the vendor to shape the strategic direction of the function (Sanders, Locke, Moore, & Autry, 2007).

Managed service – The outsourcing company gives instructions to an outsourced vendor who will complete a function with little input from the outsourcing company (Sanders, Locke, Moore, & Autry, 2007).

Outsourcing – Refers to an outside firm hired to perform work of internal staff (Qu, Pinsonneault, & Oh, 2011 p. 100). Outsourcing can be placed in one of four broad categories (a) out tasking; (b) right sourcing; (c) managed service; and (d) full outsourcing (Sanders, Locke, Moore, & Autry, 2007).

Out tasking – The most basic form of outsourcing, this type of outsourcing assigns a specific task to an outside vendor (Sanders, Locke, Moore, & Autry, 2007).

Privatization – usually involves contracting services to private companies, forming a partnership with private companies, or selling public assets to the private sector (Krumwiede, Lavelle, & Sheu, 2000).

Right sourcing – a cost-saving option that charges organizations based on usage instead of the higher priced fixed monthly charges utilized in the beginning (Benaroch, Dai, & Kauffman, 2010, p. 318-319).

Research Parameters

The Research Parameters section contains the description of parameters that frame the methodology for the overall study. Aspects covered include (a) search strategy; (b) key words; (c) documentation approach; (d) evaluation criteria; and (e) reading and organization plan.

Search Strategy

The search strategy is initially implemented using scholar.google.com to find articles and then review the abstract to determine if the article is of interest. If the article is of interest, the UO library is used to find the full article, and then it is determined if the article is peer reviewed. Using the UO library search engine, search results are limited to peer-reviewed articles. Books are not included in the search scope due to the nature of an online course and the researcher's ability to be at the UO library. Searches include the use of private web sites such as CIO.com, outsourcemagazine.co.uk, informationweek.com, and economist.com. Articles found on the websites are then crossed referenced for peer-review status using the UO library, EBSCO host database, and scholar.google.com. Peer-reviewed resources are selected because peer-reviewed journal articles are of superior methodological and reporting quality relative to articles published in non-peer-reviewed journals (Rochon et al., 2002).

Articles are harvested from peer-reviewed journals from the primary references for this paper. Authors of articles found to be of a good resource for this paper are then searched to locate other authored works for review.

Keywords

Keywords used to locate articles started with a direct query with government outsourcing. Once articles are found, terms from within the articles are used to expand the search then narrow the terms into a precise search.

- Government outsourcing
- IT outsourcing
- Contracting government services
- Supplementing employees with contractors
- Outsourcing with cloud services
- Municipal cloud services
- Municipal outsourcing
- Municipal contract employees
- Government contract employees
- Government contract staff
- Outsourcing employees
- Outsourcing government services
- E-government
- Government privatization
- Outsourcing IT
- Customer satisfaction in outsourced environments
- IT outsourcing customer satisfaction
- Hidden cost of outsourcing information technology
- Cloud security
- Cloud sourcing as an outsourcing alternative
- Risk associated with governments use of cloud
- Outsource contract adherence issues
- Government contract change process

- Government contact monitoring
- Government IT contract monitoring

Documentation Approach

All key references are saved into an Adobe PDF format. A separate spreadsheet is used for tracking and assigning keywords pertaining to the articles.

Evaluation Criteria

It is the responsibility of the researcher to evaluate the credibility of an information source (Bell & Frantz, 2012). For this paper, two of the five key factors, as defined by Bell and Frantz (2012), are used: quality of the work and relevance of the work. Quality of the work is determined by information organization; typographical errors and good grammar; appropriate graphics; and reliability of information of a web-based source (Bell & Frantz, 2012). Relevance of the work is determined by the content appropriateness to the research topic (Bell & Frantz, 2012). Bell and Frantz (2012) state the content relevancy should be evaluated to determine if the reference is scholarly or popular; identify the medium (book, article, government report); and if the content is primary, secondary, or bibliographic. In this paper, to determine quality and relevance of information, the following steps are followed:

- Articles are selected from peer-reviewed sources.
- Abstracts are reviewed for general content adherence.
- Articles are scanned for specific useful content, determined by keywords and coding developed in the reading and organization plan.
- Quality articles are saved in an electronic format.
- All articles are placed into the Reference list of this paper.
- Key references are placed into the Annotated Bibliography.

Reading and Organization Plan

Reading plan. The reading plan allows the researcher to qualify articles found and identify information within the articles to support the report. Busch et al. (2012) provide steps for performing a conceptual analysis, which form the basis for a reading plan. Below are the steps with details on how each step is performed in this report.

- 1. Level of analysis.** The level of analysis during the coding is based on a single word such as *outsourcing* or a set of words or phrase such as *outsourcing government information technology*. The words and phrases are used to locate information on the topic at large.
- 2. How many concepts to code.** Coded concepts are determined by the thematic area in the organizational plan. There are three areas to code and other areas found are noted for further investigation.
- 3. Code for frequency or existence of a concept.** For this reports, the author uses the existence of words and phrases versus the frequency of use. The reason for searching for existence versus frequency is that the goal is to identify the meaning of concepts, rather than tally the number of times a concept is identified.
- 4. Distinguishing among concepts.** This report focuses on the general concept of outsourcing of information technology and the effects on municipal government. Many concepts may be similar in meaning for the report and are coded as the same concept. For example, *insourcing* and *backsourcing*, both concepts refer to when a company decides to bring outsourced function back in-house (Benaroch, Dai, & Kauffman, 2010, p. 319).
- 5. Coding rules.** A set of translation rules is followed when coding texts. Translation rules ensure that words and phrases which are under the same concept are consistently coded. Examples include: contractual staff and outsourced staff.

6. **Irrelevant information.** Concepts which have no impact on this report are dismissed.
7. **Code texts.** Coding is done using the find feature in the Adobe Acrobat Reader program. All words and phrases are placed in a Microsoft Excel spreadsheet and noted when found in an article; context is then manually reviewed to assure relevance. Physical articles and articles without text metadata are reviewed manually for words and phrases which are highlighted when found.
8. **Analyze results.** Results are analyzed as outlined in the Organization plan and discussed in the Annotated Bibliography and Conclusion sections of the report.

Organization plan. Organization of the information derived during the reading process is thematic. A thematic review is organized around a topic or issue, rather than the progression of time; however, progression of time may still be an important factor (The Writing Center, University of North Carolina at Chapel Hill, 2009). Themes for this paper are aligned with the three research sub-questions and address: (a) types of outsourcing; (b) potential hidden costs and cost control; and (c) monitoring outsourced IT staff

Anticipated topics of discussion in theme one, types of outsourcing, include (a) reasons for outsourcing (Stroh & Treehuhoff, 2003) and (b) defining types of outsourcing (Sanders, Locke, Moore, & Autry, 2007). Anticipated topics of discussion in theme two, potential hidden costs and cost control, include (a) contract management (Brown & Potoski, 2003), (b) defining hidden costs (Sanders, Locke, Moore, & Autry, 2007) (c) budgetary planning for outsourcing (Barthelemy, 2003), and (d) key positive and negative cost factors (Chen & Perry, 2003; Juras, 2008). Anticipated topics of discussion in theme three, monitoring outsourced IT staff, include (a) managing customer expectations (Song & Wong, 2009), (b) measuring satisfaction (Im & Yoon, 2005), and (c) customer satisfaction in the government (Warner & Hefetz, 2007).

Annotated Bibliography

The Annotated Bibliography section contains a collection of key relevant references organized by themes to address the research questions posed in the Introduction. Each annotation consists of four elements: (a) a bibliographic citation in APA format; (b) an abstract; (c) credentials of the author(s); and (d) a summary of the article and how it pertains to the theme.

Theme 1: Types of Outsourcing

Bel, G. & Warner, M. (2008). Challenging issues in local privatization. *Environment and Planning C: Government and Policy*, 26(1), 104-109. doi:10.1068/c2601ed

Abstract. Analysis of local privatization is giving increasing relevance to the insights provided by transaction costs and industrial organization theories. These include mixed public and private production which is growing in the US, and inter-municipal cooperation to gain economies of scale. Local privatization is not ideological; it has been shown to be primarily pragmatic, as local governments must manage political interests in both the market and policy arenas.

Credibility. Germà Bel is a professor of economics at the Universitat de Barcelona. He was a visiting professor at Cornell University (CIPA) in 2004-05, and a visiting scholar at Harvard University (KSG) in 2005-06. Mildred Warner is a Professor in the Department of City and Regional Planning at Cornell University.

Environment and Planning C: Government and Policy is a research-driven, fully refereed international journal which seeks to advance scholarly debates on a wide range of contemporary policy issues which sit at the interface between the economy, society, and the environment.

Summary. This article discusses the lack of monetary savings in governmental budgets when privatization occurs. The cost comparisons are made with water and waste and how privatizing these two functions in a government can actually reduce competition in the market once privatization has occurred. The reduction is due in part to the sunk costs of purchasing vehicles, specialized equipment, and the privatized company's ability to distribute the sunk costs across multiple contracts. A discussion about reverse privatization also takes place; Bel and Warner suggest that a government should eventually reverse privatize the once privatized function to keep competition in the market and not lock the government into an endless contract. For this article, *privatization* is synonymous with *outsourcing*. Although this article does not directly deal with information technology, the concepts discussed help in framing how privatization is viewed in information technology.

Benaroch, M., Dai, Q., & Kauffman, R. J. (2010). Should we go our own way? Backsourcing flexibility in IT services contracts. *Journal of Management Information Systems*, 26(4), 317-358.

