Outsourcing, bureaucracy and public value: Reappraising the notion of the “contract state”

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A R T I C L E   I N F O

Available online xxxx

Keywords:
Outsourcing
Contract state
e-Government

A B S T R A C T

Large-scale outsourcing of information technology in the U.K. public sector – the NHS, the Inland Revenue, and the Department of Social Security over the years – raises a number of critical issues not just for how outsourcing can be conducted in public sector contexts but also about the efficacy of such arrangements in terms of enforcement of democratic values. We argue that marketization’s target may well be bureaucracy, but the organizational form is a repository for democratic, civic, and public service values that can be eroded through how outsourcing has been conducted. The call for a reevaluation and the case for a distinctive public services management ethos are made if such values as equality, impartiality, communal good and public service are to be pursued and delivered. Selective outsourcing is revealed as effective – together with much needed rebuilding of internal capabilities – in keeping control of IT destiny, delivering on public service requirements, and managing external supply. The U.K. experience, we suggest, provides salutary learning for public services in other developed economies.

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1. Introduction

In the private sector, the major trend towards Information and Communication Technology (ICT) outsourcing from the early 1990s to the present has been driven by a range of financial, business, technical, and micro-political factors (Clark, Zmud, & McCray, 1997; Kern & Willcocks, 2001; Lacity & Hirschheim, 1993; 1995; McLellan, Marcolin, & Beamish, 1995; Willcocks & Lacity, 2006). The research from the 1990s and more recently suggests that three main drivers seem to be operating (Lacity & Willcocks, 2008; Willcocks, Lacity, & Fitzgerald, 1995). First, IT outsourcing is often a response to the hype and publicity surrounding the subject – a bandwagon effect leads to senior managers asking: ‘why don’t we outsource IT?’ Second, outsourcing may be a response to tough economic and competitive climates and the need to cut, or at least control, costs. Third, it may be conceived as part of a larger and longer term change in how organizations are structured and managed – part of what we would call a move towards the ‘contractual organization.’

These drivers translate into the market testing, compulsory competitive tendering, Private Finance Initiative (PFI) and privatization initiatives encouraged in the U.K. public services by the British government from the early 1990s, through successive Conservative and Labour governments to the present day. Market testing proposals made in November 1992, for example, saw ICT activities in thirteen government departments cited as an essential part of the increased ‘businessization’ and competition desired by government (Willcocks, 1994). Contracting out could range from selective outsourcing as occurred in many parts of the NHS and local government in the 1990s through to large ‘total’ outsourcing deals (80% plus of the IT budget outsourced) as subsequently progressed through to 2008 in the then named HM Inland Revenue and Department of Social Security.

Alternatively, these proposals meant the privatization of in-house IT departments or the hiving-off of IT departments to agency status government projects initiated in the last 5 years in the National Health Service, the renewal of the Inland Revenue arrangement (though with switched suppliers), and the letting of contracts for the National Identity Card scheme in 2007/2008.

In retrospect, these initiatives would seem to have been driven by two features inherent in government policy throughout the 1992–2008 period: a concern to lower costs dramatically in the public sector (or at least reduce the public sector borrowing requirement) and the political belief that private sector companies tend to be more efficient, and that competition will increase efficiency and effectiveness of management and operations in public services. These both support a more fundamental reappraisal of the core role of government that occurred in particular in both the United Kingdom and the United States from the mid-1990s (Dunleavy, Margetts, Bastou, & Tinkler, 2006; Margetts, 1999; Margetts & Willcocks, 1994; West, 2005). Moreover, there is little recognition of the very mixed record that long-term large-scale IT outsourcing deals have had in the private sector, let alone the public sector.
Thus, using objective criteria based on cost savings, delivery against objectives, and stakeholder satisfaction levels, it has been noted in one research study of the private sector, only two long-term, large-scale IT outsourcing deals were successful and five, a failure, with marked deterioration in the satisfaction levels for contract terms and service levels after the initial 5 years (Lacity & Willcocks, 1996; see also Lacity & Wilcocks, 2001). By comparison, selective IT outsourcing (typically 20–50% of the IT budget outsourced to multiple vendors) recorded 22 successes and four unsuccessful deals (Lacity & Willcocks, 1996). Finally, there is a very mixed record where significant contracting out of IT took place in the public services in the 1990s, with Wessex Regional Health Authority, the Child Support Agency and several local authorities being only high profile examples of the kind of difficulties that were experienced (Collins, 1996; Lacity & Willcocks, 2001; Willcocks, 1994). Unfortunately, this seems to have continued into the 2000–2009 period as recorded by a succession of National Audit Office and House of Commons Committee of Public Accounts reports and academic research studies alike covering NHS, Inland Revenue, National Identity Card and many other marketized initiatives (see for example only Davies & Hosein, 2007; Dunleavy et al., 2006; HCCA, 2007a,b,c,d; NAO, 2006).

