

# IMPROVING SERVICE DELIVERY THROUGH OUTSOURCING

**JA BADENHORST-WEISS** (Department of Business Management, UNISA)

**IM AMBE** (Department of Business Management, UNISA)

The purpose of this article is to determine whether outsourcing can be used as a tool by government institutions to improve the delivery of important services to the community. The article is exploratory in nature and involves cross-case analysis of ten case studies of outsourcing in the South African public sector. The article reveals that government institutions used outsourcing as a tool to capacitate themselves with the aim of improving service delivery; and their expectations in terms of additional skilled capacity and better service delivery were met. It became evident in the article that outsourcing was already being used to great effect by government institutions to improve service delivery. The article demonstrates that outsourcing cannot only be used as a measure to reduce cost, but also as an alternative service delivery tool in the public sector. Furthermore, it is recommended that outsourcing be used increasingly by government institutions, particularly at local government level, where delivery of services such as sanitation, water provision and infrastructure is still flawed.

*Key phrases: Outsourcing, service delivery, public sector*

## 1 INTRODUCTION

Many public sectors today are confronted with new set of challenges (Kulmala, Ojala, Ahoniemi & Uusi-Rauva 2006:130). These challenges include among others identifying ways of delivering efficient public services (Broadbent & Langhlin 2003:332; Kulmala et al. 2006:131). Consequently, there is a need for the public sector to consider alternative service delivery methods or tools for provision of important services to the community (International Public Management Association For Human Resources (IPMA-HR) 2006:3).

In the South African public sector, there is daily evidence in the news media about the challenges of service provision, particularly in local government, health and social services, policing and judicial support. As contended by Booyesen (2007:21), “*poor service delivery on local government level led to approximately 900 protests during the period February 2004 to February 2005*” as a result of non-performance of

service delivery. Booyesen (2007:23) asserted that skills and capacity shortages contributed to local governments' weakness in addressing development backlogs (Nicol & Africa 2005:3).

According to a report by The Economist Intelligence Unit Briefing (2007:Internet), there are literally thousands of vacancies in the South African public sector. This helped to explain the visible deterioration in service delivery across the economy. More to this, Kock and Burke (2008:457) denoted that *"the problem of employing skilled workers is complicated by the twin responsibility of improving service delivery and making and implementing employment policy"*<sup>1</sup>. Hence, there is a misalignment between the needs of a growing economy and the ability of the education and training system to provide the necessary quantity and quality of skilled workers (Kock & Burke 2008:458; Robinson, Gedye, Mabanga & Tabane 2005:Internet). The shortage of appropriately skilled people at different levels of the South African public service inevitably negatively impacts the effectiveness and efficiency with which the government supports and enables social and economic development (Kock & Burke 2008:459).

The above suggests that the public service in South Africa does not possess the ability to provide the level of service that is needed in a developing country. It is important that the public sector capacitate themselves with the appointment of skilled workers and training of existing officials. However, skills cannot be obtained over a short term. Therefore, alternative forms of service delivery are needed, while the public service takes measures to develop capacity for proper service delivery. One of the forms of alternative service delivery indentified by scholars that can alleviate challenges in the public sector is outsourcing (Kulmala et al. 2006:131; Parker and Hartley 2003:100; Russel & Bvuma 2001:247-253; Vagelatos, Tsaknakis, Foskolos & Komninos 2010:26). According to Davidson (2005:31), outsourcing does not only limit cost for increase in profitability, but can also ensure efficient service delivery. Outsourcing is often motivated by claims that the private sector organisations are more cost efficient than the public sector in the production of certain services (Parker & Hartley 2003).

Therefore, against this background, the purpose of this article is to determine whether outsourcing can be used as a tool by government institutions to improve the delivery of

---

<sup>1</sup> 'Employment policy' also known as employment equity, means empowerment of previously disadvantaged.

important services to the community. The article specifically examines important outsourcing issues such as the motives, the selection and management of an outsourcing partner (supplier), outcomes, risks and problems associated with outsourcing in the public sector. The article reveals two important contributions to literature. Firstly, it demonstrates that outsourcing cannot only be used as a measure to reduce cost to organisations, but also as an alternative service delivery tool in the public sector. Secondly, outsourcing core services and significant support services can make huge difference to public sector service delivery. The remaining section of the article presents the definition and background of outsourcing; outsourcing by government institutions, the research method and the results.