Abstract. The emergence of new service science approaches to business problems in information technology (IT) services offers new, unusually relevant insights for the senior management of vendors in this business area. This research examines how service-level agreement contract flexibility should be designed when the technological and business market environments result in volatility of demand, based on an understanding of related changes in the cost drivers that underlie IT services contracts. Working from our modeling approach, we also are able to characterize the extent to which a vendor can benefit from bearing the costs of making a backsourcing flexibility option available to its

client.

Credibility. Michel Benaroch is a Professor of Information Systems in the Martin J. Whitman School of Management, Syracuse University.

Qizhi Dai is an Assistant Professor of Information in the LeBow College of Business of Drexel University in Philadelphia, Pennsylvania. She received her PhD from the Carlson School of Management at the University of Minnesota.

Robert J. Kauffman is the W.P. Carey Chair in IS at the W.P. Carey School of Business, Arizona State University, where he holds appointments in IS, Finance, Supply Chain, and the School of Computing and Informatics. He has served on the faculty at New York University, University of Minnesota, and University of Rochester.

The Journal of Management Information Systems is a top-ranked refereed quarterly journal intended to provide an integrated view of the entire field of MIS. It is designed to serve the needs of researchers as well as practitioners and executives managing the information resource.

Summary. This article discusses how outsourcing companies can set up contracts with their clients and deal with the expansion and contraction of contracted IT staff over the contract term. Most companies that hire contract staff do so during a period of growth; after the growth ends and the contraction begins the companies want to remove the contracted staff. One option is to backsource and bring the contracted staff and operations back in house. The authors discuss financial models that can assist outsourcing providers to estimate the amount of staffing needed for the contract period and also determine scenarios for the expansion and contraction of the services. The financial model also assists the company that wants to hire an outsource provider. The financial models

offered will assist both parties to decide if outsourcing IT staff is a good value for (a) profit for the outsource provider and (b) cost effective for the company wanting to outsource.

Bradbury, M. D., & Waechter, G. D. (2009). Extreme outsourcing in local government: At the top and all but the top. *Review of Public Personnel Administration* 2009, 29(3), 230-248. Retrieved November 3, 2012, from <http://rop.sagepub.com/content/29/3/230>

Abstract. The prevailing paradigm of outsourcing in local government assumes high-level professional administrators make systematic assessments of program areas to determine whether a selected number could be delivered for a reduced cost and at a higher quality by an external provider.

Credibility. Mark D. Bradbury is an assistant professor in public administration at Appalachian State University. He has published in the *Journal of Public Administration Research and Theory*, *State and Local Government Review*, *Public Integrity*, *Public Personnel Management*, and *Review of Public Personnel Administration*.

G. David Waechter is a graduate of the master of public administration program at Appalachian State University. He is the small business center coordinator and instructor at Caldwell Community College & Technical Institute in Hudson, North Carolina.

Review of Public Personnel Administration (ROPPA), is peer-reviewed and published quarterly. It is designed to present timely, rigorous scholarship on human resource management in public service organizations.

Summary. This article makes an argument for governments to choose one of two models of outsourcing (a) all staff and services except the top management levels, or (b) outsource only the top management levels and leave all staff and services in house. The

contracted organization does not need to be a private entity but can be a non-profit organization or another government.

When adopting the *outsourcing all but the top* method, the organization would "retain only a skeleton in-house staff of top management and immediate administrative support positions and have outsourced the provision of most functions and services to private firms and other governmental jurisdictions." The purpose for this method is "City Hall primarily performs administrative functions" and leaves the functions themselves in the hands of private companies. Three examples of cities that used this method are given.

The *outsourcing only the top* method allows for two options (a) a private firm to hire "newly minted master's in public administration (MPA) graduates and places them with local government clients on a part-time basis." or (b) "retired managers are being retained by their previous employer at a reduced rate to provide continuity and realize cost savings." The authors provide examples of these options in small cities. The authors conclude that while both of these extreme examples of outsourcing are possible, they may not be useful to all cities due to the city charter or the availability of contractors.

Cox, M., Roberts, M., & Walton, J. (2011). IT outsourcing in the public sector: Experiences from local government. *The Electronic Journal Information Systems Evaluation*, 14(2), 193-203.

Abstract. This paper examines the approach taken to Information Technology (IT) outsourcing in four local government councils in the UK. This is important because, whilst outsourcing has become a significant issue in the restructuring of organizations and is increasingly used within both the private and public sectors, there has been a lack

of research into IT outsourcing in the public sector and particularly within local government.

Credibility. All three authors attended the University of Portsmouth Business School in the United Kingdom.

The Electronic Journal of Information Systems Evaluation is intended to provide critical perspectives on topics relevant to Information Systems Evaluation, with an emphasis on the organizational and management implications. Through its publication, the journal aims to contribute to the development of theory and practice. Papers submitted to the journal are double blind-refereed by members of the editorial board or other suitably qualified readers.

Summary. This article discusses outsourcing information technology staff and services in a municipal government. The authors draw a similarity between government and private sector companies. And while both have may have a need to outsource, however, the authors note that government has a limited number of opportunities compared to private companies. The research presented is useful; however, United Kingdom laws differ from those in the United States. For example in the United Kingdom, if a contractor can provide a service less expensively, the government must contract the service. The differences in law and the way business is done can make the survey and the corresponding results appear skewed to readers in the United States.

Khan, S., & Schroder, B. (2009). Use of rules in decision-making in government outsourcing.

Industrial Marketing Management, 38(4), 379-386.

Abstract. The paper reports research on the nature of use of rules in decision-making process by government entities in outsourcing commercial activities. The study used

multiple data sources such as in-depth personal interviews of multiple categories of respondents, documentary evidence, and observation. The findings indicated that Government organizations use un-written ground rules as the main means of managing outsourcing processes.

Credibility. Shahadat Khan is a Senior Lecturer (Logistics & Supply chain Management) & Director, Bachelor of Business (Logistics and Supply Chain Management) at the School of Management, RMIT University, Australia. He is engaged in tertiary (post secondary) teaching since 1998 and obtained his PhD in Marketing from Monash University, Australia in 2004.

Professor Bill Schroder is currently an Honorary Faculty Associate in Monash University, Australia. Schroder recently retired from the Department of Marketing, Faculty of Business and Economics, Monash University. He teaches graduate and executive courses in agribusiness. Schroder has authored over 50 other professional publications.

Industrial Marketing Management provides theoretical, empirical and case-based research geared to the needs of marketing scholars and practitioners researching and working in industrial and business-to-business markets. An editorial review board of leading international scholars and practitioners assures a balance of theory and practical applications in all articles. I take it this is quoted from the Journal?

Summary. This article discusses the decision-making process when choosing to outsource in a government organization, specifically when outsourcing to non-profit organizations. The authors suggest that selection of an outsource contractor could be politically charged and the rules to choose a contractor should be rewritten to make the

playing field more fair. For the study, a survey was sent to municipalities inquiring about the rules and processes when selecting an outsourced contractor. The study also expands to the outsource contractors. Overall, the study found there are not rules for all situations and when there was no rule, the contractor and government agreed upon an unwritten rule. These unwritten rules, as suggested by the authors, could create a disparity between contractors whether non-profit or for-profit, and that the unwritten rules often are treated as the official rules.

Krumwiede, D. W., Lavelle, J. P., & Sheu, C. (2000). A privatization model for government outsourcing. *Production & Inventory Management Journal*, 41(2), 45. Retrieved November 3, 2012, from <http://go.galegroup.com/ps/i.do?id=GALE%7CA65070019&v=2.1&u=s8492775&it=r&p=AONE&sw=w>

Abstract. While industry has been using an outsourcing strategy to enhance competitive position, government has followed a similar strategy in improving its operations. Government outsourcing, or privatization, usually involves contracting services to private companies, forming a partnership with private companies, or selling public assets to the private sector. Privatization has been an international phenomenon in the past two decades as countries worldwide are attempting to make government entities more cost- and goal-effective

Credibility. Jerome P. Lavelle, PhD, is an associate professor in the Industrial and Manufacturing Systems Engineering Department at Kansas State University. He is the coordinator of engineering management at KSU and teaches and researches in the areas of engineering management, economic analysis, total quality management, and

project management.

Dennis W. Krumwiede, PhD, is an assistant professor of operations management at Central Missouri State University. He received his PhD in industrial and manufacturing systems engineering at Kansas State University.

Chwen Sheu, PhD, is an associate professor of operations management at Kansas State University. He earned his Ph. from the Ohio State University. His research and teaching interests include international operations management, manufacturing strategy, quality management, theory of constraints, and supply chain management.

The Production & Inventory Management Journal is designed to provide analysis and insights of emerging concepts, practical applications, beneficial knowledge, and constructive skills valuable in today's dynamic economy. The P&IM Journal enables business leaders, students, and academic professionals to better understand and manage the ever-changing and complex interrelationships of designing and operating processes in manufacturing and service-oriented enterprises in today's global marketplace. According to Ulrich's, this is a refereed periodical.

Summary. This article compares how private industry practices outsourcing for efficiencies and monetary savings and creates suggestions on how government agencies should follow the private industries lead. The authors create a list of worldwide successful government outsourcing items as well as a list of pros and cons to government outsourcing. The authors also provide a model that governments can implement to outsource services.

Lee, S., & Kingsley, G. (2009). The impact of relational factors on contracting management in public organizations. *Review of Public Personnel Administration*, 29(3), 270-292.

doi:10.1177/0734371X09340397

Abstract. This study examines how public managers perceive the value of contractors who hire former agency employees. Although it is unclear whether agency managers prefer contractors who are the agency's former employees to contractors who have no prior connection with the agency, it is clear that they tend to hire contractors who are more familiar with the agency rules, policies, and inside practices rather than those who are not.