In this paper we offer a critique of the concept of the ‘contract state’ and suggest how more disciplined uses of outsourcing can assist the performance of government agencies. This discussion will first focus on the managerial level but then moves to the level of central government strategic intentions, in terms of democracy, citizenship, and public service — focusing here primarily on the United Kingdom context. We suggest that erosion of the bureaucratic form inherent in outsourcing and marketization initiatives needs to be rethought, and a reevaluation be proposed as to how a distinctive public services management ethos can be developed to harness ICTs in support of democratic values and effective public services. In this paper, ‘outsourcing’ is defined as the contracting out of IT services/activities to third party management for required result. This can also be done on short or long term contracts.

2. The U.K. public sector: Towards the contract state?

There has been considerable interest in recent years in notions of ‘the contract state’ (Dunleavy et al., 2006; Hambleton, 1994; Le Grand, 2007; Mintzberg, 1996; Osborne & Gaebler, 1993; Sorabji, 1994). In the public sector, the contract state can refer to contracting between public service organizations and their users/members of the public; contracting with external providers; or contracting between different parts of the public service. While these are important distinctions, in recent years U.K. government policy has often seemed to collapse them into the notion that public service organizations are best managed as if they were ‘businesses’ (Hambleton, 1994). In particular, underlaying a number of key government policy shifts has been the move, begun in the 1990s, to replace monolithic state services with numerous competing providers, with the role of the public service often portrayed as being ‘enabling, not providing,’ and the dominant focus being on extending markets and contracting with external providers (Stewart, 1995; Walsh, 1995). The fundamental driver of these reforms was the assumption that public services were better managed in the interest of efficiency through private sector economic drivers. The introduction of the contract state leads to a change in the nature of the services provided. Services are more specified and standardized and payment systems are precisely defined.

There is, therefore, an increasing need for resolution mechanisms for dealing with differences between clients and contractors (Deakin & Walsh, 1996). This shifts the focus of public administration action from service provision to the management of contractual relations. Critics of this approach have pointed to other ways of radically reforming the public services whereby service efficiencies can be improved, and public bodies can still deliver many services — some as businesses, others operating in a more ‘businesslike’ manner, while all remaining publicly accountable (Hambleton, 1994; Mintzberg, 1996; Osborne & Gaebler, 1993; West, 2005).

Mintzberg (1996) put forward several models for managing government. He attacked the traditional, dominant Government-as-Machine model, where government is viewed as a machine dominated by rules, regulations, and standards. But Mintzberg also attacks its replacement by the managerialism of the Performance-Control model where the principles of ‘Isolate, Assign and Measure’ are applied within a conglomerate-like divisional structure. He further attacks the taking of this model to its natural limit, and the development of a Virtual-Government model — the assumption here being that the best government is, in fact, no or very little government. The latter two are cited as particularly underlying the U.K. government’s framework for the contract state in the 1990s (Mintzberg, 1996; Sorabji, 1994). In the 2000–2009 period one can discern strong elements of both the Performance-Control and Virtual-Government models in Labour government policy, enabled, in their view it would seem, by the virtuality made by possible by ICTs — expressed in the e-Government initiatives of this period and also in the continuing outsourcing to private companies of major ICT operations and innovations.

As major resources in the public service, information and communication technologies (ICTs) are inevitably bound up in these debates and developments. Indeed, by 1996 IT privatizations and market tests had led to contracts worth more than £2 billion. By 2008 this figure regularly exceeded £15 billion annually. Such outsourcing represents operationalization of the Performance-Control model as applied to public services, with some contracts (for example, in the case of the Inland Revenue Customs and Excise) demonstrating the IT component of a further move toward the Virtual-Government model being applied to the centre of government.

