

**AN EVALUATION OF THE PROCESS AND IMPACT OF OUTSOURCING
INFORMATION TECHNOLOGY (IT) SERVICES BY EASTERN CAPE
TREASURY DEPARTMENT (ECTD) TO THE STATE INFORMATION
TECHNOLOGY AGENCY (SITA)**

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ABSTRACT

The aim of this research is to evaluate the process and impact of outsourcing information technology (IT) services of Eastern Cape Treasury Department (ECTD) to State Information Technology Agency (SITA).

This research study has been prompted by the fact that the South African Government through the National Department of Public Service and Administration has established SITA with a sole purpose of improving service delivery by all national, provincial and local government departments. The researcher's concern is whether the relationship between SITA and these departments is working or not.

The research paradigm adopted is a constructivist approach and the ontological position adopted assumed multiple realities. The research method used in this study is the evaluation research method. Key to the research procedure was the fact that four senior officials were interviewed using audio recording, wherein two were each chosen from SITA and ECTD. The researcher used document analysis and interviews as a means of collecting data. Separate open-ended questions for SITA and ECTD were structured in such a way that it would be easy to extract themes describing the details of a particular question. The researcher made use of thematic analysis. The theory-drive code development process was key in the research analysis.

ECTD outsourced to SITA the following IT services, namely, provision or maintenance of a private telecommunication network (PTN) or a value-added network (VAN); transversal information systems and its data-processing or associated services; training in IT/IS; application software development; maintenance services for IT software or

infrastructure; data-processing or associated services for specific IT applications or systems such as website development; and IT support.

The interviewed officials from ECTD contend that they used the SCM Guide and SITA ACT when pursuing IT outsourcing for projects such as those listed above. One of the key projects outsourced to SITA is the IFMS, which is a project programme of the National Treasury Department working closely with provinces (e.g. ECTD), National Department of Public Service and Administration (NDPSA) and SITA. The IFMS project has been implemented following the SCM guidelines. The key SCM Guide components are demand, acquisition, logistics, and disposal management.

The engagement model used by SITA to guide them on the process of engaging in an IT outsourcing relationship has, according to the officials interviewed, been a success. SITA uses a standard contract wherein other specific contracts receive minor adjustments.

The impact of IT outsourcing has shown increases in customer satisfaction improvement, transformation of government procurement and provisioning practices, appointment of Consultants, interpretation of the Preferential Procurement Policy, promotion of the consistent application of Best Practices, information systems security environment, and improving service delivery.

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LIST OF ABBREVIATIONS

BAS	Basic Accounting Systems
CRM	Customer Relationship Management
ECM	Enterprise Content Management
ECTD	Eastern Cape Treasury Department
ECPD	Eastern Cape Provincial Departments
GITO	Government Information Technology Officer
HOD	Head of Department
ICT	Information and Communications Technology
ID	Identification Document
IFMS	Integrated Financial Management Systems
IS / IT	Information Systems / Information Technology
LOGIS	Logistic Information Systems
MIS	Management Information Systems
NDPSA	National Department of Public Service and Administration
NPA	National Prosecuting Authority
OEM	Original Equipment Manufacturer
PERSAL	Personnel Salaries System
PGITO	Provincial Government Information Technology Officers
PTN	Private Telecommunication Network
R&D	Research and Development
RFI / RFP	Request for Information / Request for Proposal
SAPS	South African Police Services
SCM	Supply Chain Management
SITA	State Information Technology Agency
SLA	Service Level Agreement
TIS	Transversal Information Systems
USR	User Requirements Specification
VAN	Value Added Network

1. CHAPTER 1 – INTRODUCTION

1.1 RESEARCH CONTEXT

State Information Technology Agency (SITA) was established in 1999 to consolidate and coordinate the South African State's information technology resources in order to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperabilities (SITA, 2006).

SITA is governed by the SITA ACT No. 88 of 1998 as amended by the SITA Act No. 38 of 2002 (SITA, 2006). In the Act (section 6), it states that the objectives of the Agency are:

"To improve service delivery to the public through the provision of information technology (IT), information systems (IS) and related services in a maintained information systems security environment to departments and public bodies; and

To promote the efficiency of departments and public bodies through the use of information technology."

However, within the South African and in particular in the Eastern Cape context, the National Department of Public Service Administration (NDPSA) (2006) has emphasised that the department's core objectives need to be achieved. Many departments have opted to outsource the IT services to SITA so as to ultimately achieve superior service delivery. It is through this pursuit of excellent service delivery that various public organisations think of IT outsourcing as one of the ways of achieving their goals by engaging the services of organisations like SITA (Lawther, 2004).

In emphasising the importance of outsourcing relationships between public sector departments and SITA, Webb and Laborde (2005) agree with Niven (2006) when they state that the attention of both the outsourcer and the client is necessarily focused on the client's customers and their satisfaction. Therefore, the public sector has to make sure the citizens are happy with the service delivery offered.

Furthermore, the Act separates SITA's services into mandatory services and non-mandatory services as outlined in Table 1 below.

Table 1 : SITA's Mandatory and Optional Services	
Mandatory	Optional
Provide or maintain a Private Telecommunications Network (PTN) / Value Added Network (VAN)	Training
Provide or maintain transversal systems	Application software development
Provide data processing for Transversal Information Systems (TIS) such as Financial, Payroll, and Supply chain systems	Maintenance of software & infrastructure
Procure IT for government	Data processing for department-specific applications or systems
Set standards regarding interoperability	Technology or business advice for IT
Set standards regarding security	Research and Development
Set standards for certification of IT acquisition	Management services
Certify all acquisitions for standard compliance	Sell authentication products
Eliminate duplication	
Leverage economies of scale	
Source: SITA (2006)	

SITA is managed as a private company. It was registered with the Registrar of Companies as "State Information Technology Agency (Pty) Ltd",

registration number 1999/001899/07, on 29 January 1999. However, the government is the sole shareholder and the rights attached to the shares shall be exercised by the Minister of Public Services and Administration on behalf of the State (NDPSA, 2006).

SITA performs the following functions (as per the SITA Regulations of 1995), namely,

- develop a strategy regarding the convergence of information systems;
- demonstrate the value added by PTN or value-added network (VAN) services provided by SITA;
- prepare a disaster recovery strategy and business continuity plan and procedures for mandatory services used by departments;
- set standards regarding the information systems security and the interoperability of such systems;
- certification of information technology goods and services;
- do information technology (IT) research on behalf of departments;
- provide and maintain transversal systems; authenticate products and services acquired via procurement; compile and maintain an up-to-date inventory of information systems of departments; and
- provide and maintain related services as per business agreements with departments.

In discharging these responsibilities, SITA makes use of information and telecommunications technology (ICT) players such as GijimaAST, Arivia.com, Vhuwani, Amava Information Technologies, Advocate Technologies, etc. These ICT players' profiles are kept in SITA's database. A total of 65 contracts worth R1 527 billion were awarded during the financial year 2006/7. Of these, 86% were awarded to black economic empowered service providers. It is SITA's contribution in developing the indigenous ICT industry where they would expect to see progress in the future (SITA Annual Report, 2007).

Institutions consider outsourcing in order to lower their costs and increase their focus on their core business (Hirschheim, 1997). Organisations engage in outsourcing in order to complete activities in which they do not possess a competitive advantage (Hitt, Ireland, and Hoskisson, 2005). It is this realisation that causes the use of external vendors who have the core competence and capability of delivering their activities.