Credibility. Sooho Lee is an assistant professor in the department of political science and planning at the University of West Georgia. His current research interests are public management, public sector human resources, state and local government, and science policy.

Gordon Kingsley is an associate professor in the School of Public Policy at Georgia Tech. His current research explores the impacts of public-private partnerships on the development and allocation of scientific and technical human capital.

Review of Public Personnel Administration (ROPPA), a peer-reviewed journal that is published quarterly, is designed to present timely, rigorous scholarship on human resource management in public service organizations.

Summary. This article discusses a policy known as a revolving door, which refers to the situation when a government employee, sometimes a contract monitor, leaves the government and is hired by the contractor they were monitoring. Often times, the employee is paid at a significantly higher rate than when working for the government. The survey described in the article asked the state of Georgia if hiring a contractor that has employees previously employed by the state is a good idea. Most managers in the

survey felt it was a good idea to hire a contractor based on the fact the contractor has previous state employees. However, the survey points out that managers might not find an employee of a contractor more desirable to hire versus another candidate in an interview.

Minicucci, S., & Donahue, J. D. (2004). A simple estimation method for aggregate government outsourcing. *Journal of Policy Analysis & Management*, 23(3), 489-507.

Abstract. The scholarly and popular debate on the delegation to the private sector of governmental tasks rests on an inadequate empirical foundation, as no systematic data are collected on direct versus indirect service delivery. We offer a simple method for approximating levels of service outsourcing, based on relatively straightforward combinations of and adjustments to standard statistical series, primarily the National Income and Product Account and the Government Finances series produced by the Department of Commerce.

Credibility. Stephen Minicucci is a Senior Research Associate at the Consortium on Financing Higher Education, Cambridge, Massachusetts.

John D. Donahue is the Raymond Venion Lecturer in Public Policy and Director of the Weil Program in Collaborative Governance, John F. Kennedy School of Government, Harvard University.

This refereed journal encompasses issues and practices in policy analysis and public management. Listed among the contributors are economists, public managers, and operations researchers. Featured regularly are book reviews and a department devoted to discussing ideas and issues of importance to practitioners, researchers, and academics.

Summary. This article points out the lack of data regarding government outsourcing.

One of the main issues is terminology and survey responder interpretations of the question being asked. The author reviewed two surveys (a) US Census bureau quinquennial and (b) International City and County Management Association (ICMA). Both of the surveys have the same issues with terminology and responder interpretation. The authors develop a base of definitions and then start to calculate, based on average reported numbers, the cost of Medicaid and Medicare. With the final budget numbers a deep dive into government budgets begins and a dataset is built to represent the average cost of outsourcing services.

Peled, A. (2001). Outsourcing and political power: Bureaucrats, consultants, vendors, and public information technology. *Public Personnel Management*, 30(4), 495-515.

Abstract. The rapidly growing governmental IT outsourcing trend raises different questions: Who, inside bureaucracy, governs computer systems after outsourcing? Which actors gain or lose political clout when the government begins to aggressively outsource its IT operations? How does IT outsourcing change the relationships among bureaucrats, consultants, and vendors? The article highlights the increasingly important and behind-the-scenes role the consultant plays as an intermediary between the MIS bureaucrat and technological vendors.

Credibility. Alon Peled is a lecturer in the Department of Political Science at the Hebrew University of Jerusalem, Israel. He also worked for six years as a principal software engineer and program manager in data warehouse and office automation software projects in the USA and Israel.

Public Personnel Management is International Public Management Association for Human Resources (IPMA-HR) award-winning quarterly journal focusing on trends, case

studies, and the latest research by top human resource scholars and industry experts.

Manuscripts are subject to a blind review process.

Summary. This article discusses information technology government systems and how outsourcing will affect the political power of those who govern the computer system. According to the author, parts of IT are seen as a core activity and should not be outsourced. The author asks when an IT service is outsourced, how does the sway of the consultant play into the overall political landscape? A study is offered in the article from Israel that discusses the outsourcing of IT and the power shift to consultants. Consultants can have a profound impact in an IT department, but they are not usually around for long because they choose to find a higher paying job. This is why consultants are selected for temporary positions versus hired for long-term use. The author continues with the question of how a consultant is selected. Usually consultants are selected after they have answered a request for proposal. After review and a selection process, most often by a board, the consultant is hired. The role of the consultant is defined and work is performed. Once the work is complete the consultant usually departs from the job. As a conclusion, the author states that consultants are often not held to the standard of other IT staff and often the consultants do not deliver what is promised. One part of a potential solution to this problem is a better contract that the consultant liable for the delivery of what is promised; this problem should be addressed first during the selection process and held to throughout the whole project.

Warner, M. E. (2010). The future of local government: Twenty-first-century challenges. *Public Administration Review*, 70(s1), s145-s147. Retrieved November 4, 2012, from <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6210.2010.02257.x>

Abstract. Local governments in the twenty-first century face challenges regarding service delivery, finance, the workforce, and citizen engagement. While privatization was a major innovation in the last decades of the twentieth century, lack of costs savings and the loss of public values in market provision are prompting reversals in privatization, increases in regulation, and new approaches to government enterprise.

Credibility. Mildred Warner is a Professor in the Department of City and Regional Planning at Cornell University where her work focuses primarily on local government service delivery and new community development models for addressing human services. Public Administration Review (PAR), a bi-monthly professional journal, has been the premier journal in the field of public administration research, theory, and practice for more than 60 years. It is published for the American Society for Public Administration, TM/SM and is the only journal in public administration that serves both academics and practitioners interested in the public sector and public sector management. PAR uses a double-blind review process.

Summary. This article makes five predictions for the future, specifically the year 2020. The five predictions are (a) there will be reversals in the privatization process of the last few decades; (b) pressures to privatize will remain high at the international level and with regard to infrastructure investment; (c) the next decade will witness a rebuilding of the capacity of local government; (d) the proliferation of private *club* approaches to providing public goods will further fragment local government, undermining the goals of social inclusion and regional integration; and (e) local government will lead in taking a long-term view. Although none of the predictions are specific to information technology, they do help frame an argument of where outsourcing in the government may lead. The

predictions also allow for a discussion of how to prevent future outsourcing issues.

Whitten, D., & Leidner, D. (2006). Bringing IT back: An analysis of the decision to backsource or switch vendors. *Decision Sciences*, 37(4), 605-621.

Abstract. Whereas the decision to outsource information systems (IS) has been an important focus in IS research and practice, the decision to switch vendors or to backsource has received little attention. Evidence suggests that in practice, however, the decision to backsource or to switch vendors is becoming increasingly common as firms vie for ways to continue to cut information technology (IT) costs and improve IT service levels. This research specifically examines the factors associated with the decision to backsource or to switch vendors.

Credibility. Dwayne Whitten is assistant clinical professor of information systems in the Mays Business School at Texas A&M University. His main research interests include IT outsourcing, IT governance, switching costs, and IT security.

Dorothy E. Leidner is the Randall W. and Sandra Ferguson Professor of Information Systems at Baylor University. She previously served as an associate professor at INSEAD and an associate professor at Texas Christian University. She has also been a visiting professor at the University of Mannheim in Germany, at Monterrey Tech University in Mexico, at the University of Caen, France, and at Southern Methodist University. Dr. Leidner received her PhD in information systems from the University of Texas at Austin.

Decision Sciences, a premier journal of the Decision Sciences Institute, publishes scholarly research about decision making within the boundaries of an organization, as well as decisions involving inter-firm coordination. The journal promotes research that

advances decision making at the interfaces of business functions and organizational boundaries. Decision Sciences uses a double blind review process.

Summary. This article starts by discussing failed outsourcing contracts between major companies for example; JP Morgan Chase & Co outsourced all information technology operations to IBM Corporation and after only two years of a five-year contract, Chase backsourced all information technology operations. The article's main focus is backsourcing and how companies have and can backsourcing operations at the end of an outsourcing contract. The authors posit the reason behind backsourcing at the end of a contract is often due to service quality or product quality. Service quality is the conformance to customer requirements, whereas product quality is performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality of the product. A third factor that may be used is switching costs, those associated with either moving service to another vendor or bringing the outsourcing activities back in house; although, if the product and service quality are high then the switching costs are usually not a factor. This article could fit in two of the three themes, the current theme and theme three monitoring outsourced IT staff – the key to customer satisfaction. The decision to place the article in the current theme is due to the discussion of backsourcing and the relevance of backsourcing because of outsourcing. The article is not specific to government outsourcing, however, the article does contain valuable information pertaining to lessons learned by private companies when outsourcing information technology staff and services.

Zhang, Mengzhong, & Jian Sun (2012). Outsourcing in municipal governments experiences from the United States and China. *Public Performance & Management Review*, 35(s4), 696-

726. *Public Performance & Management Review - Outsourcing in Municipal Governments*. Web. 10 Nov. 2012.

Abstract. This article examines outsourcing/contracting out in the delivery of local government public services in the United States and China, based on case studies of three municipal governments in the United States and one township government in China, as well as questionnaire studies in the Chinese case. It finds that most American localities have engaged in some form of outsourcing in order to save money and improve service, whereas outsourcing is relatively new in even the most developed areas of China. Improvement of service quality rather than cost reduction was the chief concern for Chinese respondents.