3. Emerging issues and critique

One of the ironies observable in the adopting of private sector practices by the public sector has been the application of practices actually considered outmoded or indifferent by leading private sector corporations (Willcocks & Harrow, 1992; Willcocks & Lacity, 2009). A major example occurs in outsourcing. Lacity and Willcocks (2001) research on a range of IT sourcing practices in Europe, Asia Pacific and the United States in both private and public sector organizations endorses fairly strongly the prescriptions implied in the following analytical framework (see also Lacity, Khan, & Willcocks, 2009).

- Differentiator or Commodity. An IT activity/ service is a differentiator where it provides a basis for competitive advantage or, in the public sector, represents a leading competence advantage (Cronk & Sharp, 1997). A commodity activity does not distinguish the organization, and has to be done competently, but no more. A typical example would be payroll.
- Strategic or Useful. ‘Strategic’ activities are integral to the organization’s achievement of goals and critical to its existing and future business direction. ‘Useful’ activities make incremental contributions but do not affect strategic direction or competitive positioning.
- Degree of Uncertainty — about future business environment and business needs and, hence, longer term IT needs.
- Degree of Technology Maturity Associated with the IT Activity/ Service. Maturity is low when the technology is new and unstable; or where an existing technology is being used in a radically new application; and/or where the organization has little in-house experience in implementing the technology in the current application.

Please cite this article as: Cordella, A., & Willcocks, L., Outsourcing, bureaucracy and public value: Reappraising the notion of the "contract state", Government Information Quarterly xxx (2009) xxx–xxx, doi:10.1016/j.giq.2009.08.004
• Level of IT integration. Highly integrated systems have complex and extensive interactions with other technical systems and interface in complex ways with multiple business users.

• In-house Capability Relative to that of the Market. This factor relates both to relative capability and the in-house cost relative to what external suppliers will charge. This can be complicated in the public sector where pay constraints, and lower pay generally, can produce an inexpensive in-house service, one where it is difficult to attract and retain experienced and skilled IT professionals.

If these principles can be put forward as ‘best practices’ for outsourcing whether in the private and public sector, then it has to be pointed out that the levels of disappointment in the U.K. public sector on the outsourcing record would suggest that private sector ‘best practice’ is not being adhered to, despite what the research studies on outsourcing effectiveness indicate needs to be done. The framework also points to the most neglected area of effective outsourcing practice, namely the building of retained in-house core capability to define, negotiate, and manage outsourcing arrangements. Wilcocks and Craig (2007) summarize the requirement as evolving nine core capabilities to elicit and deliver on business requirements, manage external suppliers, retain control over the technical blueprint and strategy and lead and coordinate the IT activity, thus keeping control of IT destiny.

However, a more typical scenario in many public sector organizations has been a residual IT organization developing, staffed by those not transferring over to the vendor for various reasons, whose tasks are reduced mainly to contract management. In such situations, the organizations can quite quickly lose control of their IT destinies and their business requirements can become dictated by the technology available from the contracted supplier. Moreover, despite the 21st century e-Government initiative, in practical terms, ‘joined-up’ government can become very difficult when outsourcing is by department, thus cutting off opportunity for integrating systems across departments. Outsourcing ICTs in the public sector can also fragment IT operations, losing the opportunities for synergistic use of integrated systems across organizations.

Moreover, where this is the case, there are inherent advantages in pursuing a focused selective sourcing rather than a total outsourcing approach to ICT even within the Contractual State model. The attractiveness to government of large-scale IT outsourcing must also be questioned, not least because of the private sector evidence of a mixed record on such arrangements (Lacity & Wilcocks, 1996, 2001, 2008; Willcocks, 1994). Moves toward the contractual organization can also lead to a much more formal, contractual, less responsive approaches can only be developed through exposure to countervailing pressures form outside the organization (Hambleton, 1994). As far as ICTs are concerned, the need then would be to retain within the public service organization the ability to address concerns and make decisions in the wider public interest on such issues as the maintenance of interagency data and its compatibility, the availability of data in the light of potential IT supplier competition and commercial confidentiality, data security issues affecting the citizen, and the possibility of developing interagency IT usage in synergistic ways. These additional concerns inherent in a broader understanding of the meaning of a ‘contractual’ public service organization imply, on the ICT front, that the market needs to be carefully managed and controlled. In particular, the wider public service repercussions of inflexibilities and limitations in external contracting, and of possible conflicting interests with the vendor would always need to be addressed seriously in any ICT sourcing decision-making process.