With increasing cost-reduction pressures, outsourcing of information technological services has emerged as an important option for managers in companies around the world (Apte, Sobol, Hanaoka, Shimada, Saarinen, Salmela, Vepsäläinen, 1997). Apte *et al.* (1997) produced comparative research results of countries like USA, Japan and Finland which showed the types of IT functions being commonly outsourced, the extent to which these functions were outsourced, views of Chief Information Officers (CIOs) on the desired cost savings and the comparative ratings of the advantages and disadvantages of IT outsourcing. Matthews (2004) has conducted a study which established IT outsourcing trends in South Africa. In this research it was found that South African organisations engaging in IT outsourcing partnerships were on the increase with the emphasis on cost reduction.

Goolsby and Whitlow (2003) state that good planning and an adherence to this plan by the parties to the contract is key to the success of any outsourcing initiative. They present findings and conclusions from lessons extracted from a study of 50 outsourcing relationships. It is important that buyers of any IT service should have a clear understanding of what they want done and declare upfront their (i.e. buyers) capabilities and responsibilities so that the provider knows clearly the extent of the task to be done.

To be sure of the effective outsourcing relationships, the outsourcing partners should take time and effort to build the relationship (Kobylarz, 2001). In emphasising the above mentioned view Kobylarz (2001) said, “business executives must plan how and where the outsource partner fits into the overall business. This plan must be communicated to all employees and reinforced with incentives. Lack of understanding and incentives often leads employees to feel threatened. The result can be a lack of communication and cooperation with the outsourcing partner which defeats the goals of the partnership” (Kobylarz, 2001:1). Communication and cooperation between a client and their outsourcer allow for the formation of mutual respect and understanding, qualities, which can greatly increase the sustainability of an outsourcing relationship.

In the light of the above discussion the research problems can be formulated as follows: What factors affect the effectiveness of IT outsourcing in the Eastern Cape Treasury Department (ECTD) and SITA? Evaluating the process and impact of IT outsourcing services of the ECTD to SITA will involve examining the following aspects: strategic decision making wherein strategic outsourcing should look at overall business goals and processes in light of desired performance outcome, required skill sets, acceptable risks and relationship management (Cohen, 2002), the definition of the need, identification of the partner(s), contract or Service Level Agreements (SLAs), and implementation.

1.2 GOALS OF THE RESEARCH

The aim of this research is to evaluate the process and impact of outsourcing information technology (IT) services of Eastern Cape Treasury Department (ECTD) to State Information Technology Agency (SITA).

This aim will be achieved by addressing the following research questions, namely:

- (1) How did they go about outsourcing?
- (2) Was it a strategic decision or not and if so, was it an appropriate strategic decision?
- (3) Did SITA help refine the defined need?
- (4) Did Eastern Cape Treasury Department (ECTD) choose an appropriate partner?
- (5) Does SITA have the capability to provide the service?
- (6) Are SLA targets clear and reasonable?
- (7) What has been done to manage the relationship and how effective has it been? Both the drafting of the contract and in its implementation will be considered.
- (8) Has there been implementation according the contract and SLA?
- (9) How and what benchmarks were used in the outsourcing process?

1.3 IMPORTANCE OF THE STUDY

This research study has been prompted by the fact that the South African Government through the National Department of Public Service and Administration has established SITA with a sole purpose of improving service delivery by all national, provincial and local government departments. The researcher's concern is whether the relationship between SITA and these departments is working or whether the service is delivered satisfactorily.

Guidelines are desirable because the decisions involved in an outsourcing situation are complex and diverse circumstances and conditions are encountered. Decision makers who are responsible for information gathering have to decide on the processes to be followed and the factors to be taken into account. At the same time, they have to consider and trade off a variety of information and criteria. The situation is further complicated because decisions are difficult to evaluate, as adequate outcomes and feedback only

occurs once outsourcing has been implemented and been operational for a period of time (Grover, Cheon, and Teng, 1995).

Specifically, Msimang (2005) has mentioned in the annual financial report that the workload on the IBM mainframe technology platforms operated at the Eastern Cape government in Bhisho and that of KwaZulu Natal government in Ulundi was consolidated onto the Pietermaritzburg Data Centre, resulting in a significant reduction of operational costs for the government.

The reason why SITA is part of relationship management is because the government has established a relationship with SITA. That relationship has according to Barron (2004) been having communication shortcomings, incompetencies and corruption. Within the period of five years from 1999, SITA had eight Chief Executive Officers (CEO) and acting CEOs. Colin van Schalkwyk, left with a year of his contract still to run.

By 2004, SITA was responsible for 300 tenders worth R2.8-billion (Barron, 2004). Rasethaba (2000) presented concerns to the directors of government departments at a SITA seminar in Pretoria that they were often not satisfied because they couldn't get straight answers from SITA. He blames in part bad communication between the SITA and government.

1.4 CHAPTER OUTLINE

This research report will consist of 5 chapters. Chapter 1 will include an explanation of how the research arose, the importance thereof, and the environmental and/or organisational context within which the research occurred. The purpose of chapter 2 is to provide a theoretical basis for the proposed research. Chapter 3 provides an overview of the research design that was used to conduct the research and collect data necessary to answer the research questions as outlined in Chapter 1 (i.e. introduction and

research proposal chapter). In essence, this chapter will consist of four main parts, namely, what the researcher is intending to do (i.e. aims and goals of the research), description and justification of the research design (i.e. paradigm, research method, data collection, and data analysis), description of the research procedure to be followed, and finally a brief summary of research design and procedure, and acknowledgement of delimitations and limitations of the study.

The results of the research field work will be presented and discussed in Chapter 4 wherein this chapter will provide an analysis of the data collected through the methods outlined in Chapter 3. In essence, this chapter will combine the information gained from the interviews conducted with the SITA and ECTD officials and documents analysed (e.g. Supply Chain Management Guide, SITA ACT as Amended No. 38 of 2002, Service Level Agreements, Contract 398, and SITA 2007 Annual Report and discussed in the light of the theory). The chapter on discussion to the research findings has been integrated in chapter 4. Finally, chapter 5 serves to highlight the main findings, discuss the recommendations for management practice and ultimately advance a discussion on what needs to be investigated in future research based on the current research study.

2. CHAPTER 2 – LITERATURE REVIEW

2.1 BACKGROUND AND INTRODUCTION

The purpose of this chapter is to provide a theoretical basis for the proposed research, the aim of which is the evaluation of the impact of outsourcing Information Technology (IT) services of public organisations to the State Information Technology Agency (SITA). The literature will be drawn from the following field of studies, that is, Management Information Systems (MIS), Operations Management and specifically outsourcing of IT.

Emanating from the research topic, the literature review will seek to find a theoretical basis for the following research question:

What factors affect the effectiveness of IT outsourcing in the Eastern Cape government and how is effectiveness recognised? That is evaluating both process and impact.

To do this the following research sub problems will be investigated:

- What factors determine the suitability for IT Outsourcing as an option for public organisations?
- What are the problems characterising outsourcing in public organisations?
- What role does relationship management have in terms of an outsourcing relationship?

This paper will provide a critical analysis of key focal areas, namely outsourcing (that is, a general approach to the conceptual understanding of outsourcing), IT outsourcing (that is, a specific reference to IT

outsourcing), the nature of IT outsourcing decision, service level specifications for outsourcing relationships, avoiding outsourcing problems, risks associated with outsourcing, the impact of best practices on outsourcing arrangements, the use of external vendors, public organisations, public versus private sector comparison of outsourcing, disadvantages of outsourcing in public organisations, SITA's relationship with the public sector, and relationship management.