Credibility. Mengzhong Zhang is a research professor of public administration in the School of Public Policy, University of Maryland at College Park. His teaching and research interests include comparative public administration, public sector management reform, nonprofit management, performance management, modern governance, intersectoral collaboration, public budgeting, and fiscal reforms

Jian Sun received a master's degree in public management from the School of Public Policy, University of Maryland at College Park. At present he is the CEO of the Science and Technology Park Company at Changshu University in Jiangsu Province, China. He worked in local government in Jiangsu for more than ten years and served as mayor of a city for many years.

Public Performance & Management Review is a scholarly forum that addresses a broad range of factors influencing the performance of public and nonprofit organizations and agencies. Its objectives are to facilitate the development of innovative techniques and

encourage a wider application of those already established; stimulate research and critical thinking about the relationship between public and private management theories; present integrated analyses of theories, concepts, strategies and techniques dealing with productivity, measurement and related questions of performance improvement; and provide a forum for practitioner-academic exchange. According to Ulrichsweb, Public Performance & Management is a refereed journal.

Summary. This article discusses the different goals of outsourcing between two countries, China and the United States. Outsourcing government in China is a new phenomenon. The reason China chooses to outsource is to improve service quality; in the United States the reason is often for monetary savings. The Chinese government is watching what is successful in the United States and building on the success versus repeating mistakes that the United States has made. The authors create three hypotheses to test (a) a service that is easily measured and straightforward is more likely to be contracted out; (b) a service that is more productive of cost savings than in house provision is more likely to be contracted out; (c) when a public service is contracted out, the quality of the service delivered by the contractor will decline. To answer the hypotheses, the authors create a mixed method study that includes case study and a survey sent to Chinese and United States governments. In the conclusion, the authors offer seven suggestions and six other considerations regarding whether and how to use outsourcing in local government public service delivery. Suggestions offered are (a) reconsider status quo of public services delivery system; (b) identify services suitable for outsourcing; (c) conduct effective cost analysis; (d) partner with private sector or third-party providers; (e) devise performance evaluation system for contracting; (f) manage

process of contracting; (g) make competitive approach possible. Other factors to be considered: (a) prevent corruption;(b) observe constitutional and due process; (c) guarantee political legitimacy and accountability; (d) ensure transparent competition; (e) encourage citizen participation; and (f) inspire civic engagement and community culture.

Theme 2: Potential Hidden Costs and Cost Control

Auriol, E., & Picard, P. M. (2006). *Government Outsourcing: Public Contracting with Private Monopoly*. London: Centre for Economic Policy Research.

Abstract. The article studies the impact of the government budget constraint on the regulation of natural monopolies in adverse selection contexts. The government maximizes total surplus but incurs some cost of public funds a` la Laffont and Tirole (1993). Government outsourcing is proposed as an alternative to regulation in which firms freely enter the market and choose their prices and output levels.

Credibility. Emmanuelle Auriol studied Economics at the University of Toulouse where she received her PhD in 1992. After spending one year at the University of California at Berkeley as a post-doc she joined the Economics Department at Toulouse. She passed the French economics aggregation in 1996 and she spent two years at the University of Aix-Marseille II. She is now a Professor at Toulouse School of Economics and since 2004 a fellow of CEPR and, starting January 2010, a member of the Council of the EEA.

Pierre M. Picard graduated as a civil engineer in telecommunication at the University of Louvain. After working some years in the telecom industry, he obtained a MBA at the Katholieke Universiteit van Leuven (1994) and completed a PhD in Management Science and Economics at the University of Louvain (1998). Since then he taught Micro-economics Industrial Organization, Spatial Economics and Managerial Economics at the

Economics Department of the University of Manchester. He has also been invited lecturer at the University of Louvain, University of Namur and University of Liège. He is now professor at the University of Luxembourg.

The Economic Journal is among the foremost of the learned journals in economics, and is invaluable to anyone with an active interest in economic issues. It is a key source for professional economists in higher education, business, government service and the financial sector, and represents unbeatable value for those who want to keep abreast in current thinking in economics. According to Ulrichsweb, The Economic Journal is a refereed publication.

Summary. This article describes a way to monitor outsourced companies. The purpose for placing the article in theme two is due to the discussion regarding the lack of competition once a government outsources. The authors state when a government outsources, competition for the outsourcing service decreases due to the large contract the winner receives. Once the competition is limited to one contractor, the cost of outsourcing can and will rise. For the government to backsource is difficult due to specialized equipment and knowledge the outsourced contractor has gained over the contract period. This can become a serious issue and force a government to remain in a bad outsourced contract that has no potential end. The authors quantify their statements with formulas.

Barthelemy, J. (2003). The seven deadly sins of outsourcing. *Academy of Management Executive*, 17(2), 87-98.

Abstract. While outsourcing is a powerful tool to cut costs, improve performance, and refocus on the core business, outsourcing initiatives often fall short of management's

expectations. Outsourcing failures are rarely reported because firms are reluctant to publicize them. However, contrasting them with more successful outsourcing efforts can yield useful *best practices*.

Credibility. Jerome Barthelemy is assistant professor of strategic management at ESSEC Business School (France). He holds a PhD from HEC (France) and has been a visiting research scholar at the University of California of Berkeley.

The Academy of Management Perspectives (AMP) publishes articles and symposia that address important issues concerning management and business. AMP articles and symposia are aimed at the non-specialist academic reader with a secondary audience that includes existing and future *thought leaders*. A distinctive aspect of AMP articles is a focus on evidence rather than the development of theory. According to Ulrichsweb, this is a refereed journal.

Summary. This article describes seven hidden costs when outsourcing. The seven hidden costs the author describes are (a) outsourcing activities that should not be outsourced; (b) selecting the wrong vendor; (c) writing a poor contract; (d) overlooking personnel issues; (e) losing control over the outsourced activity; (f) overlooking the hidden costs of outsourcing; and (g) failing to plan an exit strategy. The author provides examples where the hidden costs have happened in the business community and offers strategies to avoid or at least control the hidden and unexpected costs. The article is written for a business audience rather than governments. However, the article allows for governments to review what occurs in the business world and apply practices to avoid costly mistakes.

Brown, T. L., & Potoski, M. (2003). Managing contract performance: A transaction costs approach. *Journal of Policy Analysis & Management*, 22(2), 275-297.

Abstract. Managing contracts is a complex process, often exacerbated by high transaction costs inherent in negotiating, implementing, and monitoring contract relationships with vendors. Through analyses of data from a 1997 International City/County Management Association survey of municipal and county governments, the way in which municipal and county governments respond to transaction cost factors inherent in contract service delivery is examined. The results of the analyses demonstrate that when governments contract for services in contexts that risk contract failure, they engage in a variety of monitoring techniques to improve their ability to monitor and correct vendor performance.

Credibility. Trevor Brown received his PhD in Public Policy and Political Science from the School of Public and Environmental Affairs and the Department of Political Science, Indiana University, Bloomington, Indiana and a BA in Public Policy from Stanford University, Stanford California. He previously held the position of Pasqual Maragall Chair Visiting Professor at the University of Barcelona's Department of Economic Policy and a Visiting Assistant Professor position in the School of Public and Environmental Affairs, Indiana University. He also served as the U.S. Project Manager for the Parliamentary Development Project, a U.S. Agency for International Development funded organization that provides technical assistance to the Ukrainian parliament. He currently serves as the Associate Project Executive.

Matthew Potoski is a Professor in Corporate Environmental Management at the Bren School since 2011 after spending a dozen years on the faculty of Iowa State University. He teaches courses on corporate environmental management, and his research focuses on management, voluntary environmental programs, and public policy. Matthew earned his

PhD in Political Science from Indiana University.

The Journal of Policy Analysis & Management encompasses issues and practices in policy analysis and public management. Listed among the contributors are economists, public managers, and operations researchers. Featured regularly are book reviews and a department devoted to discussing ideas and issues of importance to practitioners, researchers, and academics. According to Ulrichsweb this is a refereed journal.

Summary. This article discusses how a contract monitoring plan can create a better contract and create monetary savings. The authors review survey data and analyze the data for government contract monitoring effectiveness. To evaluate the data, the authors use three categories (a) service-specific characteristics; (b) goal incongruence between vendors and the contracting government; and (c) lack of market competition for the good or service. The authors suggest four ways to mitigate contract issues (a) monitoring citizen complaints; (b) implementing citizen satisfaction surveys; (c) analyzing vendor performance data; and (d) auditing vendor activities in the field. The authors then discuss the data analysis in detail.

Brown, T. L., & Potoski, M. (2005). Transaction costs and contracting: The practitioner perspective. *Public Performance & Management Review*, 28(3), 326-351. Retrieved from <http://glennschool.osu.edu/faculty/brown/home/TC%20and%20Contracting.pdf>

Abstract. An important decision confronting public managers is choosing when to contract for service delivery. Focusing on two service characteristics that transaction cost theory suggests may influence the chances of contract success. Asset specificity is the extent to which resources applied to delivering a service can be applied to other services and ease of measurement is the extent to which the quality and quantity of service

outcomes and outputs can be easily gauged. The survey and review sheds light on how public managers should manage contracting and how scholars should further investigate this important subject.

Credibility. Trevor Brown received his PhD in Public Policy and Political Science from the School of Public and Environmental Affairs and the Department of Political Science, Indiana University, Bloomington, Indiana and a BA in Public Policy from Stanford University, Stanford California. He previously held the position of Pasqual Maragall Chair Visiting Professor at the University of Barcelona's Department of Economic Policy and a Visiting Assistant Professor position in the School of Public and Environmental Affairs, Indiana University. He also served as the U.S. Project Manager for the Parliamentary Development Project, a U.S. Agency for International Development funded organization that provides technical assistance to the Ukrainian parliament. He currently serves as the Associate Project Executive.