## **2 DEFINITION AND BACKGROUND OF OUTSOURCING**

### **2.1 DEFINITION OF OUTSOURCING**

Outsourcing is the process of purchasing goods or services on specification from an external supplier that were previously produced in-house (Mol 2004:585). Outsourcing can involve the transfer of an entire business function to a supplier or only some activities associated with the function whilst some are kept in-house (McIvor 2005:7). Wisner, Tan and Leon (2008:116) use the term *co-sourcing* for the partial outsourcing of functions or activities. Outsourcing can also involve the transfer of both people and physical assets to the supplier. A term often used in the context of outsourcing is *vertical integration* or *vertical disintegration*. Vertical disintegration is similar to the outsourcing concept in that it is concerned with the decision on whether to perform an activity internally or source it from outside. Backward (dis)integration refers to activities on the supply-side and forward (dis)integration to the distribution side of an organisation's supply chain. Another term that is often used in a manufacturing context is '*make-or-buy*' (McIvor 2005:7).

According to a study conducted by the Outsourcing Institute in 1997, outsourcing is focused on things such as information technology (30%), human resources (16%), marketing and sales (14%), finance (11%) and administration (9%). Call centers, medical diagnosis, financial services, tax preparation and software development services are also prime candidates for outsourcing (Kumar & Eickhoff 2005:245). There is a distinction between core and non-core activities: some activities are clearly

core activities and some activities are clearly peripherals. Lonsdale and Cox (2000:446-448) divide activities as primary supply chain activities and supporting activities. Today a vast majority of firms outsource some of their peripheral activities. According to Quelin and Duhamel (2003:648), activities which are partially or completely outsourced in a large number of companies are office information technology, industrial maintenance, waste management, logistics and telecommunication. Most of them are complex processes, but are not considered, by most industrial companies, to be their primary supply chain activities (Lonsdale & Cox 2000:448; Quelin & Duhamel 2003:648).

The four major characteristics of outsourcing are that (1) activities that were initially performed in-house are transferred to an external party; (2) assets, knowledge and, in some cases, people go over to that external party; (3) an extended relationship exists between the parties involved over a longer period of time; and (4) in transferring the activity to the external party the buyer is exposed to both cost profile and risk profile, both of which are new to the organisations involved (Van Weele 2010:162).

## **2.2 OUTSOURCING MOTIVES**

The reasons why companies outsource depend on many factors. Motives for outsourcing peripheral activities are in most cases different than they are for activities closer to the core business. In addition, organisations in different circumstances will expect different benefits. In literature many potential benefits of outsourcing have been identified. Different researchers have emphasised different motives of outsourcing. Lonsdale and Cox (2000:449) categorise five main reasons why companies outsource; focus resources on core activities, cost reduction, convert fixed costs to variable, benefit from supplier's investment and innovation and improve time to market. On the other hand, according to Quelin and Duhamel (2003:649) the most important criteria of outsourcing decision is to lower operational costs, the second important is to focus on core activities and the third is to gain flexibility.

According to Van Weele (2010:164-165), the reasons for outsourcing may range from tactical to more strategic. Tactical reasons are to reduce control and operating costs, to free up internal resources, to receive an important cash infusion, to improve performance and to be able to manage functions that are out of control. Strategic reasons may be to improve focus, to gain access to world-class capabilities, get

access to resources that are not available internally, to accelerate reengineering benefits, improve customer satisfaction, increase flexibility and share risks. The need to outsource may be capacity related or expertise related. When a company has not enough capacity to perform the requested service it can opt for outsourcing. When the expertise to perform the activity at the required level or for an acceptable cost level is no longer present, the company can also opt for outsourcing.

### **2.3 CHOOSING AN OUTSOURCING SUPPLIER**

Many firms are now engaging in outsourcing activities. While the advantages can be great, companies must choose the right vendor if they want to achieve the greatest benefits. To do this effectively they must establish standards and design a set of criteria that candidates must meet. There are certain attributes to consider when choosing an outsourcing supplier (Mitch 2000:Internet). These include among others experience, quality control, available resources, cost-reduction, shared risk, Staffing, reduced overhead and the culture.

### **2.4 OUTSOURCING AGREEMENTS AND RELATIONSHIPS**

The success of any outsourcing program hinges on the relationship between the company and vendor. All too often, however, companies that outsource functions previously performed in-house treat their former capability as a costly burden they cannot forget about soon enough or at least not until the vendor misses a crucial deadline. The better approach is to view an outsourcing relationship as a joint venture, where the company helps ensure success by arming the vendor with the proper tools and information to get the job done correctly.

Among the most important tools is a clear, precise, and highly detailed contract that not only specifies the financial terms, but also allocates risks, lays out expectations, and anticipates potential problems (Doyle & Llewelyn 2005:1). The significance or value of the outsourced activity and the level of risk in the supply market (availability of suppliers) should determine the type of *relationship* adopted – the so-called strategic sourcing principles (Handfield, Monczka, Giunipero & Patterson 2009:203-218; Mclvor 2005:259). Handfield *et al* (2009:203-218) propose the Strategy Portfolio Matrix for categorising the sourced (or outsourced) goods or services and to manage the contracts and relationships.