2.2 IT OUTSOURCING

In this section the background, growth, types and reasons for outsourcing will be explored. Finally, the nature of IT outsourcing decisions will be discussed.

Brown (2006) has stated that by 2006, IT management services revenue for the midsize business market will exceed \$15 billion in the United States. Since, the United States is the economic leader, these effects of outsourcing are likely to be felt equally in South Africa, and hence putting outsourcing at the centre of organisations' agenda. Burnes and Anastasiadis (2003) concur with Brown (2006) when they state that many commentators such as Cant and Jeynes (1998), Domberger (1998) and Gay and Essinger (2000) have noted that outsourcing is one of the fastest-growing and arguably most important areas of business activity.

The business world is increasingly adopting the practice of outsourcing various organisational activities. In the information systems (IS) discipline, outsourcing has become a viable, strategic alternative to acquiring and managing costly and complex information technology (IT) (Grover *et al.*, 1995). Despite the growth of IT outsourcing, Grover *et al.* (1995) states that there is relatively little research which appears to have been carried out on the management strategies required to ensure its success. This statement by Grover *et al.* (1995) is supported by the subsequent amount of research as

exemplified by writers such as Brown (2006), Webb and Laborde (2005) and many others.

Institutions consider outsourcing in order to lower their costs and increase their focus on their core business. Outsourcing appeared in the management information systems, information technology and operations management fields in the late 1980. certain organisations engage in outsourcing in order to complete activities in which they do not possess a competitive advantage or in which they prefer not to develop an advantage. It is this realisation that causes the use of external vendors who have the core competence and capability of delivering their activities.

Research suggests that few organisations can afford to develop internally all the technologies that might lead to competitive advantage (Hitt, Ireland, and Hoskisson, 2005). Therefore, by making use of external vendors in outsourcing those activities in which the buyer lacks competence, the buyer can fully concentrate on those areas in which it can add value.

Drucker (1995) stresses the fact that once organisations have examined all their possible internal economies (for an example, product supply and demand) and internal efficiencies and having implemented them, then those organisations need to look outwards and examine outsourcing opportunities. Therefore, organisations look to outsourcing because it is seen as a way to reduce costs, especially the labour costs which are associated with employee benefits, as well as the training and capital costs (Drucker, 1995).

According to Hitt *et al.* (2005) Information Technology (IT) and Research and Development (R&D) are two organisational functions that are commonly outsourced and in IT, offshore outsourcing is the world's fastest growing segment of the industry. Aggarwal (2003) supports this statement by describing the emergence of the growing demand for IT services to be performed by outside vendors especially by global companies in India. This

phenomenon is also actively practiced by both non-profit and profit organisations (Hitt *et al.* , 2005).

IT Outsourcing involves application service providers, applications outsourcing, business process outsourcing, infrastructure outsourcing, internet service providers, IT utility services, offshore services, managed and professional network services, network and internet services, software maintenance and support, solution implementation services, outsourcing relationships, communications services, consulting services, development and integration services, hardware maintenance and support. This, according to Sprague and McNurlin (1993) means turning over an organisation's computer operations, network operations, or perhaps other information systems functions to a vendor for a specified time.

According to Kweku-Muata and Ojelanki (2006) IT outsourcing is now almost standard practice for many organisations. The above mentioned authors state that outsourcing the information processing activities is a complex issue that entails considerable implications for the strategy of the organisation. The management of outsourcing requires skilled personnel who would provide strategic leadership (Goolsby, 2002). Goolsby (2002) states that outsourcing is complex and strategic, and executives need a breadth of skills and a depth of knowledge to do it successfully. The above mentioned assertions are supported by Gainey and Klaas (2005) wherein they state that firms increasingly use external vendors to provide training for their employees and that trust has been found to be essential in successful inter-firm relationships.

2.3 THE NATURE OF IT OUTSOURCING DECISIONS

IT outsourcing can take four forms: total outsourcing, multiple supplier/selective sourcing, joint venture/strategic alliance sourcing, and insourcing which is in the opposite of outsourcing (Currie, 2000). While IT

insourcing relies solely on inhouse IT resources and capabilities, IT outsourcing is the act of subcontracting all or parts of the IT function to an external vendor (Martinsons, 1993). Important decisions are made before, during and even after outsourcing has been decided on. For example, the decision to commence outsourcing can be arrived at for different reasons. The most desirable reason for outsourcing would be the rational one in which IT outsourcing is perceived as a method to improve organisational efficiency and effectiveness. There may also be the situation where management avoids making a decision by engaging the services of consultants. This, according to Fink and Shoeib (2003), is not unusual in IT outsourcing, as decisions are regarded as difficult, especially determining feasibility.

Multiple sourcing can be described as the strategies used to include the rating of vendors on a scale, the practice of choosing vendors from an approved list, and choosing the lowest priced vendor to minimise the potential for financial loss (Currie, 2000). The joint venture/strategic alliance sourcing is an agreement between two or more organisations to cooperate in a specific business activity, so that each benefits from the strengths of the other, and gains competitive advantage (Currie, 2000).

Circumstances, such as the dealing with multiple suppliers, reviewing inhouse IT resources and capabilities and making decisions before, during and after outsourcing, have led to the conclusion that the IT outsourcing decision is largely behavioural rather than prescriptive in nature (Fink and Shoeib, 2003). A behavioural approach of decision making can be described as one that “focuses on quasi-resolution of conflict, avoidance of uncertainty, problematic search, organisational learning, and incremental decision making” (Davis and Olson, 1985:191). Behavioural decision making is descriptive by nature and explains actual human decision making behaviour. By contrast a prescriptive approach assumes complete

information about alternatives, rationality of the decision maker and optimum results.

The former approach appears better suited to IT outsourcing decision-making than the latter approach since organisations take into account their own circumstances and requirements and make decisions that best suit them. They are confronted by a diverse set of circumstances, approaches and trade-offs when decisions are made on IT outsourcing. In order to make decision-making more prescriptive, early research attempted to provide direction by indicating what aspects of the outsourcing phenomenon to monitor and what activities to perform as suggested by Goolsby and Whitlow (2003) and Fink and Shoeib (2003). Leinfuss (1991), for example, emphasised the need to monitor the outsourcing vendor's work to make sure that promises about response times, completion dates and responsiveness to problems were delivered.

2.4 AVOIDING OUTSOURCING PROBLEMS

In this section, the discussion will focus on planning, operations management, provision/availability of human resource skills, communication and strategic outsourcing.

2.4.1 PLANNING

A plan is a formalisation of what is intended to happen in the future. A plan does not guarantee that a project will actually happen, it is merely a statement of intent that it will happen. Therefore, a plan which is not controlled will eventually fail. Control of the changes during the course of the project plan is very important. Having adequate management controls over the ongoing outsourcing relationship is crucial to its success. Goolsby and Whitlow (2003) suggest that buyers should ensure that they have in

place an executive who is accountable for management of the ongoing outsourcing relationship.

