IT Outsourcing in the Public Sector

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- Comparison between Public and Private Sectors
- Public Procurement
- Outsourcing and Off-shoring
- IT Outsourcing in the Public Sector
    - A strategic change (for whom)?
    - The winner's curse?
- Conclusions

Public sector

- Big part of any country's economy
- Vary in numbers and responsibilities
- More similarities than differences
- No competition
- Many contacts with citizens and businesses
- Blurring distinction between private and public

Comparison between Public and Private Sectors

	Private	Public
Competition	yes	no
Size of organizations	1-10.000+	1-10.000+
Geographical dispersion		
- Local	yes	yes
- Regional	yes	yes
- National	yes	yes
- International	yes	yes (few)
Production		
- Goods	yes	no
- Services	yes	yes
Profit driven	yes	no
Openness	no (limited)	yes
Contacts with customers	vary	many

Public sector and public procurement

- The biggest single buyer
- More tedious, risky and costly selling?
- Buyers' competence
- External experts
- Jurisdiction
- Contacts between buyers and sellers
- Framework agreements and call-off contracts

Outsourcing and Off-shoring

Outsourcing is a one-time event for a specific function that previously has been a part of an organization and afterwards becomes a part of another organization and the relation between these organizations is regulated by a contract.

Off-shoring is outsourcing to another country

IT Outsourcing in the Public Sector

- Politicians
- Outsourcing public organizations
- Outsourcers – service providing organizations
- Outsourced personal
- Clients: citizens and businesses
- Procurement departments

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		Client	
		Negative impact	Positive impact
Supplier	Winner's curse		
	No curse		

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Client

	Negative impact	Positive impact
Winner's curse	(Lose-Lose)	Required Cost/Service Too High Cost for Supplier
No curse	Too High Cost for Client Supplier Secures Profit Margin	Win-Win

Supplier

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***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?"** (Willcocks and Currie, 1997)*

*...outsourcing may reflect the desire of senior managers **to get rid of a troublesome function** that finds it difficult to demonstrate its business value (Lacity, Willcocks and Feeny, 1995)*

Conclusions

- IT outsourcing is a strategic issue
- Public sector's experiences not always applicable in public environment
- From equipment to service procurement
- Almost everybody will be influenced by IT outsourcing
- The winner's curse occurs