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present integrated analyses of theories, concepts, strategies and techniques dealing with productivity, measurement and related questions of performance improvement; and provide a forum for practitioner-academic exchange. According to Ulrichsweb, Public Performance & Management is a refereed journal.

Summary. This article discusses transaction cost theory and how to use the theory in government contracting. Transaction cost theory identifies service specific characteristics that affect the efficacy of contracting. The authors state that different services have different levels of transaction cost factors. The authors focus on two service-specific factors: asset specificity and ease of measurement. Asset specificity refers to whether specialized investments are needed to deliver the good or service. Ease of measurement refers to how easy or difficult it is to identify performance measures and assess whether vendors fulfill the specifications of the contract in delivering the service. Using survey data, the authors identify government services that have a high and low level of probable failure due to their level of transaction cost for example, a service with a high transaction cost such as social services has a higher level of failure than refuse collection which has a low transaction cost. On page 344, the authors discuss transaction costs information technology. There are two examples for services, the first is data entry which has a low transaction cost and therefore could be outsourced. The second example is implementation of a complex geographical information system (GIS). The implementation and future use of GIS has a high transaction cost and is a risk to outsource. The authors discuss that not all services in one area should be outsource, rather, the services should be evaluated individually to determine if outsourcing is a probability and at what cost the outsourced services will have on the organization.

Brown, T. L., Potoski, M., & Van Slyke, D. M. (2006, May 1). Managing public service contracts: Aligning values, institutions, and markets. *Public Administration Review*, 66(3), 323-331. Retrieved November 18, 2012, from <http://www.blackwellpublishing.com/journal.asp?ref=0033-3352>

Abstract. The contracting of public services has been an integral part of public managers' work for a long time, and it is here to stay. This essay sums up current research on the topic for busy practitioners and scholars. Where are we today with respect to the problems and pitfalls of contracting out, from balancing equity with efficiency to confronting the frequent problem of imperfect markets?

Credibility. Trevor Brown received his PhD in Public Policy and Political Science from the School of Public and Environmental Affairs and the Department of Political Science, Indiana University, Bloomington, Indiana and a BA in Public Policy from Stanford University, Stanford California. He previously held the position of Pasqual Maragall Chair Visiting Professor at the University of Barcelona's Department of Economic Policy and a Visiting Assistant Professor position in the School of Public and Environmental Affairs, Indiana University. He also served as the U.S. Project Manager for the Parliamentary Development Project, a U.S. Agency for International Development funded organization that provides technical assistance to the Ukrainian parliament. He currently serves as the Associate Project Executive.

Matthew Potoski is a Professor in Corporate Environmental Management at the Bren School since 2011 after spending a dozen years on the faculty of Iowa State University. He teaches courses on corporate environmental management, and his research focuses on management, voluntary environmental programs, and public policy. Matthew earned his

PhD in Political Science from Indiana University.

David M. Van Slyke is an assistant professor of public administration at Syracuse University's Maxwell School of Citizenship and Public Affairs. His research and teaching focus on public and nonprofit management, privatization and contracting, policy implementation, and strategic management.

Public Administration Review (PAR), a bi-monthly professional journal, has been the premier journal in the field of public administration research, theory, and practice for more than 60 years. PAR is published for the American Society for Public Administration, TM/SM and is the only journal in public administration that serves both academics and practitioners interested in the public sector and public sector management. PAR uses a double-blind review process.

Summary. This article discusses managing contracts in a government setting. The authors examine three topics (a) stakeholder preferences and democratic processes establish the values to be optimized in service delivery; (b) public law and organizational arrangements determine the contracting tools available for balancing competing values; and (c) the characteristics of service markets influence which contracting tools and vendors are best suited to achieve stakeholder values. Within each topic, the authors elaborate within three key areas in contract management (a) deciding whether to “make or buy” the services; (b) selecting vendors to produce them; and (c) deploying monitoring tools for overseeing the implementation of contracts. The audiences for the article are contract managers and managers who oversee the contracting process.

Chen, Y.-C. (2002). Managing e-government outsourcing projects: Lessons from U.S. local government, *AIS Electronic Library (AISeL)*. Retrieved November 5, 2012, from

AMCIS 2002 Proceedings. Paper 81.: <http://aisel.aisnet.org/amcis2002/81>

Abstract. This research project explores strategies for better management of an outsourced e-government project. Outsourcing is a prominent method to address two major barriers to e-government: a shortage of skilled staff and a lack of financial resources. The findings of this research will offer practical strategies and guidelines for public managers at the local level for using the outsourcing mechanism to overcome their main barriers to e-government.

Credibility. Yu-Che Chen is an Associate Professor of e-government and public management in the Division of Public Administration. He received his MPA and PhD in Public Policy from Indiana University. His research interests are electronic governance and collaborative public service.

The annual Americas' Conference on Information Systems (AMCIS) is viewed as one of the leading conferences for presenting the broadest variety of research done by and for IS/IT academicians in the Western Hemisphere. Every year its papers and panel presentations are selected from over 700 submissions and attracts IS academicians from around the world. According to the AMCIS website, all conference papers are refereed.

Summary. This article discusses outsourcing in the e-commerce or e-government environment. Outsourcing in this article does is not defined specifically as staff but services such as webhosting. The economy of scale allows for an improved return on investment when a larger hosting company hosts a website. The author points out two businesses that host websites solely for government organizations. Another benefit for outsourcing in an e-government setting is the quick pace of change when dealing with web technologies. Outsourcing companies are more agile with hiring in experts in new

technology and governments can take advantage of the expertise of the outsourced company, which can save money with internal training of government staff. The author discusses internal and external forces that may cause an e-government initiative to fail. The author discusses the detail of data collection and the analysis of the data.

Chen, Y.-C., & Perry, J. (2003). Outsourcing for e-government: Managing for success. *Public Performance & Management Review*, 26(4), 404-421. Retrieved May 2, 2012, from <http://www.jstor.org/stable/3381115>

Abstract. This study offers both an analytical framework of and empirical evidence on the key management strategies and capacities for successful information technology (IT) outsourcing by public agencies. The analytical framework draws insights from studies on IT and public administration, public sector contracting out, and business information systems and IT outsourcing. Using the framework, the research examines IT outsourcing at three federal agencies.

Credibility. Yu-Che Chen is an Associate Professor of e-government and public management in the Division of Public Administration. He received his MPA and PhD in Public Policy from Indiana University. His research interests are electronic governance and collaborative public service.

James L. Perry is Distinguished Professor and Chancellor's Professor of Public and Environmental Affairs, Indiana University, Bloomington, and World Class University Distinguished Professor at Yonsei University, Seoul, South Korea. He is also Adjunct Professor of Philanthropic Studies and Political Science at Indiana University.

Public Performance & Management Review is a scholarly forum that addresses a broad range of factors influencing the performance of public and nonprofit organizations and

agencies. Its objectives are to facilitate the development of innovative techniques and encourage a wider application of those already established; stimulate research and critical thinking about the relationship between public and private management theories; present integrated analyses of theories, concepts, strategies and techniques dealing with productivity, measurement and related questions of performance improvement; and provide a forum for practitioner-academic exchange. According to Ulrichsweb, *Public Performance & Management* is a refereed journal.

Summary. This article deals with e-government initiatives. The authors state, as a possible barrier in e-government initiatives, the lack of technical staff needed to move forward successfully. As a solution, the authors suggest using outsourced companies that have the staff and skills needed to successfully complete an e-government initiative. The authors reference three bodies of work (a) information technology in public administration and use and management of IT systems; (b) literature about contracting, however, the literature does not describe IT services; and (c) business literature on outsourcing information technology services. The authors point out that ideas examined in the third body of literature are difficult to apply because of the restrictions that governments have when selecting a company to outsource labor. The information in this article appears to be an extension and further data analysis of a previous work titled “Outsourcing for e-government: Managing for success” which is referenced in the theme two. This article is more relevant than the previous article due to the more extensive analysis of the data collected.

Hefetz, A., & Warner, M. (2004). Privatization and its reverse: Explaining the dynamics of the

government contracting process. *Journal of Public Administration Research and Theory*, 14(2), 171-190.

Abstract. Empirical evidence shows local government contracting is a dynamic process that includes movements from public delivery to markets and from market contracts back to in-house delivery. This “reverse contracting” reflects the complexity of public service provision in a world where market alternatives are used along with public delivery. Statistical analysis finds government management, monitoring, and principal agent problems to be most important in explaining both new contracting out and contracting back-in.

Credibility. Mildred Warner is a Professor in the Department of City and Regional Planning at Cornell University where her work focuses primarily on local government service delivery and new community development models for addressing human services. Amir Hefetz is a researcher at the Technion in Haifa, Israel.

The *Journal of Public Administration Research and Theory* serves as a bridge between public administration and public management scholarship on the one hand and public policy studies on the other. Its multidisciplinary aim is to advance the organizational, administrative, and policy sciences as they apply to government and governance. The journal is committed to diverse and rigorous scholarship and serves as an outlet for the best conceptual and theory-based empirical work in the field. This is a refereed journal.

Summary. The authors start the article by discussing government privatization. The authors then present the source of their data, which is an International City County Management Association (ICMA) dataset that is created by a survey of ICMA participants. The survey is sent out quinquennial, every five years. The dataset the

authors are working with in this article is from 1992 and 1997. A cyclical process is found in the data where a government outsources staff and services, then at the end of a contract will backsource the staff and service. The biggest reason for back sourcing is due to dissatisfaction with the outsource provider. The authors provide a descriptive framework that includes attention to both organizational behaviors and market structure, including four aspects: (a) principal agent problems; (b) management; (c) market structure; and (d) monitoring and citizen engagement. The authors created a longitudinal dataset and compared the 1992 data against 1997 data. The authors conclude the data supports the hypothesis of the complexity of the government contracting process. There are many useful references at the end of this article, however, many are outside of the date parameter for this paper.