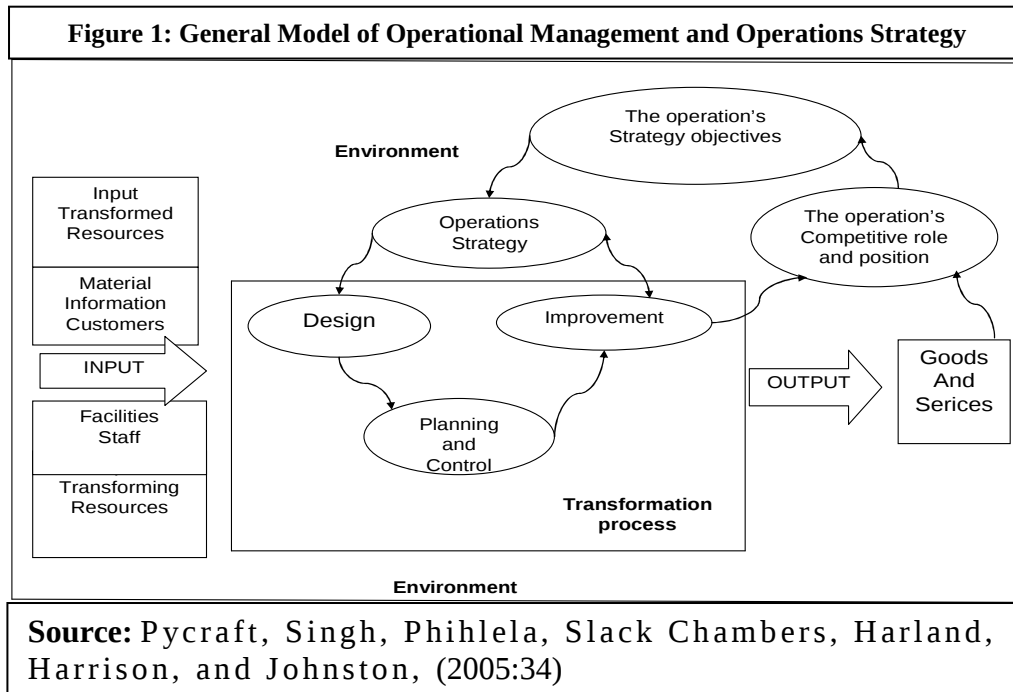
Goolsby and Whitlow (2003) state that good planning is key to the success of any outsourcing initiative. They present findings and conclusions from lessons extracted from a study of 50 outsourcing relationships. Their study first examines the problems encountered, then analyses how these could have been avoided. The study also reveals that, although the scenarios differ, each of the cases displays a common mistaken approach to outsourcing, which could have been avoided or mitigated if detected earlier.

2.4.2 OPERATIONS MANAGEMENT

The execution of outsourcing imperatives requires operational management principles for them to be successful. One of the key elements of operations management is input transforming resources as can be shown in Figure 1 below. Transforming resources are defined as those resources that act upon the transformed resources. Transformed resources are those resources that are treated and converted in some way, for an example, IT assets and human skills can be transformed to produce a good product such as a financial application package. In an outsourcing relationship, not knowing the value of assets (IT and human resources), lacking enough people on the buyer side to work (that is, the government seeking the services of IT vendor) through the implementation phase, having inadequate management controls over the relationship on an ongoing basis, and transferring bad data to the provider, can lead to unintended results (output).

The contribution of operations management is at the centre of all organisations. It is concerned with the production and supply of goods (e.g. software application) and services (e.g. Home Affairs officials' speedy processing of an identification document (ID) to a member of the public), and the management of the transformation process. All operations produce

goods or services or a mixture of the two, and they do this by a transformation process (that is, they use their resources to change the state or condition of something to produce outputs).



Under transformed resources, the IT hardware and software services which would be used by end-users or public servants and which, when designed, planned, coordinated and improved effectively and efficiently would yield an output of happy customers. This is demonstrated in Figure 1 above.

For any organisation which wants to succeed in the long term, the contribution of its operations function is vital. In order for organisations to achieve these successes, it is very important for them to make sure that they satisfy the customers by providing error-free goods and services which are 'fit for their purpose' in terms of quality, ensure a speedy service and delivery of goods, do things on time (that is dependability or keep promises), have operational activities that are flexible according to customer needs, and operations that produce goods and services in a cost effective manner. Ensuring effective and efficient operational performance objectives (that is, quality, speed, dependability, flexibility and cost) of any

organisation will contribute tremendously towards avoiding outsourcing problems (Pycraft, Singh, Phihlela, Slack Chambers, Harland, Harrison, and Johnston, 2005).

2.4.3 PROVISION/AVAILABILITY OF HUMAN RESOURCE SKILLS

Goolsby and Whitlow (2003) agree with Hitt *et al.* (2005) that there will be a problem if there is a lack of adequately skilled people in the buyer organisation assigned to work through the projects. Hitt *et al.* (2005) views this problem (that is, a lack of people with appropriate skills as a resource) as core competencies which are resources and capabilities that serve as a source of a firm's competitive advantage over rivals.

Failure to heed the above mentioned advice will lead to impacts like additional costs, delays and blaming the other party (that is, both parties in the relationship). This, according to Goolsby and Whitlow (2003) becomes the source of negative impressions which erodes the outsourcing relationship.

2.4.4 COMMUNICATION

The parties that are in an outsourcing relationship must communicate risks (see examples in section 3 below) and assumptions at an early stage of the negotiations. Transferring bad data from the buyer organisation to the provider can cause delayed implementation milestones or delayed progress in functionality of IT or business process. For an example, the Nike case study written by Regani (2004) wherein Nike refused to use the i2 company system development methodology, and continued to force i2 to implement an incomplete supply chain system. i2 was blamed for the fall of profits at Nike due to the poor implementation of supply chain system they were required to deliver in 2001.

It is important that buyers should have a clear understanding of what they want done and declare upfront their capabilities and responsibilities so that the provider knows clearly the extent of the problem to be solved and by whom. Nike have over one hundred technicians existent and engaged an outsourcing company called i2 to provide a supply chain system that would alleviate their inventory management problems. Before the project was finished by i2, Nike reverted back to its existent technicians to implement an unfinished system by i2 and that has led to numerous problems, one of which has been mentioned above (Regani, 2004).

This is a good case in point where the outsourcing imperatives were not clearly defined and detected earlier. Goolsby and Whitlow (2003) suggest that all parties need real visibility (for example, by holding continual meetings) into the outsourcing process, which would result in lessening the gap of accountability for resolving issues, finger-pointing, and a lack of insight into where the problem lies.

2.4.5 STRATEGIC OUTSOURCING

Kaplan and Norton (1996) introduced the balanced scorecard, a concept for measuring whether the activities of a company are meeting its objectives in terms of vision and strategy. By focusing not only on financial outcomes but also on the human issues, the balanced scorecard helps to provide a more comprehensive view of a business which in turn helps organisations to act in their best long-term interests. The strategic management system helps managers focus on performance metrics while balancing financial objectives with customer, process and employee perspectives. Measures are often indicators of future performance (Kaplan and Norton, 1996).

One of the most important reviews that need to be done in a balanced scorecard, is for the organisations especially the buyers to understand their cost drivers as to whether they significantly impact negatively or not on the

ability of the business to grow (Cohen, 2002). In the simplest terms, strategic sourcing implies a higher level of strategic importance to the sourcing organisation than does a more routine “contracting out” (Cohen, 2002).

Strategic outsourcing should look at overall business goals and processes in light of desired performance outcomes, required skill sets, acceptable risks and relationship management. As such, it could dramatically impact on the structure and nature of an organisation as it moves forward to tackle a business problem or seize an opportunity. Since outsourcing has been addressed in this paper as a strategic move by organisations, it is therefore justified that balanced scorecard measurement approach is important to be used in looking at the organisational successes holistically (Kaplan and Norton, 1996).