4. Private versus public sector reforms evaluation

Let us now extend the argument further beyond the ‘contractual organization’ notion and what makes effective management practice in public sector contexts. As we indicated above, writing in the mid-1990s, Mintzberg expressed reservations about the Performance-Control model, and we have already suggested ways forward on that issue. But he also attacked the Government-as-Machine model along the lines by which bureaucracies are invariably attacked, by academic research, citizens, and politicians alike. Is there any rescue for the private sector. These approaches look mainly at efficiency driven performance measures, such as cost reduction and return on investment, and new public management goal achievements, such as transparency and accountability, once again closely related to private sector economic standards. These approaches, however,
neglect the fact that public sector strategies differ from private sector strategies because the former are driven by the overriding goal of creating public value while the latter should aim at creating private value (Moore, 1995).

Private value can be estimated through financial measurements of profits, while public value is much more difficult to define, despite the all too many government-inspired documents already issued on Value for Money. Public value is related to the achievements of objectives set by government programs and the delivery of public service to the citizenry. Public value is thus not related to efficiency of the action of the public administration, but rather to the effectiveness in the achievements of government programs. Moore (1995) points out that political power determines the action of public administration to so represent collective aspiration: “The collective aspiration, in turn, establishes a presumption of public value as strong as the presumption of private value created by market mechanisms – at least if they can be achieved within the term of the mandate” (p.31). In democratic states, above all, the fundamental values of collective aspiration are the values of fairness, equity and equality that cannot be evaluated in terms of: “the economic market place of individual consumers, but (only) in the political market place of citizens and the collective decisions of representative democratic institutions” (Moore, 1995).

Moore (1995) argues for techniques of program evaluation and cost-effectiveness, distinguishing these from cost-benefit analysis on the basis that they presuppose the “compelling collective purpose” of the outcome rather than optimizing individual benefit across a range of competing alternative outcomes. Kelly, Mulgan, & Muers, (2002) observe that the ‘new public management’ of the 1980s and 1990s was “preamised on the applicability of management techniques across both public and private sectors” and that government value would be created “by mimicking organizational and financial systems used by business” (p.9). The result, they assert, was an emphasis on narrow concepts of cost-efficiency and a downplaying of nonfunctional objectives that were difficult to measure. We would suggest that this tendency has become ingrained into how public sector performance evaluation has continued during the 2000–2009 period.

New public management and the efficiency paradigm have been the main drivers for the development of public administration reform policies and their evaluation, including outsourcing initiatives. This transformation in the logic underpinning the design and evaluation of public sector organizations has considerable implications for the nature of the services delivered by public administration, and also, we would suggest, serious consequences for the public value associated with the services delivered.

In practice, as discussed above, the attempted transformation of public administration along the line of what has been called New Public Management (NPM), and private sector evaluation techniques based on efficiency, has led to a reconsideration of the role of bureaucratic organization as natural organizational structure for the public sector. Outsourcing of public service delivery, and in general of public administration activity, has often been envisaged as a solution to public administration’s continuous failure to deliver the expected services to citizens and businesses. This is still a live and on-going debate.

Thus Le Grand (2007) suggests that market competition can provide a better solution for public service delivery. Choosing amongst a larger number of suppliers, as offered by competitive markets, he argues, the public sector is better positioned not only to become more efficient, but also more effective. By using quasi-market forces to deliver public services, he suggests, it is possible to differentiate the services provided, thereby increasing the competition among the providers of these service. A richer set of choices can be made available, allowing citizens to get served with the best alternative.

Two observations are merited. The first is that we have already commented on the risks inherent in marketization and outsourcing, and these seem to be filtered out of Le Grand’s account. Secondly, his model mainly looks from the users’ perspective and very little attention is given to the role of a traditional bureaucratic organization as a value provider in public services delivery. Let us restore the balance and not automatically assume that public sector bureaucracies serve outmoded purposes and tend to be dysfunctional in their net effects.

We argue thus in line with Weber (1978), who pointed out that the mere fact of bureaucratization tells us little about the concrete directions in which it operates in any given context. Du Gay (2005) endorses the point for us, commenting that a senior public administrator in British central government has to be something of an expert in the constitution, a bit of a politician, a stickler for procedure, and a stoic able to accept disappointments with equanimity. One needs to be quite precise about which bureaucratic ethics, comportments and capacities one is seeking to defend or criticize, and there are limits to the extent to which bureaucratic ordering can be pushed towards a single vision, e.g., managerialism, modernization, audit, without significant costs attached to the endeavor (Du Gay, 2000).