Juras, P. E. (2008). Outsourcing: The hidden costs. *Journal of Corporate Accounting & Finance*, 19(6), 7-15. doi:10.1002/jcaf.20428

Abstract. Many outsourcing arrangements fail to deliver the expected cost savings. Why is this so? The author argues that management hasn't calculated the total cost of outsourcing, which includes risks—and he shows how to do it.

Credibility. Paul E. Juras, PhD, CMA, CPA, is a professor in the Calloway School of Business and Accountancy at Wake Forest University. Dr. Juras has published numerous cases and articles dealing with cost management and performance measurement in both service and manufacturing settings. His primary teaching areas are management accounting and strategic cost management.

Published bi-monthly, The Journal of Corporate Accounting & Finance offers new insights and approaches to corporate finance and accounting issues and is a refereed journal.

Summary. The author provides seven points of why outsourcing fails, which are originally from Barthelemy's article titled "The seven deadly sins of outsourcing". A review of this article is found in theme two. The author expands on Barthelemy's points by using the Enterprise Risk Management (ERM) Integrated Framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework. The ERM framework allows for the author to present a scenario of outsourcing a service and the associated risk with outsourcing. Although this is a short article, the content allows for a starting point of key concepts to search.

Levin, J., & Tadelis, S. (2010). Contracting for government services: Theory and evidence from U.S. cities. *The Journal of Industrial Economics*, 58(3), 507-541. Retrieved November 4, 2012, from <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6451.2010.00430.x/full>

Abstract. Local governments can provide services with their own employees or by contracting with private or public sector providers. A developed model of the 'make-or-buy' choice highlights the trade-off between productive efficiency and the costs of contract administration. A constructed dataset of service provision choices by U.S. cities is used to identify a range of service and city characteristics as significant determinants of contracting decisions. Our analysis suggests an important role for economic efficiency concerns, as well as politics, in contracting for government services.

Credibility. Jonathan Levin is the Holbrook Working Professor and Chair of the

Economics Department at Stanford University, where he is also Professor by Courtesy in the Graduate School of Business and Senior Fellow at the Stanford Institute for Economic Policy Research. His research is in the field of industrial organization, particularly the economics of contracting, organizations, and market design. His current research includes projects on internet markets, auction design, and health insurance.

Levin earned undergraduate degrees in Math and English from Stanford, an M Phil in Economics from Oxford University, where he was a Fulbright Scholar, and his PhD in Economics from M.I.T.

Steven Tadelis is an associate professor at the University of California Berkley for the Haas School of business. He received his PhD in Economics from Harvard University.

The Journal of Industrial Economics has a wide international circulation and is recognized as a leading journal in the field. It was founded to promote the analysis of modern industry, particularly the behavior of firms and the functioning of markets and is a refereed journal.

Summary. This article studies the determinants of privatization at the level of U.S. city government. The authors justifies using city governments because (a) many cities are making decisions about service provision in parallel; (b) cities provide a wide range of services; (c) cities differ in a variety of interesting ways; and (d) local government service provision is important from both an economic and public policy standpoint. Using data from International City County Management Association (ICMA), the authors analyze what cities are outsourcing versus performing in-house. Unsurprising to the authors, most cities are using a mix of outsourcing and in-house for services, and they refer to this as mixed mode. The authors discuss formulas used to create their resultant set of data. When

discussing the data the authors posit that outside forces, such as political, could determine if a government will outsource. If the outside forces are strong enough, then monetary savings may not be achieved. In conclusion, the authors state that the larger the city government, the more outsourcing occurs. The reason may be due to more companies offering the required service in a large city compared to a smaller city.

Lamothe, M., & Lamothe, S. (2012). To trust or not to trust? What matters in local government-vendor relationships? *Journal of Public Administration Research and Theory*, 22(4), 867-892. doi:10.1093/jopart/mur063

Abstract. Relational contracting or collaborative governance has come to the forefront of scholarly studies of government privatization efforts. The concept of trust (between contracting governments and their vendors) is rising in importance as one of the central tenets of this type of governance. What is largely understudied in the midst of this increasing attention to the topic is identifying how and under what conditions trust is formed and sustained.

Credibility. Meeyoung Lamothe is an Assistant Professor of Political Science at the University of Oklahoma. She earned her PhD from Florida State University in 2000.

Scott Lamothe is an Assistant Professor of Political Science at University of Oklahoma.

He earned his PhD from Florida State University in 2000.

The Journal of Public Administration Research and Theory serves as a bridge between public administration and public management scholarship on the one hand and public policy studies on the other. Its multidisciplinary aim is to advance the organizational, administrative, and policy sciences as they apply to government and governance. The

journal is committed to diverse and rigorous scholarship and serves as an outlet for the best conceptual and theory-based empirical work in the field. This is a refereed journal.

Summary. This article discusses trust between an outsourced contractor and the government for which it is outsourcing. The authors go into depth about how a trusting relationship is built and should be maintained. Trust, according to the authors, is important when contracting because without a trusting relationship the outsource provider will be over scrutinized when performing the service for which they are hired. Over the course of the contract, the costs will increase for the organization that is outsourcing due to the extra staff hours required to monitor a contract. The authors, through a survey, collect and analyze data to determine why governments do or do not trust their contractors. Data indicate that the governments are much more trusting of outsourced providers that are other governments rather than private companies.

Tiwana, A., & Bush, A. A. (2007). A comparison of transaction cost, agency, and knowledge-based predictors of IT outsourcing decisions: A U.S.-Japan cross-cultural field study. *Journal of Management Information Systems*, 24(1), 259-300.

Abstract. As outsourcing evolves into a competitive necessity, managers must increasingly contend with the decision about which software development projects to outsource. Although a variety of theories have been invoked to study the initial outsourcing decision, much of this work has relied in isolation on one theoretical perspective. Therefore, the relative importance ascribed by managers to the factors from these theories is poorly understood.

Credibility. Amrit Tiwana is an Associate Professor in Iowa State University's College of Business, Ames, Iowa. His PhD is from the Robinson College of Business at Georgia

State University. His research focuses on the intersection of knowledge management and software development.

Ashley A. Bush is an Assistant Professor in the College of Business at Florida State University, Tallahassee, Florida. She received her PhD from the Robinson College of Business at Georgia State University. Her research focuses on e-business strategy, IS strategy, and knowledge management.

The Journal of Management Information Systems is a top-ranked refereed quarterly journal intended to provide an integrated view of the entire field of MIS. It is designed to serve the needs of researchers as well as practitioners and executives managing the information resource.

Summary. This article discusses how an IT manager makes a decision to outsource a project, such as application development, versus keeping the project in-house. The authors frame the decision-making process around nine criteria: (a) the higher the relative cost advantage that managers perceive a vendor to have relative to the client's own costs of doing the project internally, the higher is the likelihood that they will choose to outsource it, given a competitive vendor market; (b) the higher the threat of opportunism perceived by managers for a given project, the lower is the likelihood that they will choose to outsource it; (c) the higher the perceived technical complexity of the project, the higher is the likelihood that managers will choose to outsource it; (d) the higher the perceived strategic importance of the project to the client firm's business, the lower is the likelihood that managers will choose to outsource it; (e) the higher the measurability of a project's outcome, the higher is the likelihood that managers will choose to outsource it; (f) the higher the observability of vendor behaviors for a given project, the higher is the

likelihood that managers will choose to outsource it; (g) the higher the managerial perceptions of their firm's internal technical knowledge in the project's domain, the lower is the likelihood of outsourcing that project; (h) managers are more likely to choose to outsource a project with higher requirements knowledge specificity; and (i) the higher the project requirements volatility, the lower is the likelihood that managers will choose to outsource it. The authors provide in depth details for each hypothesis. Data collection is by first person interviews. Data is discussed and presented in detail.

Theme 3: Monitoring Outsourced IT Staff – the Key to Customer Satisfaction

Chakrabarty, S., Whitten, D., & Green, K. (2008). Understanding service quality and relationship quality in IS outsourcing: Client orientation & promotion, project management effectiveness, and the task-technology-structure fit. *Journal of Computer Information Systems*, 1-15.

Abstract. A national survey of firms that participated in outsourcing relationships was conducted, and service quality and relationship quality were found to be significantly and positively related to each other and both had a significant impact on user satisfaction. However, the intricacies of the causal effects between the two autonomous constructs, service quality and relationship quality, are a source of interest. This paper comprises of two related parts: first an empirical study, and secondly developing a theory and conceptual model that delve into the causalities involved in service quality, relationship quality, and the role of Internet technologies and collaboration tools.

Credibility. Subrata Chakrabarty is an Assistant Professor Management at the University of Nebraska-Lincoln College of Business. He earned his PhD in Strategic Management from Mays Business School, Texas A&M University in 2009. His research centers on

strategic entrepreneurship from a multi-stakeholder perspective.

Dwayne Whitten is a clinical Associate Professor of Information Systems and director of the MS-MIS program for Texas A&M University's Mays School of Business. He is also a lecturer for the Texas A&M University Bush School of Government and Public Service's graduate Certificate in Homeland Security Program. He earned his DBA with an emphasis in Computer Information Systems from Louisiana Tech University in 2004. His main research interests include IT outsourcing and cyber security.