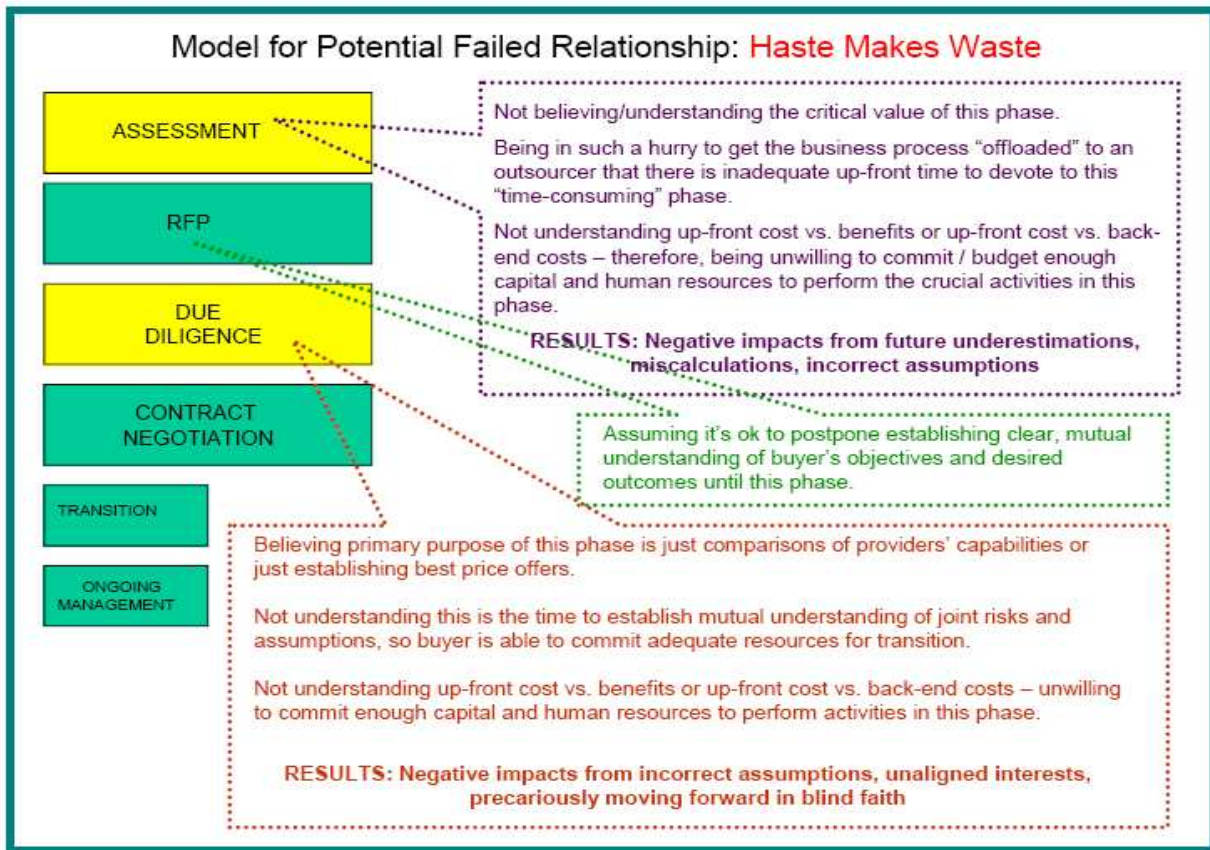
Confronted with the need to achieve ever greater organisational benefits, in terms of effectiveness and efficiencies, with ever diminishing resources is driven demand for management systems that provide feedback about the effectiveness of strategies chosen by an organisation to achieve its goals. The Balanced Scorecard is one such management system that provides a process and methodology that can be tailored for each organisation (Kaplan and Norton, 1996).

Goolsby and Whitlow (2003) conclude that many problems could have been avoided had it not been for executives’ disregard for relationship structures. The tendency by some executives is to misuse their powerful position by taking decisions which are in contravention with the outsourcing relationship parties. Failure to adhere to agreed outsourcing guidelines or SLAs may lead to potential problems which could adversely affect the delivery of the promised product or service. Therefore, managers should respect and honour the terms of reference outlined in the service level agreement so as to maintain the integrity of the outsourcing relationship.

Illustrated in Figure 2, are categories or stages of outsourcing which, if neglected, cause problems (Goolsby and Whitlow, 2003). An example is overlooking the importance of assessment and due diligence. In this model, discussion of and agreement on assessment of costs versus benefits and the understanding of the critical value adding issues become central issues. After the assessment of the organisation's needs, it becomes imperative to understand whether the interests of both organisations who are seeking to engage each other in an outsourcing agreement are aligned or not, and what impact that will have on both organisations (for example, in terms of human capital). Therefore, Figure 2 below emphasises the importance of knowing the reasons for outsourcing, the project life span, what to deliver and by monitoring mechanism of sustaining the service.

All organisations would want to satisfy their customers by providing error-free goods and services which are 'fit for their purpose'. If the organisation succeeds in achieving this, then it is giving a quality advantage to the organisation (Pycraft *et al.*, 2005). Ineffective service levels will cause the provider to achieve the wrong or unintended objectives such as an unfriendly application system which will be very difficult to implement. Goolsby and Whitlow (2003) suggest that the best way of avoiding these problems is by including all the quality information standards in the Request for Proposal (RFP) and ultimately incorporate them in the SLA mentioned in Figure 2 below.

A rigorous analysis of the response to the RFP by the providers (or buyers) is essential for core competency and capability analysis purposes. A core competency can take various forms, including technical or subject matter know how, a reliable process, or close relationships with customers and suppliers (Mascarenhas, Baveja, Jamil, 1998). Modern business theories suggest that most activities that are not part of a company's core competency should be outsourced. If a core competency yields a long term advantage to

Figure 2: Model for Potential Failed Relationship

Source: Goolsby and Whitlow (2003:10)

the company, it is said to be a sustainable competitive advantage Hitt *et al.* (2005). This is one the ways of ensuring that an outsourcing relationship is strengthened and according to Hitt *et al.* (2005), outsourcing can be effective because few organisations possess the resources and capabilities required to achieve competitive superiority in all primary and support activities. This means that at an operational management level, managers from both outsourcing organisations must ensure appropriate resources such as skills and capabilities. Therefore, without going through a formal Request for Proposal process and due diligence as suggested by Goolsby and Whitlow (2003), the impact of outsourcing is likely to have negative results.

Simon (1960) developed a similar framework to Goolsby and Whitlow (2003) which supports the model in Figure 2 by Goolsby and Whitlow (2003), and

which would assist outsourcing organisations in their decision-making process. According to Simon (1960) the decision-making process consists of the following phases, namely, the intelligence, design, choice, action, and evaluation and monitoring phases.

The **intelligence phase** is for problem identification or opportunity seeking. In this phase the environment is searched for clues that may identify problems or opportunities. This phase is the assessment stage according to Goolsby and Whitlow (2003). The purpose of the intelligence phase is to build and prepare a solid informational platform on which subsequent decisions can be built. In the words of Minoli (1995:167), this requires the “Development of the current IS baseline model, the so-called present mode of operations”, which can be used to consider organisational needs and circumstances, the IT functions, and the IT outsourcing phenomenon.

The **design phase** is for the planning of alternative solutions and involves processes to understand the problem, to generate solutions, and to test solutions for feasibility. During the design phase the current IT is analysed and the feasibility of outsourcing established. The following decision activities occur, namely, the effectiveness and the efficiency of the IT department should be evaluated on technical, operational, and economic criteria (Davis and Olson, 1985). The analysis should reveal whether or not there is IT alignment with the objectives of the organisation. If the existence of the IT department or its operations does not add value to the objectives of the organisation, then outsourcing may be an attractive option.