## **2.5 RISKS OF OUTSOURCING**

Outsourcing can provide many benefits and some managers' even regard it as risk-free (Hoecht & Trott 2006:678). However, there is always the other side of the coin and many risks are related to outsourcing. In an ideal world, markets would operate effectively without any friction or transaction costs. However, in real world most supply markets are imperfect and encompass great deal of risks (Lonsdale and Cox, 2000:449). A wide array of outsourcing risks has been identified in literature and risks range from minor setbacks to catastrophic consequences. The risks may result from supplier, from business environment or from the outsourcing organization itself (Aron, Clemons & Reddi 2005:38). Drawbacks can emerge right after implementation of outsourcing or as well after several years.

Different authors emphasize risks in different way, but there seems to be a broad acceptance of the most important risks. A vast majority of the authors agree that the most relevant risks of outsourcing are: loss of critical knowledge and competence and the risk of dependency (Hoecht & Trott 2006:678; Lonsdale & Cox 2000:449). Haven briefly looked at the definition and background of outsourcing, the focus of the article now turns to outsourcing by government institutions.

## **3 OUTSOURCING BY GOVERNMENT INSTITUTIONS**

### **3.1 APPLICATION OF OUTSOURCING BY GOVERNMENT INSTITUTIONS**

Outsourcing of government services to private service providers is not a new phenomenon: *"In the public sector, research has highlighted substantial increases in outsourcing in the UK, Australia and New Zealand"* (Harland, Knight, Lamming and Walker 2005:833). In a study of public sector organisations conducted in a number of countries including the US, the UK, France, Germany, Japan and Australia, it was found that outsourcing has become a significant and increasingly common practice. Much of the drive behind this trend has been the prevailing belief that best value is achieved through the use of competitive market solutions for service provision (McIvor 2005:16). Johnston & Romzek (1999:385) have indicated that local governments make wide use of contracting (outsourcing) due to the nature of services they provide.

In a survey by Badenhorst-Weiss and Nel (2008:624), 94% of the respondents (government institutions in South Africa) indicated that their institution outsourced

certain activities. These activities included mainly peripheral support services<sup>2</sup> such as security services, catering, cleaning, maintenance and travelling services. However, some institutions indicated that they outsourced core and more complex functions or services such as information technology, engineering and design functions. An international study found that the outsourcing of information technology and services had become common practice in public sectors in the UK Australia and New Zealand (Aulich & Hein 2005:35; Harland *et al.* 2005:834).

### **3.2 TRANSFORMATION OF PUBLIC SERVICES IN SOUTH AFRICA**

Outsourcing of public services is in line with the principles of the White Paper on the Transformation of the Public Service (WTPS), the so-called 'Batho Pele' White Paper, which calls for "*rationalization and restructuring to ensure a unified, integrated and leaner public service*" (Ncholo 2000:89) and "*potential partnerships with the private sector, non-government organisations (NGOs) and community organisations to provide more effective forms of service delivery*" (Ncholo 2000:91).

The *Guidelines for Public Private Partnerships* (PPPs) distinguishes between five types of contracts (South Africa 2000:Internet): service contracts (1 to 3 years, for example support services such as maintenance, laundry, cafeteria, etc.)<sup>3</sup>; management contracts (3 to 8 years, for example regional water supply management); leases (8 to 15 years, for example airports or port facilities); building, operations and transfer (15 to 25 years, for example schools, prisons, hospitals); and concessions (15 to 30 years, e.g. new airport, toll road or bridge). Outsourcing in the context of this article falls in the second type – management contracts (with the exception of one case). It therefore mostly includes outsourcing cases of core activities and significant<sup>4</sup> and complicated support services.

The decision to outsource can provide relief for South African government institutions in two areas. Firstly, outsourcing peripheral support services (such as catering and cleaning), which often demand managerial attention and other resources, can be

---

<sup>2</sup> 'Peripheral support activities' refers to simple services with little impact on the core business of the organisation.

<sup>3</sup> The first type of PPPs in the guidelines includes peripheral support services. Russel and Bvuma (2001:248) point out that this type of service stated in the *Guidelines* is in conflict with the Treasury Regulation prescription that a service contract is not a public-private partnership.

<sup>4</sup> 'Significant support' activities refers to activities/services that are non-core but have an important impact on the core business and therefore on the service delivery of the organisation.

outsourced so that the operational responsibility for the activity becomes that of the private supplier. This frees resources to focus on the core or complicated support functions of the institution. Secondly, the outsourcing of core functions and significant, complicated support functions can provide relief where the institution lacks the capacity in terms of volume and/or skills. In the first instance (peripheral activities), the emphasis is largely on cost minimisation and refocusing on core business. In the second instance (core and important, significant support functions), public-private partnership needs to be formed (Lysons & Farrington 2006:409). Cost efficiencies, performance improvement, focusing on core activities and access to innovation are benefits of outsourcing (McIver 2005:21-23).