Ken Green is an Associate Professor of Management at Sam Houston State University. He earned his DBA from Louisiana Tech University in 2002.

Published four times a year, the Journal for Computer Information Systems (JCIS) is the forum for International Association of Computer Information Systems members and other information systems and business professionals to present their research and ideas. Each issue provides a wealth of timely and informative articles and research summaries. The JCIS is a refereed publication.

Summary. This article discusses the relationship quality and service quality between an outsource company and its customer. The authors use three criteria to develop a study: (a) the quality of the relationship between vendor and client positively correlates with the quality of IT services provided by the vendor to the client; (b) the quality of the relationship between vendor and client would positively impact the satisfaction of the client personnel (the users) evaluating the performance of the application/software system developed by the vendor; and (c) the quality of IT services provided by the vendor to the client would positively impact the satisfaction of the client personnel (the users) evaluating the performance of the application/software system developed by the vendor.

The data was collected by survey and with a 26% response rate. The authors propose a theory as to why the non-response rate is high. Results are presented in detail and propositions are given for each hypothesis. Overall, the study results found that high service quality results in high relationship quality and a negative change in service quality has a similar negative change in relationship quality.

Im, K. S., & Yoon, Y. (2005). An evaluation system for IT outsourcing customer satisfaction using the analytic hierarchy process. *Journal of Global Information Management*, 13(4), 55-78.

Abstract. Many companies recently have been choosing information technology (IT) outsourcing in response to complicated information systems and various internal requirements. In order to monitor and maintain a high quality of IT outsourcing vendors' services, it is necessary to develop a system to evaluate IT outsourcing customer satisfaction. The system can be used as a tool for choosing IT outsourcing providers.

Credibility. Yong Ki Yoon is a Senior Manager at LG Electronics. He received his PhD degree in Technology Management from Yonsei University, Korea. His research interest includes information technology valuation, information strategy planning and IT outsourcing in e-business environments.

Kun Shin Im is an Assistant Professor of Information Systems at School of Business, Yonsei University, Korea. He holds a PhD in Management Information Systems from the University of South Carolina and a PhD in Accounting from Yonsei University. His research interests include IT impacts on organisational structure, IT investments evaluation, IT adoption, IT outsourcing and IT training effectiveness.

The Journal of Global Information Management (JGIM) publishes original material concerned with all aspects of global information resources management. JGIM is the primary forum for researchers and practitioners to disseminate the evolving knowledge in the theory and practice related to information technology and management of information resources at the international level. The journal emphasizes the managerial and organizational facets of information technology resources management. Articles published in JGIM deal with a vast number of issues concerning usage, failure, success, policies, strategies, and applications of information technology in organizations in and across developed, emerging and developing nations. JGIM is a refereed journal.

Summary. This article introduces a systematic evaluation system for the evaluation of IT outsourcing customer satisfaction that reflects outsourcing environments as well as customer feedback. The authors discuss the literature review performed for the study. A survey applied to a case study is performed. The case study is from companies in Korea that are outsourcing. Results from the survey show that satisfaction with customer service in the IT area is low.

Kakabadsek, A., & Kakabadsek, N. (2002). Trends in outsourcing: Contrasting USA and Europe. *European Management Journal*, 20(2), 189-198.

Abstract. An international survey of outsourcing contrasts current practice between US and European companies. US companies are identified as pursuing more value adding sourcing strategies while European companies are more focused on gaining economies of scale through outsourcing. Despite the commodity orientation of outsourcing, both European and US companies consider outsourcing as critical to their organizational strategy. For both US and European companies the most preferred relationship between

service purchaser and service provider is that of a single provider who has an industry focused, proven track record. Overall, US and European companies report higher than expected levels of satisfaction with outsourcing.

Credibility. Andrew Kakabadse is Professor of International Management Development, Head of Human Resource Group, and Deputy Director of Cranfield School of Management. He is currently involved in consulting to government bodies around the world as well as numerous private organizations.

Nada Kakabadse is Senior Research Fellow at Cranfield School of Management. She has co-authored five books, the most recent is *Smart Sourcing* (2001). She is Co-Editor of the *Journal of Management Development* and European Editor of the *International Journal of Corporate Governance*.

The *European Management Journal* (EMJ) is a generalist, academic review covering all fields of management including, but not limited to business ethics, business strategy, entrepreneurship & innovation, information systems, international business & cross-cultural studies, marketing, organization studies & general management as well as supply chain & operations management. The EMJ aims to present the latest thinking and research on major management topics in form of articles that meet high academic quality standards, while still being accessible to non-specialists. The EMJ is a peer-reviewed journal, with a "double-blind" procedure involving at least two reviewers.

Summary. The main focus of this article contrasts why companies in the US and Europe choose to outsource and how they go about outsourcing. However, this article includes a section about satisfaction with outsourcing. In the satisfaction section the authors state that one study indicated nearly 70% of companies who have undergone outsourcing are

unhappy with one or more aspects of their relationships. The authors continue with additional studies showing that only about half of IT outsourcing contracts deliver the promised 20–30% cost savings.

Song, H. M., & Wong, S. F. (2009). Understanding customer satisfaction in the IT outsourcing environment: A classification of quality attributes. *Journal of Outsourcing and Organizational Information Management*, 1-5.

Abstract. Customer satisfaction is important to outsourcing success and hence outsourcing contract continuation. However, with an increasingly competitive environment and a reportedly low success rate, maximizing customer satisfaction naturally tops the challenge chart for IT outsourcing vendors. This paper describes a research-in-progress that aims at first identifying the factors that influence customer satisfaction and then systematically classifying the factors into five different categories of quality defined in Kano's Theory of Attractive Quality. Once this study is completed, the research findings, specifically the classification, will be a contribution to the body of knowledge in IT outsourcing. The classification will also be valuable to vendors that want to satisfy their customers within the constraint of limited resources.

Credibility. Hooi Min Song and Siew Fan Wong were students at the Universiti Tunku Abdul Rahman, Petaling Jaya, Malaysia when this paper was written. No further biographical information about the authors could be located.

The Journal of Outsourcing and Organizational Information Management (JOOIM) is an international peer reviewed and applied research journal that focuses on outsourcing and managing organizational information strategies in the digital age. The journal welcomes

original research on outsourcing includes case studies, best practices, and experiences regardless of industry.

Summary. This article discusses the customer satisfaction of companies with outsourced IT services. The authors place customer satisfaction into four quality types: (a) service quality; (b) solution quality; (c) service level agreement (SLA) quality; and (d) relationship quality. Each quality has several dimensions associated with it. The authors suggest a two-phase study. The first phase compiles a list of qualities that concern customers in an IT outsourcing agreement. The second phase extracts customer classification of the qualities using the five different categories of Kano's Theory of Attractive Quality. There are no data results discussed in the article as this appears to be research in progress.

Warner, M. E., & Hefetz, A. (2007). Managing markets for public service: The role of mixed public/private delivery of city services. *Public Administration Review*, 1-21. Retrieved from http://ecommons2.library.cornell.edu/web_archive/government.cce.cornell.edu/doc/pdf/PARWarnerHefetz.pdf

Abstract. The privatization experience of U.S. municipalities shows declining use of complete contracts and a dramatic rise in mixed public/private delivery (joint contracting) of city services. Our analysis shows city managers have recognized the need to move beyond a simple dichotomy between market delivery and public planning to an approach that balances concerns with efficiency, market management and citizen satisfaction. New public management stresses the importance of competition and efficiency, transaction costs economics emphasizes the challenges of contract

management, and new public service gives primary concern to citizen engagement; but city managers see the need to balance all three.

Credibility. Mildred Warner is a Professor in the Department of City and Regional Planning at Cornell University where her work focuses primarily on local government service delivery and new community development models for addressing human services.

Amir Hefetz is a researcher at the Technion in Haifa, Israel.

Public Administration Review (PAR), a bi-monthly professional journal, has been the premier journal in the field of public administration research, theory, and practice for more than 60 years. It is published for the American Society for Public Administration, TM/SM and is the only journal in public administration that serves both academics and practitioners interested in the public sector and public sector management. PAR uses a double-blind review process.

Summary. This article discusses a mixed delivery model and recognizes (a) the limits of quasi-markets; (b) the importance of transactions costs; and (c) the fundamental need for citizen engagement in the service delivery process. Using International City County Management Association (ICMA) data from 1992, 1997, and 2002, the authors find support for each of these concerns. A section in the survey, performed by the authors, pertains to citizen satisfaction of outsourced services. In the citizen satisfaction section, the authors pose four questions which build a citizen satisfaction index: (a) evaluated citizen satisfaction; (b) conducted citizen surveys; (c) kept the complaint mechanism in house; and (d) monitored citizen complaints. The authors state that to ensure citizen satisfaction, government must institute explicit mechanisms for citizen voice.

Yoon, Y. K., & Im, K. S. (2008). Evaluating IT outsourcing customer satisfaction and its impact on firm performance in Korea. *International Journal of Technology Management*, 43(1-3), 160-175.

Abstract. In Information Technology (IT) outsourcing environments, customers' requirements and feedback are essential to the development of Information Systems (IS) applications and the improvement of the service quality of IT service vendors. This study proposes an instrument of IT Outsourcing Customer Satisfaction (ITOCS). We test its reliability and validity and its association with the firm performance using questionnaires administered to IT outsourcing service receivers in Korea. Survey results suggest that our instrument is a reliable and valid measure of ITOCS and also that the ITOCS positively affects the firm performance. Interestingly, it is found that the satisfaction on maintenance and repairing service by IT vendors is the highest among other services. Moreover, we find that larger IT vendors provide customers with more satisfied IT outsourcing services.