The IT outsourcing option itself should be evaluated against a range of factors as identified by Minoli (1995). Factors supporting IT outsourcing include cost savings in IT personnel, service improvements, IT skills not currently available, and freeing up staff for more strategic functions. Factors against IT outsourcing include IT function is too critical or

strategic, costs savings are difficult to demonstrate, the vendor may be difficult to manage or is unable to meet service and contractual goals.

The **choice phase** (or strategy selection phase) is involved with selecting an alternative or course of action from those available. A strategic selection is made whether to outsource totally, partially or insource. According to Fink and Shoeib (2003) it is important to determine which strategy to adopt, because the decision maker has to consider whether or not IT is core to business success, control can be maintained over IT while sharing it with external vendors, levels of service can be improved, service can be delivered more flexibly, and new risks can be managed.

Action phase reveals the weaknesses of Goolsby and Whitlow (2003) model shown in Figure 2 above wherein activities of this phase are missing in Figure 2. Once the IT outsourcing strategy has been selected, the organisation should take action in respect of selecting the outsourcing vendor and managing the outsourcing contract. According to Minoli (1995), there are a number of decision criteria along which potential vendors should be evaluated. They include track record, support talent, reasonableness of pricing, financial stability, negotiated performance measurements, and ability to meet on organisation's specific criteria. To arrive at a suitable agreement, it is important that an appropriate price be negotiated and that business requirements are determined and communicated to the vendor (Crone, 1992). Furthermore, service levels should be negotiated, the contract period be determined, and provisions be made for withdrawing from the contract and having it extended.

Evaluation and monitoring phase - Callaghan (1993:125) states that, "Without a framework that allows for regular reviews, a feedback mechanism and monitoring of progress, you are not destined for a smooth journey". The evaluation of IT outsourcing should focus on its outcomes such as improvement in service levels and quality of products and services,

and cost reductions. An assessment should also be made whether or not the outsourced IT function meets organisational and management objectives and whether the question of redundant staff has been satisfactorily resolved. The evaluation and monitoring of the IT outsourcing project should be carried out by management since they are the ones with the necessary authority to enter into and vary outsourcing arrangements.

The best-practice recommendation and key for a successful outsourcing relationship is for buyers to take steps to avoid the attitudes and thought processes indicated in the Haste Makes Waste Model for Potential Failure, as illustrated in Figure 2.

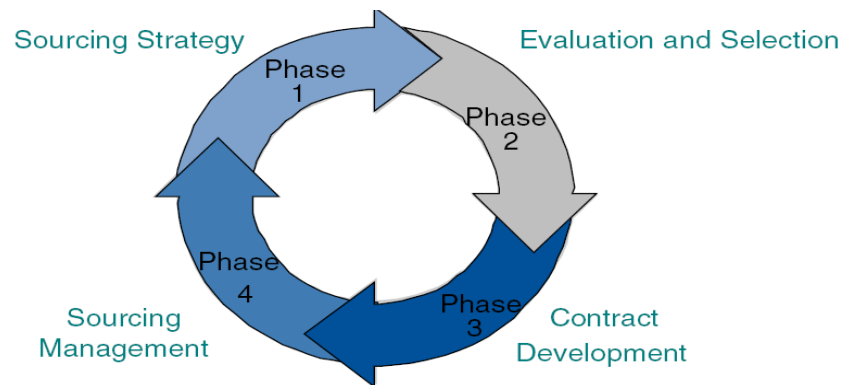
Stone (2003) divides the outsourcing cycle into four parts, namely, sourcing strategy, evaluation and selection, developing and negotiating deals, and sourcing management. In each of the four phases, there are specific human capital management activities that need to be completed when creating an outsourcing arrangement. Stone's (2003) framework is similar to that of Simon (1960) and as such the specific activities that need to be completed have already been explained in section 4 above. The combination of the above mentioned best practices of Goolsby and Whitlow (2003), outsourcing framework of Simon (1960) and that of Stone (2003) will enable the researcher to recommend an ideal model for the public organisations within the Eastern Cape government. .

2.5 RISKS ASSOCIATED WITH OUTSOURCING

Ambrose, Maurer and Dreyfuss (2004) states that when using an external service provider (ESP) to deliver IT and IT-enabled services, assume additional risks inherent in external sourcing. Key to the success of the performance of sourcing relationships, and ultimately the value delivered via those services, is in understanding and managing risk. A key goal is to avoid, reduce, transfer or eliminate risks that can affect a business. Risk

assessment is one of the outcomes of a sourcing strategy; however, organisations often only focus on risks when they are selecting the right service to outsource, choosing the right supplier of the outsourced service and developing the contract for delivering that service. Risk assessment and risk mitigation must be addressed across all four phases of the sourcing life cycle, if risks are to be effectively managed (Ambrose *et al.*, 2004).

Figure 3: Sourcing Life Cycle



Source: Ambrose *et al.*, (2004:1)

Typical problems outlined by Goolsby and Whitlow (2003) are the following, namely, that buyers making poor judgment usually manifest themselves in impacts surrounding ineffective service level specifications, underestimated value achievable in the relationship, or provide selection based solely on a prior existing relationship.

Impacts from all three of these problems result in less-than-optimal value from the relationship. In addition, each is likely to end in contract re-negotiations as was witnessed in a Nike against i2 case (Regani, 2004).

There are as many potential benefits from outsourcing as there are potential risks associated with outsourcing. According to Tompkins (2004), four major risks in outsourcing can be categorised into the four stages of outsourcing namely, outsourcing strategy: the process of determining whether or not to outsource and, if so, what to outsource, outsourcing

selection: the process of finding and evaluating potential outsourcing partners, outsourcing implementation: the relationship between outsourcing partners is defined and established, and outsourcing management: the monitoring and evolution of the ongoing outsourcing relationship.

Each of the abovementioned stages has their own unique set of risks. In addressing these risks organisations will go a long way to making the benefits of outsourcing a reality (Tompkins, 2004).

Outsourcing strategy risks can be summarized as those that will have long-term effects in organisations. Such risks are defined by Tompkins (2004) as follows:

- outsourcing undesirable functions versus the ones that provide greatest competitive advantage, not clearly defining goals and objectives before starting the outsource process, not establishing an effective internal baseline to measure providers against, including costs, service, and value adds, outsourcing in the international market without international operations experience,
- inadequate business case development for the outsourcing decision, making the decision to outsource without complete information on internal costs and processes, not considering the impact of outsourcing on other functions and areas of risk such as environmental and regulatory factors,
- lack of understanding the human relations and employment law requirements for an outsourcing initiative,
- announcing outsourcing before sufficient details have been finalised, creating morale issues, and
- lack of risk analysis and risk assessment planning.

Outsourcing selection risks can be summarized as ensuring enough resources to effectively manage the vendor selection process, not having the proper

internal skill set to effectively manage the selection process, not understanding or leveraging the benefits a Request for Information (RFI) can have in narrowing the potential provider field before entering the Request for Proposal (RFP) process, not casting one's net widely enough for potential providers of the service and thus missing good candidates, not involving a variety of perspectives in the selection process, poorly developed and documented service or product specifications, inaccurate costing of assets that will be transferred to the service or product provider, not doing business and financial due diligence on potential providers, insufficient knowledge of service provider capacity limitations, and making the selection process a personal rather than a commercial decision (Tompkins, 2004).