There is evidence that outsourcing has already brought improvements in the provision of services by government institutions in South Africa. The Department of Home Affairs outsourced their first-line telephone contact in an effort to improve their client service. They reported that their capacity had increased, and that both their technology and client service had improved. The capacity to handle customer inquiries per day increased by 536% and customers were assisted in 11 official languages (Meyer 2008:1).

#### **4 RESEARCH METHOD**

This article determines whether outsourcing can be used as a tool by government institutions to improve the delivery of important services to the community. The article is exploratory in nature and involves cross-case analysis of ten case studies. The case studies were compiled by public service employees who were involved with further studies in the field of sourcing and supply chain management. Purposive sampling was used to select 10 cases for inclusion in the analysis. The cases were drawn from the Advanced Programme in Sourcing and Supply Chain Management, University of South Africa (UNISA). The basic criteria for inclusion of a case, was a case study addressing service delivery issues in South Africa.

The authors had no control over the accuracy of the information contained in the cases. However, with the analysis of the cases the accuracy of information (as provided in the cases) were validated through the application of a process of revisiting source documents (case studies) as suggested by Creswell (2009:185).



Further studies into the unsuccessful cases may also contribute to the understanding of the application of outsourcing in public service delivery. In line with the exploratory approach, this article integrated a consideration of appropriate literature with the discussion of the findings.

## 5 RESULTS

In this section, an overview of the analysis of the case studies will be provided. It includes an outline of the type of services, motives with outsourcing, outsourcing agreements and relationships, satisfaction with the outsourcing decision and risks and concerns with outsourcing.

### 5.1 TYPE OF SERVICES

Table 1 presents an analysis of the cases studied indicating the public service where the cases were conducted, the outsourced activity and the nature of the activity and supply market.

**Table 1: Nature of government outsourcing cases**

Public service	Outsourced activity	Nature of activity and supply market
Case 1.Social services	Payment of social grants	Core, complex, limited suppliers
Case 2.Health services	Dental services (partial)	Core, specialised, limited suppliers
Case 3.Public enterprise	IT	Significant support, complex, fairly competitive
Case 4.Hospital	Patient transport	Non-core, simple, competitive market
Case 5.Health provision	Orthotic and prosthetic services	Core, specialised, limited supply
Case 6.Hospital	Porter service (partial)	Significant support, simple, competitive supply market
Case 7.University	Vehicle fleet	Support, fairly complex and competitive
Case 8.Treasury	Network security	Significant support, complex, limited supply

Public service	Outsourced activity	Nature of activity and supply market
Case 9. Health services	Medicine depot (pharmaceutical)	Core, specialised, complex, limited supply market
Case 10. Hospital	Meals supply chain	Significant support, fairly simple, competitive supply

As indicated in Table 1, the article incorporated a fair distribution, ranging between core (four cases) and significant or complex support activity cases (five cases). One case entails the outsourcing of peripheral support activities (patient transport). Only one of the peripheral cases was included because the nature of the service is simple, there are ample suppliers in the supply market, and they do not need much attention from management. In this article, the focus was mainly on core and more complex and/or significant support activities, which directly impact the service delivery of the particular public institution.

The case studies include several cases in the provision of health services. These were purposefully included due to the current attention on the shortcomings of health care provision, remuneration of health workers and the envisaged national health insurance. Another weakness in the study is that no cases of local governments or municipalities were included. This was because the researcher did not have access to any local government case studies of sufficient quality. It is therefore suggested that further research be conducted on outsourcing practices in local governments.

## 5.2 MOTIVES WITH OUTSOURCING

Table 2 presents the different types of services as well as the motives for outsourcing.

**Table 2: Motives for outsourcing**

Case	Type of services	Motive for outsourcing
(case 1)	Payment of social grants	Lack of security support; lack of capacity, skills, knowledge and technology
(case 2)	Dental services	Desperate skills shortage of professional workers; capacity and skills shortage and a need to improve services

Case	Type of services	Motive for outsourcing
(case 3)	Information technology (IT)	Non-core though significant support activity; IT develops rapidly and it is difficult to keep up and Cost savings
(case 4)	Patient transport case	Capacity problems; need to concentrate on core business and cost savings
(case 5)	Orthotic and prosthetic services	Capacity and skills shortage; a need to improve services
(case 6)	Porter service case	Uninterrupted service provision
(case 7)	Fleet vehicle outsourcing case	Dissatisfaction with the internal service provision; own fleet to be too expensive; focus on core business
(case 8)	Network security	Stay abreast with network security; found it difficult to retain skilled workers; reduce costs of the activity
(case 9)	Medicine depot	Institution lacked knowledge and skills; lack of professional qualified pharmacists
(case 10)	Hospital	Inflexibility of the kitchen working hours and absenteeism of personnel; improvement of services

As indicated in Table 2, analysing the motives for the outsourcing decisions in the above cases reveals a trend. Whether it is core business or not, both the significance (impact on core business) and complexity of the function have an influence on the motive. With simple, low impact support activities (such as the patient transport), 'costs' and a need to 'focus on core business' were the main motives for outsourcing. In the case of the vehicle fleet, it did not have a direct impact on the core business but was a fairly complex service, 'costs' and 'focusing on core business' were strong motives.