Credibility. Yong Ki Yoon is a Senior Manager at LG Electronics. He received his PhD degree in Technology Management from Yonsei University, Korea. His research interest includes information technology valuation, information strategy planning and IT outsourcing in e-business environments.

Kun Shin Im is an Assistant Professor of Information Systems at School of Business, Yonsei University, Korea. He holds a PhD in Management Information Systems from the University of South Carolina and a PhD in Accounting from Yonsei University. His research interests include IT impacts on organisational structure, IT investments evaluation, IT adoption, IT outsourcing and IT training effectiveness.

International Journal of Technology Management (IJTM) aims to provide a refereed and authoritative source of information in the field of managing with technology, and the management of engineering, science and technology. It seeks to establish channels of communication between government departments, technology executives in industry, commerce and related business, and academic experts in the field.

Summary. This article discusses the outsourcing of IT and its impact on customer satisfaction. The article is based on companies in Korea. The authors discuss the different types of surveys used when measuring customer satisfaction, however, the authors create a new survey called IT Outsourcing Customer Satisfaction (ITOCS). The new survey measures customer satisfaction and its impact on company performance. The authors describe their data collection and analysis and then discuss the results. Their results find that in IT outsourcing environments a high level of customer satisfaction leads to increases in customers' firm performance. In the appendix a copy of the survey is provided.

Conclusion

This annotated bibliography reviews 30 peer-reviewed references addressing topics in one of three themes: (a) types of IT outsourcing in government agencies; (b) potential hidden costs and cost control; and (c) monitoring IT staff – the key to customer satisfaction. The purpose of this annotated bibliography is to identify potential positive and negative factors to consider when outsourcing information technology staff and services. The goal is to develop a set of factors for consideration by municipal government employment committees when determining the potential risks and benefits of outsourcing IT staff and services in a given situation.

Government agencies can learn from the private industries in some cases; however, Hefetz and Warner (2004) find that due to the uniqueness and complexity of government functions, not all services are good candidates for outsourcing. Brown and Potoski (2005) address IT services within the municipal government and state that not all IT services are equal and should be evaluated individually to measure the effectiveness of outsourcing. The example Brown and Potoski (2004) give is the difference between data entry, which is a good candidate for outsourcing, versus a complex system such as geographical information systems (GIS) which is not a good candidate and has a high probability of failing when outsourced.

Theme 1: Factors Related to Types of Outsourcing

Reasons for outsourcing. There are many reasons why a government agency may choose to pursue an IT outsourcing relationship. Chen and Perry (2003) point out that many times a government agency does not have the employee skill set to keep up in the ever changing and fast paced world of technology. Another reason, given by Chen and Perry (2003) is the lack of staff time. Many government agencies have cut budgets and reduced the workforce, however,

the amount of work has not followed the same downward curve. To supplement the existing staff, the government agency will outsource portions of the work to contractors for completion.

In the IT realm, outsourcing is not just contracted in relation to staff but can include services such as website hosting. Co-locating with a large company allows for the government agency to reduce the cost of equipment maintenance and staff expertise to manage a website (Chen & Perry, 2003). There are many startup companies that cater to the specific needs of government information technology (Chen & Perry, 2003).

In some situations, the decision to outsource is not about monetary savings; rather, the decision is based on political pressures, as presented by Levin and Tadelis (2010). When political pressures are involved, the choice to outsource may not be in the hands of the leader of the agency department but is often in the hands of the government leadership.

Outsourcing is not an all-or-nothing proposition; rather, outsourcing should be evaluated for success (Hefetz & Warner, 2004). By evaluating the level of success of each outsource relationship, governments can avoid what Bel and Warner (2008) and many other studies have found; outsourcing does not always create a monetary savings and in some cases may cost more.

Types of outsourcing. Outsourcing comes in many different iterations. Sanders, Locke, and Moore (2010) define four: (a) out-tasking, (b) co-managed services, (c) managed services, and (d) full outsourcing. Out-tasking is the most basic form of outsourcing; this type of outsourcing assigns a specific task to an outside vendor. Co-managed services assign a larger scope of work to the outsourced vendor who works collaboratively with the government agency; the government has direct control of the work. Managed service is when the government gives instructions to an outsourced vendor who will complete a function with little input. Full

outsourcing is when the government allows a vendor to independently manage a function and allows the vendor to shape the strategic direction of the function.

In extreme cases, as discussed by Bradbury and Waechter (2009), the top level of employees is outsourced. By outsourcing the top level, which is also usually the highest cost, the lower level employees, who are the experts in their fields, are allowed to continue performing their jobs. The antithesis of outsourcing just the top level is outsourcing everything but the top level of employees. Outsourcing everything but the top allows the top level of employees to concentrate on policies and procedures while allowing a contractor to deal with service delivery and day-to-day operations.

Theme 2: Factors Related to Potential Hidden Costs and Cost Control

Careful management of an outsource contract is essential for success; it can create a monetary savings and also ensures the contractor is performing the duties as outlined in the contract (Brown & Potoski, 2003). However, just as important as managing a contract for success is the creation of the contract (Barthelemy, 2003).

During the contract creation, the government agency should make sure there is sufficient competition in the market; without sufficient competition, many issues can arise (Auriol & Picard, 2006). Auriol and Picard (2006) provide one such example in which a contract is won by a larger firm in the area, causing a loss of business and therefore a loss of revenue to smaller companies in the area. These authors further spin a negative scenario by describing a situation in which the larger firm starts to buy the smaller firm and expands its operations to surrounding governments. The larger firm acquires and purchases specialized equipment for the outsourced task, since the government has outsourced the task; many of the government employees find employment with the large firm. When the contract is up for renewal, there is reduced

competition in the market; knowledge of the process has left the government agency; and acquisition of specialized equipment is high. This leaves the government agency in a potentially bad situation, particularly if the contractor raises prices or if the government agency wants to backsource the service.

Another consideration when creating the contract is defining hidden costs. Barthelemy (2003) outlines costs that are often not considered: (a) outsourcing activities that should not be outsourced; (b) selecting the wrong vendor; (c) writing a poor contract; (d) overlooking personnel issues; (e) losing control over the outsourced activity; (f) overlooking the hidden costs of outsourcing; and (g) failing to plan an exit strategy. Knowing the potential hidden costs may not eliminate them, however, going into the contract creation armed with this list from Barthelemy may enable the government agency to perform a more thorough analysis when determining the viability of outsourcing and control costs when moving forward (Barthelemy, 2003). Juras (2008) expands on Barthelemy's list of potential hidden costs and suggests the use of the Enterprise Risk Management (ERM) Integrated Framework. The framework revolves around six themes: (a) why you should outsource, (b) what to outsource, (c) who is involved in the outsourcing agreement, (d) how much to outsource, (e) where to outsource, and (f) when to outsource. Questions are posed in each theme related to one of three parts of the business: strategic, operation, or compliance/financial. Juras (2008) also provides a way to evaluate the potential risks that may be revealed by specific answers to these questions, based on the likelihood of occurrence multiplied by significance of consequences. With the result of the equation, business leaders have a risk assessment tool to guide the decision-making process to outsource.

Theme 3: Factors Related to Monitoring Outsourced IT Staff – the Key to Customer Satisfaction

As Lamothe and Lamothe (2012) discuss, trust is a key aspect when outsourcing. They note that without trust, the outsource initiative will fail and indicate that trust is much higher when the outsource provider is another government agency compared to a privately owned company.

Along with trust in the outsource provider, trust is also a key factor concerning customer satisfaction (Chakrabarty, Whitten, & Green, 2008). If the customer is not happy with the outsource service provided, then this negatively impacts the productivity of the overall business (Chakrabarty, Whitten, & Green, 2008). One study performed by Kakabadsek and Kakabadsek (2002) shows that up to 70% of customers are not happy with their outsource provider.

Warner and Hefetz (2007), who studied citizen satisfaction and developed a satisfaction index, pose the query of how can a government agency ensure that the citizens (i.e., the customers) are happy? Their study recommends that government agencies evaluate citizen satisfaction, conduct citizen surveys, keep the complaint mechanism in house, and monitor citizen complaints. The authors state that, to ensure citizen satisfaction, government agencies must institute explicit mechanisms to allow for citizen voice (Warner & Hefetz, 2007).

Im and Yoon (2008) present a survey called IT Outsourcing Customer Satisfaction (ITOCS) that measures the impact on a company's performance when information technology is outsourced. The study finds that as customer satisfaction with information technology services went down, so did the company's performance.

Summary of Key Positive and Negative Factors

Key positive and negative factors pulled from resources in the annotated bibliography are summarized below for consideration by government decision makers when evaluating the possibility of an IT outsourcing initiative. Whether the initiation of the outsourcing initiative is due to the need for monetary savings, political pressures, or supplanting staff, these key positive and negative factors should guide leaders to a successful outsourcing initiative.

Positive factors include:

1. Supplementing overworked or understaff IT personnel in the government with outsource providers (Chen & Perry, 2003);
2. Outsourcing services that will save money and create a redundant technology environment (Chen & Perry, 2003); and
3. Evaluating the success of IT staff and services prior to outsourcing (Juras, 2008).

Negative factors include:

1. Lack of competition in the market can keep a government agency at the mercy of one outsource provider (Auriol & Picard, 2006);
2. Monetary savings are not always realized and in some cases outsourcing may cost costs more (Bel & Warner, 2008); and
3. Politically pushed outsourcing, in most cases, will fail (Levin & Tadelis, 2010).

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