Outsourcing implementation risks can be summarized as not establishing an outsource relationship that has sufficient flexibility to deal with business fluctuations, initiating an agreement with a service provider that limits flexibility in the future, having an unrealistic timeline for any of the steps of the outsource process including start up, poor implementation planning with respect to timing of transition to service provider and demands on the organisation, underestimating the time required to negotiate a Service Agreement, not fully defining an employee transition plan, not getting the operational issues resolved in the Service Agreement before moving into the legal aspects of the agreement, inadequate planning concerning information systems and interfacing with the service provider, insufficient technology development before implementation, and not training the provider on critical elements of the company product line or service expectations (Tompkins, 2004).

Outsourcing management risks can be summarized as not considering the full impact of an outsourcing agreement on a company's financial condition, lack of internal communication, lack of incentives for provider continuous improvement, not establishing multiple touch points between the company

and the provider; lack of a contingency plan for major disruptions at the service provider, not putting a full communication plan into effect including escalation processes, regularly scheduled meetings, review periods, and employee communication; doing a poor job managing expectations around the go-live, expecting too much from a provider in the early months after go-live, neglecting to “flex” the outsource relationship as outsource requirements evolve, lack of a formal “lessons learned” roundtable on outsourcing in general and, specifically, established outsource relationship (Tompkins, 2004).

The process of Outsource Strategy, Selection, Implementation and Management is critical to achieving success from outsourcing. Avoiding the risks presented via a robust outsourcing process will significantly contribute to the ability to realise the benefits of outsourcing. Investing time and resource in the design and deployment of a proven outsource process will help avoid the risks of outsourcing (Tompkins, 2004).

2.6 THE IMPACT OF BEST PRACTICES IN OUTSOURCING ARRANGEMENTS

In this section, best practices in outsourcing relationships will be discussed. This will provide guidelines or efforts to achieve standardisation and centralisation. With these best practices the focus is on the high-value of the output or outcome.

According to Goolsby (2003) it is a given that an outsourcing service provider needs to know how to organise and manage its performance for maximum effect in achieving the buyer’s desired outcomes. However, Goolsby (2003:1) states that “in an environment where information technology (IT) is clearly a key factor in cost-effective, efficient performance and innovation, best practices are no longer just static guidelines of measurement or efforts to achieve standardisation and

centralisation”. Best practices demonstrate the best in both practical and innovative ways to work together to accomplish business objectives such as capacity-building, matching resource supply levels with demand, teamwork approach in implementation, change management and go-to-market strategies, responding to current trends and/or emerging issues, responding to new opportunities, and collaborating to enhance the value in outcomes.

As is evidenced in the case studies outlined by Goolsby (2003), the viewpoint that best practices are the responsibility of the provider is no longer always applicable. “Teamwork,” responding and “collaborating,” as noted in the paragraph above, require best practices to be practiced as a joint effort. Sometimes they are even initiated and undertaken by the buyer.

Best practices are not ends in themselves, for they are only one component of characteristics that foster high-value, enduring outsourcing relationships. Nevertheless, their high-impact value in an outsourcing arrangement cannot be taken for granted for their influence extends well beyond the immediate functions they touch. Thus, it is imperative that a buyer’s due diligence during the provider-selection process emphasises and determines a service provider’s reputation for an operating “style” that embraces and implements best practices at every step of the way (Goolsby, 2003).

Cohen (2003) suggest that for both public and private organisations to get and sustain the best outsourcing deal, they have to obtain the necessary competencies to develop robust sourcing strategies that map to business requirements, and develop the competencies to deliver a combination of internally and externally provided services seamlessly. Cohen’s (2003) assertions are in agreement with Hitt *et al.* (2005) and Burnes and Anastasiadis (2003) and Cohen (2003) further state that for these practices to be successful, appropriate skills, behaviours, processes and measurement schemes are required. Cohen (2003) prioritise strategic and creative collaboration between the outsourcing parties and because of the strategic

nature of the relationship, business leaders are deemed to be key in the success of these relationships.

2.7 OUTSOURCING BY PUBLIC ORGANISATIONS

This section explains the unique features of outsourcing in public organisations. Public sector outsourcing comparisons, reasons, types and disadvantages will be discussed.

2.7.1 BACKGROUND

When a government service is privatised or outsourced, there is a concurrent loss of control over the everyday delivery of that service (Lawther, 2004). The change from managing employees within a public sector to administering a contract may require monitoring and review techniques, data collection, and efforts to resolve new kind of problems

Else (2002) state that it is only in a financial and/or service-delivery crisis that government organisations entertain an outsourcing option. Else's (2002) analysis of outsourcing mentioned above is not adequate since it only considers outsourcing on financial grounds and is also reactive to crisis situations rather than considering it as a strategic imperative and the adoption of a proactive approach to organisational situations. Scardino and Ambrose (2003) strengthens the argument by stating that "government organisations must look at financial viability, flexibility, vendor ability to achieve economies of scale and to manage service level agreements, process maturity and the ability to innovate when evaluating external service providers for outsourcing engagements".

Outsourcing of IT services has been found to be a strategic way of contracting out for services especially those relationships that are entered into between the public and private sectors (Baum, 2002). The relationships

between public and private sector organisations favour the establishment of confidence in public organisations and the establishment of the infrastructure for a long-term perspective and win-win success in terms of business and overall government goals (Baum, 2002; Goolsby and Whitlow, 2003).

Outsourcing the provision of traditionally publicly provided services has become commonplace in most industrialised nations (Jensen and Stonecash, 2005). However, the essence of this research has precisely been captured by Jensen and Stonecash (2005) when they advance arguments for and against outsourcing and then examine the empirical evidence pertaining to whether any observed savings occur and whether they persist over time. Jensen and Stonecash's (2005) research results show that outsourcing lowers government expenditure by lowering wages, confirm the saving of costs and an increase in service quality.

Merrifield (2006) is not correct when he states that government regulations are a major drivers of outsourced jobs. Goolsby and Whitlow (2003), Fink and Shoeib (2003) and Hitt *et al.* (2005) have all cited costs, lack of core competencies and capabilities as the key drivers of outsourcing. Therefore, many authors such as those mentioned above use empirical evidence that IT outsourcing is considered on operational grounds rather than government regulation. Merrifield (2006) further states that temporary employment is an option that avoids some of the costs associated with these regulations, but outsourcing to a developing country provides additional savings. The assertion by Merrifield (2006) that outsourcing provides cost savings in developing countries is inaccurate since Feenstra and Hanson (1996) and Brown (2006) contend that this is a worldwide phenomenon. However, Merrifield (2006) agrees with Drucker (1999) that outsourcing is one of the ways of downsizing or right-sizing and as such increases efficiency and reduces costs in publicly funded institutions.

Within the South Africa, a developing country, and in particular in the Eastern Cape context, the NDPSA (2006) has emphasised that the department's core objectives need to be achieved, hence many departments have opted to outsource the IT services to SITA based on regulatory imperative such as those mentioned in regulation III C of the Public Service Regulation (2001) and supported by Merrifield (2006). Because of these mandatory requirements mentioned above, it is incumbent upon the government departments to implement these legislative provisions so as to ultimately achieve the superior service delivery quality so desired. It is through this pursuit of excellent service delivery that various public organisation think of IT outsourcing as one the ways of achieving their goals by engaging the services of organisations like SITA.

Outsourcing within the public sector means that public managers must adopt new roles to remain technically correct. These roles have proved to be quite a challenge considering the number of tenders which have ended up in the South African courts and newspapers. For an example, the Eastern Cape school feeding scheme has been embroiled in litigations because of the tendering processes which have not gone according to regulations (DOE Annual Report, 2006); and the Home Affairs Finger printing system has not yet been implemented because of the lack of skill needed within this department (Cashmore, 1996).