With core, complex services (such as social grants, dental services, prosthetic services and medicine storage and distribution) the motives for outsourcing were 'capacity and skills shortage' and 'a need to improve service'. Where technology was involved (IT and network security) the motive was 'rapid technology development' and 'a need to

keep up'. With non-complicated but significant services (such as porter services and meals provision) the motive was improved 'service delivery'.

### **5.3 CHOOSING AN OUTSOURCING SUPPLIER**

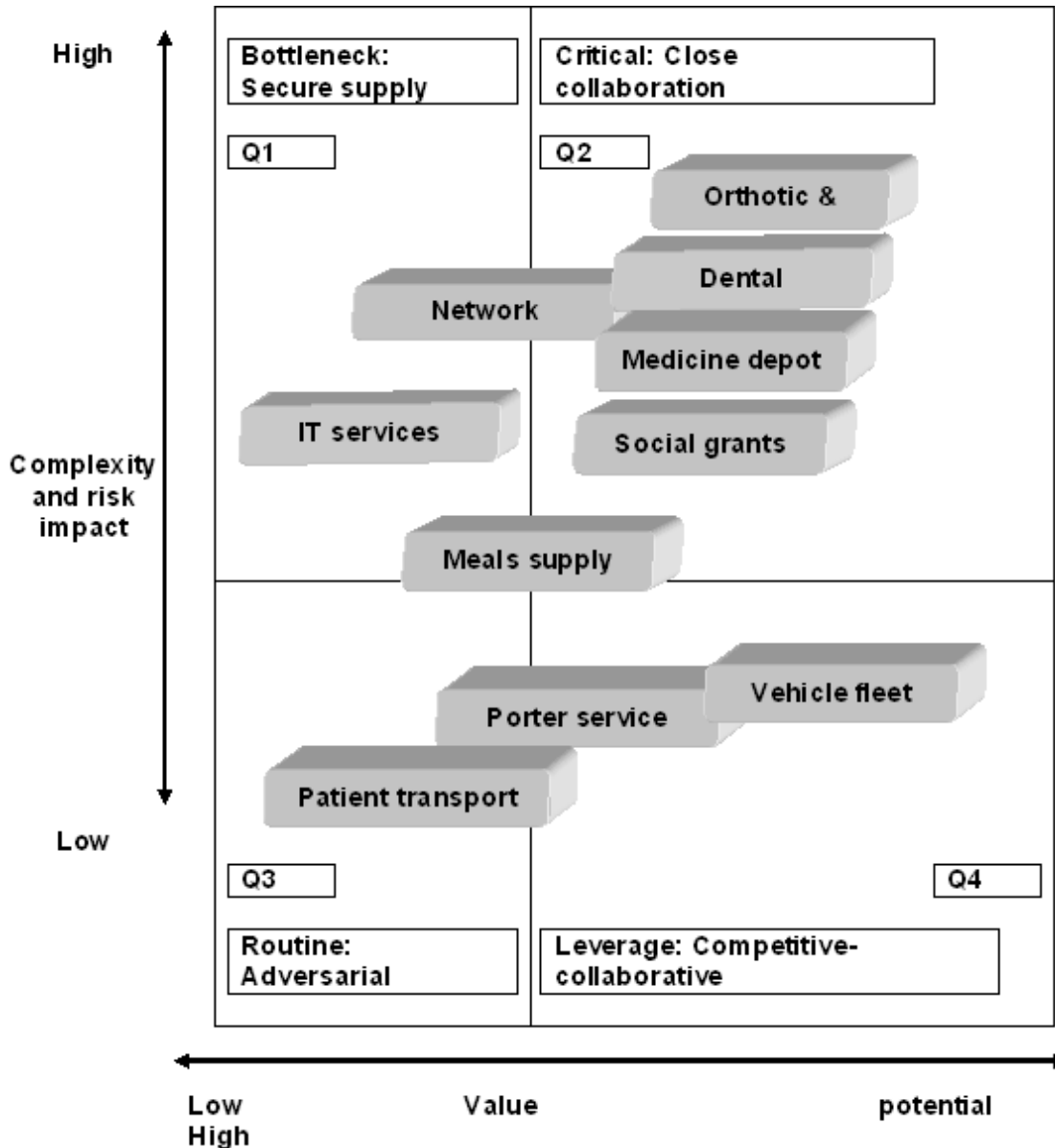
With regard to public sector outsourcing, not only choosing the correct supplier is important, but also the procedure to find the best supplier. It should be in line with government regulations. In the case of patient transport, quotations were obtained and several suppliers were used. With the porter services, a normal purchase-supply contract with a good supplier was extended and converted to an outsourcing contract for the partial outsourcing of the services. The extent of the contract increases as the hospital's own staff resigns and vacancies are not filled.