5. Reappraising bureaucracy

Government outsourcing policies are often informed by the assumption that contracting out public sector activities and functions will foster a reform of the public administration along the lines of private sector business organizations management techniques and indeed will provide a support to the outsourcing of public administration activities. Outsourcing projects are intrinsically embedded in combinations of political reforms and organizational change to enact, support, and push a profound transformation in the organization of the public sector. Following this rationale, contemporary public sector reforms are often described as the right move to implement the changes needed to leverage the efficiency of public organizations' performances and to promote outsourcing of public sector services.

Such ideas of public sector reform are informed by the rationale that less bureaucracy in public administration will improve the quality of government action. But why has the bureaucratic setting been the foundation upon which the public sector has been organized for so long? Shedding light on the values that are enforced by bureaucratic structures, we are probably better positioned to assess if and how outsourcing can help public sector reform.

Before we analyze the possible effects of outsourcing on the internal organization of bureaucratic institutions it is necessary to consider why bureaucratic organizations are important for the operation of democratic states.

6. Government, democracy, and bureaucracy

In democratic regimes, the central role of public administration (PA) is to enact polices that have been selected by elected leaders (Olsen, 2006). PA offices are supposed to enact these policies and therefore to deliver public services to every single citizen in precisely the same way, so that the basic principle of equality in front of the law and the state is enforced. Fulfilling this goal, the PA is the instrument through which democratic states enact their political decisions. In order to guarantee the homogenous implementation of public policies, and therefore guarantee impartiality in administrative action, the PA is organized and regulated following well-defined, normative, and legal principles. While inscribing normative and legal values, bureaucracies embed in government action intrinsic values. Rationality, equality, and fairness are characteristics of the procedures followed to reach an outcome. The value of the outcome is therefore enriched by these procedural standards that are followed by the organization to deliver the outcome. Bureaucrats, following normative and legal principles, are supposed to enforce, and guarantee the respect of constitutional principles and administrative law, in the
public interest. Bureaucratic action must therefore be assessed on the expected contribution to realize predetermined goals, and on the procedural standards followed to realize these goals, (Olsen, 2006).

Bureaucratic institutions are the foundation of public sector organization in democratic states because they help to enforce principles of impartiality and equality for the citizenry before the state and its apparatus (Peters, 2001). It follows that the normative propositions regarding the role of bureaucracy cannot be neglected in the formulation of policies that aim at reforming the nature of the relationships mediated by PA. The relationship between citizens and the PA is mediated by the offices of PA and therefore by the civil servants who work to provide the services. The administrative rationality and impartiality of the administrative action are therefore only enforced if internalized in the action of public servants while providing the services to citizens (Merton, 1968).

Is this just an argument rooted in history? Because of complex economic and political changes, it has been argued that the mechanisms of control and regulation of the private economic system can more efficiently regulate PA action (Du Gay, 1994). Following this assumption, outsourcing, and more generally the “Contract State,” have been presented as potentially effective instruments for strengthening some characteristics of the administrative system – in particular efficiency – and therefore, may also be construed as a means to facilitate the change of the mechanism that regulate its action, moving from rule-based mechanisms of control to quantitative measurements typical of competitive markets. However, this change underestimates the consequences for the enforcement of the principles of equality and impartiality that govern the action of democratic states (Chapman, 1991; Du Gay, 1994, 2000).

7. Outsourcing as enablement

Outsourcing is not only a strategy for transforming bureaucracies into market-oriented organizations but can also be conceived as a practice for supporting bureaucratic administrative functions. The choice to outsource existing administrative procedures can possibly improve the administrative system's efficiency and effectiveness without changing its underpinning logic (Willcocks & Harrow, 1992; Willcocks & Mason, 1987). Since the 1980s, outsourcing has been undertaken to provide the proper and adequate tools and solutions for the effective support of bureaucratic organizations both in the private and public sector. Outsourcing of repair and maintenance activities and the outsourcing of the IT function in particular are some examples of market-mediated solutions designed to make PA more effective and efficient. This has been achieved by incorporating in outsourcing contractual agreements multiple levels of controls. The increased layers of control and the more transparent and less expensive monitoring systems provided by market-based mechanisms can offer a superior and more efficient decision making process, and help the design and production of more functional governmental bureaucratic systems.