In the cases of dental services and IT services, functions were outsourced to other public entities specialising in certain types of services. In the cases of social grants payment and network security the tender procedure was followed and, because the functions in both departments involve confidential information and money, strict criteria with regards to skills, state of the art equipment and systems, infrastructure, security awareness and trustworthiness were applied in choosing a supplier. With the provision of orthotic and prosthetic services, an available supplier was chosen in a specific geographical area, applying criteria such as quality, qualifications, experience and cost. The full procedure of requesting a request for information (RFI) and a request for a proposal (RFP) from the top five suppliers in South Africa was followed in the vehicle fleet outsourcing case.

This was followed up by closed tenders and negotiations and two suppliers were appointed, each specialising in different type of vehicles. The tender procedure was followed in the case of the meals supply chain. One primary supplier was chosen, with one secondary one who would be on standby. In outsourcing the medicine depot, it is evident from the nature of the services that not many suppliers are available in the market to provide such a comprehensive service. A supplier was chosen that had already provided the same service to another province for seven years. From this analysis it is clear that the complexity of the service and the availability of suppliers in the market influences the way outsourcing suppliers (partners) are selected.

**5.4 OUTSOURCED AGREEMENTS AND RELATIONSHIPS**

An analysis of the background and nature of cases made it possible to plot the cases on the Strategy Portfolio Matrix (see Figure 1), which indicates the ideal relationship with the outsourcing supplier.



**Figure 1: Portfolio Analysis of Cases (Source: Adapted from Handfield *et al.* 2009:211)**

In quadrant 1 the complexity is high and/or a limited number of suppliers are able to provide the service. The supply of the service needed to be secured with a medium-

term agreement and a close relationship. In quadrant 2 the service is critical to the operations of the organisation and a few qualified suppliers are available in the market. Hence, partnership agreement and close collaboration is needed. In quadrant 3 many alternative products or services and suppliers are available. Only a short-term, arms-length, adversarial relationship is needed. In quadrant 4 many suppliers and substitute products and services are available, but the value (impact) is quite high. An agreement could be formed with more than one supplier who may compete with each other regarding price or value-add. From an analysis of the cases it is clear that the institutions mostly approached, formed and managed their outsourcing contracts according to best practice principles in strategic sourcing. In the porter service case the hospital might appoint more than one supplier when the reliance on the supplier increases due to more resignations of own staff. In turn, this might lead to more cost competitiveness and less risk.

The medicine depot case is an exception in the application of best practices. Only an 18-month contract was entered into with the supplier. The expectation was that the organisation would be able to capacitate themselves with skills through transfer of knowledge within 18 months. In light of the shortage of professional people in the field, the dire situation of the organisation and the low level of development and capacity of own staff, the vision of self-sufficiency in 18 months is unlikely to realise. The fact that another province sourced this service from the supplier for seven years is evidence that this expectation is unrealistic.

## **5.5 OUTCOME OF AND SATISFACTION WITH THE OUTSOURCING DECISION**

The outcome of the outsourcing decision should be in line with the organisation's motives. If the goals (derived from the motives) are reached the organisation should be satisfied with the outsourcing decision. In the payment of social grants case the organisation was satisfied with the access to technology, skills and knowledge, increased service levels and cost efficiency. The latter was not a motivation but an additional outcome of the outsourcing decision. The dental services case indicated that a sustainable, accessible service had been obtained, and that this had brought relief to the workload of internal staff. The IT case reported access to better

technology and improved knowledge, although the envisaged cost savings were not realised. The patient transport case indicated satisfaction in terms of cost savings and an improved ability to focus on core business.

The orthotic and prosthetic case indicated that they had obtained an uninterrupted, quality service. The hospital porter service indicated better, uninterrupted, flexible service provision in addition to the expected cost savings. The vehicle fleet case indicated a better, flexible, reliable and cost-effective service. The network security case indicated that they had obtained state-of-the art infrastructure, expertise, a clear audit trail and a focus on core business. The medicine depot case reported improved access to skilled personnel, transfer of knowledge and an improvement of service levels and control. In the outsourcing of the meals supply chain better service had been obtained, particularly with regard to timing, and the hospital could concentrate on their core business, namely attending to the sick. From the above it is clear that in all the cases there was satisfaction with the outsourcing decisions, and that the expectations of the organisations had mostly been met.

## **5.5 OUTSOURCING NEGATIVES, RISKS AND CONCERNS**

Most of the cases, including the social grant payments, dental services, IT services, porter services, network security and medicine depot, indicated *loss of control* as a negative outcome of outsourcing. Closely related to this were risks associated with *balance of power*, *vulnerability* and *concern about confidentiality*, particularly in the cases of social grants payment, network security and IT services.

In almost all the cases the issue of *accountability* was raised. Ludowise (2004:308) points out that “accountability of public institutions is often tied to the concept of liability, specifically; public officials may be held liable, by the courts, policy makers, and the public, for the conduct and decisions that are made under the auspices of the organization”. The question could be asked: When a public institution cedes its authority to private service providers, which organisation assumes responsibility?

In all the cases included in this study, except patient transport, a formal contract and a service level agreement (SLA) was in place and regular performance evaluation and feedback took place. In the cases of payment of social grant payments and dental services regular final customer feedback on service delivery was also sought.

In the network security case concern was expressed about the ability to manage the service contract. Network security is a particularly specialised activity that is difficult to monitor. According to McIver (2005:24-25), public sector organisations have experienced difficulties in monitoring and managing public sector contracts because of a lack of the requisite skills and experience. According to Van Weele (2010:175), the risks of outsourcing relate to the change in the *balance of power* between the contractor and the provider. Wisner *et al.* (2009:116) agree with this view: "For some IT services, co-sourcing has been shown to result in the most successful outsourcing arrangement." Hence, some of the skills and ability to innovate are retained in the organisation and the capacity is supplemented by external sources. In the Department of Home Affairs co-sourcing was the method used to improve on the delivery of customer service (Meyer 2008). In the cases of dental services, porter services and orthotic and prosthetic services, these services were outsourced only partially. In the case of meals provision the risk of dependency was alleviated by appointing a secondary supplier in case the primary contractor defaults.

In the case of network security, the staffs were transferred to the supplier; in the vehicle fleet case, most of the staffs were redeployed, and in the case of the medicine depot, staffs were retained with the hope that sufficient transfer of knowledge would take place. In the IT case the staffs were retained in the internal IT division which assists internal staff with network problems, conveys internal IT needs to the service provider and controls the performance of the IT service provider. The cases where the entire function or activity was outsourced, such as the social grant payments and the meals supply chain, did not specifically report on the situation of the staff.

## **6 CONCLUSION**

The purpose of this article was to determine whether outsourcing can be used as a tool by government institutions to improve the delivery of important services to the community. With the analysis of the cases the following findings were made:

- Government institutions outsourced core and significant support services with the aim of obtaining additional capacity and skills and improving service delivery.



- The institutions mostly approached and managed their outsourcing contracts according to best practice strategic sourcing principles.
- The institutions were satisfied with the outsourcing decisions, and that the expectations of the organisations in terms of additional skilled capacity and better service delivery were mostly met. Where technology was involved access to technology and innovation was obtained.

From the cases, it was evident that outsourcing is already being used to great effect by government institutions to improve service delivery. It is recommended that government institutions increasingly use outsourcing or co-sourcing for the provision of important services where they lack the capacity. Particularly at local government level, where service delivery such as sanitation, water provision and infrastructure is still flawed outsourcing may be a useful tool. There are, however, preconditions for the efficient use of outsourcing. Public institutions that consider outsourcing must have a clear vision, the right strategic motive, a real need for change and a desire to improve service delivery. The best service provider, dedicated to service delivery and sufficient capacity, should be appointed in an unbiased manner. The correct control measures should be in place and capable, empowered staff should be available to monitor and control the execution of the contract.

This article does not suggest that the outsourcing of services should be a permanent strategy by government institutions. However, since the country is experiencing a lack of skills in the public sector, outsourcing could be a useful alternative tool for service delivery – until government can recruit new skilled and professional staff and train current officials.

## REFERENCES

**ARON R, CLEMONS E & REDDI S.** 2005. Just right outsourcing: Understanding and managing risk. *Journal of management information systems*, 22: 37-55.

**AULICH C & HEIN J.** 2005. Whole of government approaches to outsourcing and market testing by Commonwealth Government. *Australian Journal of Public Administration*, 63(3): 35-45.

**BADENHORST-WEISS JA & NEL JD.** 2008. Outsourcing practices by the government sector in South Africa. *3<sup>rd</sup> International Public Procurement Conference Proceedings*. Amsterdam, August, 2008, 619-635.

**BROADBENT J & LAUGHLIN R.** 2003. "Public private partnerships: an introduction". *Accounting, Auditing & Accountability Journal*, 16(3): 332-41.

**BOOYSEN S.** 2007. With the ballot and the brick: the politics of attaining service delivery. *Progress in Development Studies*. 7(1): 21-32.

**CRESWELL JW.** 2009. *Research design: qualitative, quantitative and mixed methods approaches*. (3<sup>rd</sup> ed). Thousand Oaks, California; Sage.

**DAVIDSON GK.** 2005. Emerging trends and early lesions in public-sector HR outsourcing. *Employment Relations Today*, 31-37.