As discussed in transaction cost theory (Williamson, 1975, 1979), different organization structures can be conceived to coordinate organization activities. Market-like systems are very effective mechanisms of coordination when the complexity of the task and the specificity of the resources under exchange are low. This means that externalization of service provision and organizational tasks are increasing the efficiency and the effectiveness of the PA activities only when the outsourced tasks or services are very simple and not highly specific. Outsourcing can externalize part of the administrative complexity; for example, one can delegate to market-based mechanisms of control the monitoring of execution of the tasks.

Transaction cost theory elaborates a powerful framework that can be used to analyze the impact of outsourcing on organization structures and comprises a clear argument about the potential effects of outsourcing on bureaucratic organizations. This argument is based on the assumption that failures in the bureaucratic organizational mechanisms can occur because of information processing and handling-related problems. The transaction costs framework assesses different organization structures on the base of their ability to handle and process information and information-based relations.

As a response to the failures that characterize public sector reforms and outsourcing projects deployed along the notion of “Contract State” we here propose an alternative set of ideas to inform outsourcing strategies in the public sector. This conceptual model for outsourcing policies, while considering the opportunities opened by externalization of public service's activities and services delivery, does not neglect the role of bureaucratic organization in enforcing fundamental democratic values, such as impartiality and equality for citizens before the state. In fact, it relies upon the assumption that the bureaucratic organization has to be preserved as long as it is able to provide coordination better than alternative organizational structures, such as market-like organizations. Unlike other forms of evaluation, this assumption does not pretend to compare the costs of running a bureaucratic organization, vis-a-vis, the cost of running a market-like organization. Rather, it compares the costs of running the two structures to provide the same set of organizational outputs. This means that it is not possible to compare market-like organizations and bureaucracies where they provide different organizational outputs.

It follows that when outsourcing policies are implemented to reform PA organization, and at the same time to change the nature of services provided by the same offices, we cannot compare these two different forms of organization. This means that the values enforced by bureaucratic organization, such as impartiality and equality of the citizens in front of the state, are here considered valuable outputs to be preserved while still considering alternative forms to coordinate the action of public offices.

We would suggest that bureaucratic organization is not necessarily the main reason for the crisis in public sector administration; rather a major cause can be found in the increased complexity of the administrative procedure needed to provide public services. The question arises: how can outsourcing be deployed to revitalize the capacity of public bureaucratic organizations to handle the increased complexity of the administrative procedures needed to successfully deliver public services? Cordella (2007) argues that e-Government policies should be designed to make bureaucratic organizations able to cope with the increased administrative complexity rather than to eliminate them in favor of market oriented service delivery. His suggestion is supported by the argument that, as we have previously discussed, bureaucratic organizations add value to public services. The solution Cordella (2007) proposes is based on the notion of the e-bureaucratic form. This idea not only provides a possible strategic orientation for the design of e-Government and ICT policies, but also a useful departure point for discussing when and where public services’ outsourcing will not adversely affect the public value guaranteed by the delivery of services via bureaucratic organization. Following the transaction costs model (Ciborra, 1993; Malone, Thomas, Yates, & Benjamin, 1987), bureaucracies are unambiguous organizational forms with very specific characteristics designed to achieve very specific goals. These are organizations that follow the logic of the bureaucratic coordinating mechanism, as summarized in the norms and rules, to coordinate the execution of organization’s activities and hence to deliver services (Kallinikos, 2006).

This body of rules and routines represents the core information system that defines the bureaucratic coordination mechanism. Bureaucrats have to fulfill the ordinary duties following these normative prescriptions that define how and when to deliver public services. This information system can fail to provide the efficient coordination mechanism needed where required to execute extremely complex and high interdependent organizational tasks (Galbraith, 1977; Williamson, 1985). In this case, too many rules and norms have
to be taken into consideration while executing the tasks. Coordinating and controlling, in order to ensure that all the interdependent norms and rules are properly considered, can jam the organizational processes, making the final execution of tasks impossible.

In line with the transaction costs argument, bureaucracy is in fact efficient in coordinating organization activities that do not deal with highly complex environments and highly interdependent organizational tasks. Typical examples of such failure are the delay in and waiting time needed to get proper answers from the PA and the failure of the PA in providing correct answers to specific citizens' requests. The solution to these failures has been often been addressed proposing the outsourcing of part of the tasks and activities needed to pursue the PA duties with or without the implementation of e-Government policies aiming at facilitating the externalization of traditional PA's functions. In these cases outsourcing is perceived as the proper solution to solve the administrative complexity face by the PA in coordinating complex activities.