**DOYLE JF & LLEWELYN D.** 2005. Building Successful Outsourcing Relationships, White & Case LLP.

**ECONOMIST INTELLIGENCE UNIT BRIEFING.** 2007. June 13. *South Africa's exodus*, *Economist.com*. [Internet: [www.economist.com/displaystory.cfm?story\\_id=9332743](http://www.economist.com/displaystory.cfm?story_id=9332743): downloaded on 2008-06-11].

**HANDFIELD RB, MONCZKA RM, GIUNIPERO LC & PATTERSON JL.** 2009. *Sourcing and Supply Chain Management*. South-Western, Cengage Learning), 4<sup>th</sup> ed.

**HARLAND C, KNIGHT L, LAMMING R & WALKER H.** 2005. Outsourcing: assessing the risks and benefits for organisations, sectors and nations. *International Journal of Operations & Production Management*, 25(9): 831-850.

**HOECHT A & TROTT P.** 2006. Innovation risks of strategic outsourcing. *Science direct, Technovatio*, 26: 672-681.

**INTERNATIONAL PUBLIC MANAGEMENT ASSOCIATION FOR HUMAN RESOURCES (IPMA-HR).** 2006. An examination of trends in shared services and outsourcing in public sector organisations, September 2006. [Internet: [www.ipma-hr.org](http://www.ipma-hr.org): downloaded on 2011-03-01].

**JOHNSTON JM & ROMZEK B.S.** 1999. Contracting and Accountability in State Medical Reform: Rhetoric, theories and reality. *Public Administration Review*. 59(5): 383–399.

**KOCK R & BURKE M.** 2008. Managing Talent in the South African Public Service. *Public Personnel Management*. 37(2): 457-470.

**KULMALA HI, OJALA M, AHONIEMI L & UUSI-RAUVA E.** 2006. "Unit cost behaviour in public sector outsourcing". *International Journal of Public Sector Management*. 19(2): 130-149.

**KUMAR S & EICKHOFF J.** 2005. Outsourcing: When and how should it be made? *Information knowledge systems management*. 5: 245-259.

**LONSDALE C & COX A.** 2000. The historical development of outsourcing: The latest fad? *Industrial management & Data systems*. 100: 444-450.

**LUDOWISE C.** 2004. Accountability in social service contracting. *Journal of Health and Human Services Administration*. 3(4): 304-330.

**MCIVOR R.** 2005. *The outsourcing process: Strategies for Evaluation and Management*. Cambridge University Press; Cambridge, England.

**MEYER H.** 2008. Department of Home Affairs Customer Service Centre Project. Unpublished report. Case study presented at IPSA Conference Awards. May, Johannesburg.

**MITCH W. 2000.** "How to choose an outsourcing vendor". Today. FindArticles.com. 03 Feb, 2011. [Internet: [www.findarticles.com/p/articles/mi\\_qa3947/is\\_200004/ai\\_n8893519/](http://www.findarticles.com/p/articles/mi_qa3947/is_200004/ai_n8893519/): downloaded on 2011-01-01].

**MOL MJ.** 2004. Outsourcing, supplier relations, and external span of control. Proceedings, 13<sup>th</sup> IPSERA Conference, Catania, 584-598.

**NCHOLO P.** 2000. Reforming the Public Service in South Africa: A Policy Framework. *Public Administration and Development*. 20(2): 87-102.

**NICOL M & AFRICA Z.** 2005. Life after the last straw: critical challenges for South Africa local government. *SA Reconciliation Barometer*. 3(4): 3-4.

**PARKER D & HARTLEY K.** 2003. "Transaction costs, relational contracting and public private partnerships: a case study of UK defence", *Journal of Purchasing and Supply Management*. 9(3): 97-108.

**ROBINSON V, GEDYE L, MABANGA T & TABANE R.** 2005. Shortage confusion mismatch surplus. *Mail & Guardian Online* [Internet: [www.mg.co.za/articlePage.aspx?articleid](http://www.mg.co.za/articlePage.aspx?articleid): downloaded on 2008-06-11].

**RUSSEL EW & BVUMA DG.** 2001. Alternative Service Delivery and Public Service Transformation in South Africa. *The International Journal of Public Sector Management*. 14(3): 241-264.

**QUELIN B & DUHAMEL F.** 2003. Bringing together strategic outsourcing and corporate strategy: Outsourcing motives and risks. *European Management Journal*, 21: 647-661.

**VAGELATOS A, TSAKNAKIS H, FOSKOLOS F & KOMNINOS T.** 2010. Outsourcing project management services in the public sector; *International Journal of Digital Society*. 1(1).

**VAN WEELE A.** 2010. *Purchasing and supply chain management*. Hampshire, UK: Cengage. Learning

**WISNER JD, TAN KC & LEON GK.** 2008. *Principles of supply chain management: A balanced Approach. (2<sup>nd</sup> edition)*.. Mason, OH: South-Western cengage Learning.