It must, however, be recalled that the delegation to market like mechanisms of control is only efficient if the outsourced activities are not complex and specific, without recognizing that the complexity that is today faced by the PA is mostly related to the coordination of activities that are complex and specific. In these cases, outsourcing, rather than reducing the administrative complexity, will increase it thereby making more difficult the coordination of the activities of the PA, and less efficient and effective the delivery and administration of such activities. The failures of the PA in delivering efficient and effective services are in fact due to the incapacity of the PA in managing the internal and external information flow and in processing this information flow along the line of the legal rational procedural mechanism.

Outsourcing and public sector reforms policies in general, should first try to answer this problem. Following Cordella's (2007) argument, only when the use of ICT to support the bureaucratic function or other reforms in the internal organization of bureaucratic activities continue to fail to support the bureaucratic organization is where there is space to re-think the nature of the services and the media channels through which they are delivered. In such cases, the use of market-oriented mechanisms such as outsourcing, are possible solutions. However, these decisions involve a balancing act for a complex set of factors that include cost; coordination efficiency; the delivery of stated services; and the maintenance of public values of equality, impartiality, and rights embodied in the public rule base. Outsourcing can support the distinctive bureaucratic forms found in the public services, and it is by no means clear that, in concrete cases, outsourcing will express the comprehensive intentions of such bureaucracies in terms of outputs and value. Therefore, there is required a much richer analysis of the trade-offs and desired outputs than is implicit in much “Contract State” thinking and in much government-initiated outsourcing policy.

8. Conclusion

Given the central role of government in protecting its electorate and citizens, a major question in public sector contexts is how can financial and other risks to taxpayers and citizens be kept to a minimum? The introduction of private sector ethos and practices in the form of IT outsourcing can compromise this objective, but we show ways in which the risks can be mitigated. However, U.K. governments have perhaps moved too enthusiastically, and sometimes on too grand a scale down the road of contracting out ICT services. In doing so, it has led to question marks being placed against its belief in the superior cost efficiency and effectiveness of increased competitiveness and of private sector companies as opposed to in-house teams. This, of course, need not be a necessary outcome. But the volatility of the political and legislative climate created by the governments of the 1990s and new century, and the lack of understanding of, and interest in, the ICT implications of their political mandates amongst government ministers and many senior civil servants hardly created a climate conducive to successful large-scale ICT outsourcing.

In retrospect, much of the ICT development necessitated by the speed of legislative and structural change would perhaps have been better handled on an in-sourcing basis. But this assumes a confidence in in-house public sector IT departments, a confidence that is not apparent amongst the governments of the day of whatever political hue. One major aim of market testing and privatization of ICT services has been to achieve dramatic cost savings and reduce the public sector borrowing requirement. In the public sector the circumstances may be being created whereby, through widespread outsourcing to private sector IT suppliers, IT services will cost more, but still deliver benefits that are no more tangible than before.

Our paper points to a less than thoughtful move to ICT marketization and outsourcing throughout central government departments throughout the 1990–2009 period and calls for a more disciplined approach to outsourcing, that can in fact be learned from private and public sector experiences alike. A key part of this is rebuilding internal ICT skills in terms of ICT policy development and management capability, the latter translating into the ability to elicit and deliver on business requirements, manage external supply, achieve governance, and keep control of the ICT blueprint and of IT destiny. Until PA can achieve high performance in these capabilities, it will be (and demonstrably has been) high risk to go down the route of large-scale ICT outsourcing. The “Contract State” rhetoric has not only favored outsourcing but also the denigration of bureaucratic structures and values, despite the fact that bureaucracies in specific concrete forms can be the rich repository for values, skills, efficiency and effectiveness, where supported by a distinctive public management ethos, and suitably supportive ICTs.

We conclude, therefore, that a reconsideration of the value of bureaucracy, a rebalancing of outsourcing and in-house sourcing, and a reassessment how flexible ICTs could be deployed, would seem to be a useful counterweight to the rhetoric of progress, modernization, transformative ICTs, and new public management that has shaped the public debate over the last 20 years.

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Please cite this article as: Cordella, A., & Willcocks, L., Outsourcing, bureaucracy and public value: Reappraising the notion of the “contract state”, Government Information Quarterly (2009), doi:10.1016/j.giq.2009.08.004