The decision to outsource should take place only after the completion of a thorough study identifying potential cost savings or existing public employees should be assisted in efforts to increase efficiency and service quality as part of this decision (Lawther, 2004). If a government agency does not recognise the need to change the tasks and activities of the remaining managers, and to provide appropriate training to ensure that they perform at the highest technical level, then ethical commitment is lessened, and a decrease in service quality is the likely result.

2.7.2 PUBLIC VERSUS PRIVATE SECTOR COMPARISON OF OUTSOURCING

Osborne and Gaebler (1992) identify three forms of competition that make effective outsourcing feasible, namely, public versus private: a public agency competes with one or more private firms to deliver a public service or function (for an example, Land Bank and the Commercial Banks in the financing of commercial farmers or SITA competing with IT private companies to provide IT services on behalf of the public organisations); private versus private: this form of competition can be defined as the private firms compete with one another to deliver a public service or function (for an example, Standard Bank and First National Bank handling of government finances and acting as pay point for government pensions); and public versus public: two or more public agencies or government departments compete to deliver a public service or function (for an example, National Prosecuting Authority (NPA) and Department of Safety and Security (SAPS) in the crime prevention service).

Osborne and Gaebler (1992) assert that by allowing public sector organisations to compete for outsourcing contracts has improved the morale of public sector employees and has given them the opportunity to demonstrate that they can compete with the private sector.

Dubberly (1998) states in a case study of a public library activity that was outsourced to a private sector organisation that the government entities can benefit tremendously from outsourcing their non-core service to the private sector. He emphasises the fact that private sector organisations put more emphasis on profits or outcomes. Although public organisations purpose of existence is for non-profit, efficiency and effective quality service is what is expected from them by any country's citizens. Dubberly (1998) advises the public sector that they must look to private enterprise, since they have much more flexibility in buying goods and services (for example, supplies

arrive overnight in private organisations, not in a fortnight as in public organisations). Therefore, the outsourcing relationship between public and private sector organisations is highly recommended and encouraged, especially in that it benefits the public sector more than the private sector in terms of service quality.

Burnes and Anastasiadis (2003) agree with Dubberly (1998) about the encouragement which should be given to public organisation in entering into outsourcing relationships with private organisations. They believe that a relationship with the private organisation will add value (that is, in terms of service quality) to public organisations. That view was borne by the fact that in the case study of the private company it was found that the company's policy stated that it would only manage and be involved in direct service delivery. Burnes and Anastasiadis (2003) believe that the public sector demonstrate best practice better than private organisations in as far as conflict resolution of outsourcing relationship issues is concerned, because the public organisations have to be consistent, fair and follow proper procedures as their actions are subject to public scrutiny and especially by the media.

2.7.3 DISADVANTAGES AND ADVANTAGES OF OUTSOURCING IN PUBLIC ORGANISATIONS

The following are risky situations that need to be avoided or managed by public organisations, namely, that Burnes and Anastasiadis (2003) cites the problem that public organisation have a tendency to manage by the book and hold suppliers to the contract rather than working with them to improve what was specified; and Hirschheim (1997) states that the risk of relinquishing control of Information Systems (IS) is too high and the public service's information security becomes vulnerable.

One of the main advantages of outsourcing is that it allows organisations to focus more time on their core business and core competencies (Burnes and Anastasiadis, 2003). However, if public organisations should concentrate solely on core competencies and exclude value adding initiatives, then they will be missing the benefits of outsourcing.

2.8 RELATIONSHIP MANAGEMENT

In this section the author will focus on service provider and the outsourcer (for an example the government department) relationship. A consideration of the successful outsourcing relationships will be discussed and what outsourcers can do to ensure the sustainability of their client relationship. In this regard SLA will be examined at length.

2.8.1 BACKGROUND

It is important to note that in any relationship where people are involved, issues of emotions will emerge and according to Webb and Laborde (2005) outsourcing is an emotional decision, especially for the first time outsourcer, and the success of an outsourcing arrangement depends greatly on the success of the client/vendor relationship.

In emphasising the importance of outsourcing relationships, Webb and Laborde (2005) agrees with Niven (2006) when they state that the attention of both the outsourcer and the client is necessarily focused on the client's customers and their satisfaction. Therefore, the public sector has to make sure the citizens are happy with the service delivery offered.

According to Kaplan and Norton (1996) the balanced scorecard suggest that the organisation be viewed from four perspectives, and to develop metrics, collect data and analyse it relative to each of these perspectives, namely, customer, financial, internal business processes and learning and growth

perspectives. This strategic imperative is very important for the leadership of each party to be well acquainted with the internal operations of their organisations. Otherwise, outsourcing being used as a strategic exercise will be fruitless.

The sentiments expressed above by Niven (2006) and Kaplan and Norton (1996) are in agreement with those of Goolsby and Whitlow (2003) when they state that today's buyers and providers often enter into sophisticated outsourcing arrangements that capture additional value by creating a new revenue stream, or gain-sharing from innovations, so that both parties benefit from their efforts and aligned interests. Goolsby and Whitlow (2003) recommend that both the buyer and the provider of the service or product must realise that it is in the best interest of both parties that the relationship between them succeeds. Hence, they suggest that central to the SLA there should be a spirit of positive energy created that will enable the employees to tackle their tasks with enthusiasm and an understanding of the "big picture".

From the organisation's perspective, customer relationship management is to acquire more knowledge about the customers (Kaplan and Norton, 1996). Through this process, the organisation will understand not only how and when to communicate with the customer, but how to put their proposition into the context of the customer's life and values (Evans, 2006). Therefore, those public organisations wishing to create or develop a relationship with the external vendors such as SITA have to be proactive and understand that all successful relationships are "reciprocal, managed, monitored and maintained" (Zwass, 2006).

McGarry (2006)'s approach to customer relationship management (CRM) seems relevant to resolving outsourcing problems mentioned above. She notes that businesses will only succeed if they develop an in-depth understanding of their customers and their needs. She agrees with Hitt *et al.*

(2005) when she states that CRM is a strategy which helps businesses to ensure that they have well-defined processes around their customers that are executed consistently across the organisation.

The mere fact that there is a decision taken to outsource or to engage the services of an external vendor qualifies as strategic (Tompkins, 2004). Hence, Cohen (2002) agrees with Baum (2002) when she states that strategic sourcing must be predicated on a business case that includes a strategy for achieving desired outcomes (including transformational ones) with timelines, deliverables, funding, management and the kind of consensus required to sustain a long-term relationship, even after the sourcing decision itself is made. These assertions by Cohen (2002) are also supported by Pycraft *et al.* (2005) wherein an emphasis on input-transformation-output system (see Figure 1 above) is placed at the centre of the outsourcing relationships.

With the relationship (that is, in terms of reciprocity, management, monitoring and maintenance) of the outsourcing organisations managed properly by both parties, it is very much incumbent upon the parties to maintain the repository of this knowledge. A balance of supply and demand relationship should be maintained so as to realise the long-term benefits of this client-customer relationship. This repository of information will be utilised by both parties and such sharing has the potential for opportunistic or exploitative behaviour. Long-term, mutually beneficial relationships are the basis of sharing (Zwass, 2006).

To be sure of the effective outsourcing relationships, the outsourcing partners should take time and effort to build the relationship (Kobylarz, 2001). In emphasising the above mentioned view Kobylarz (2001) said, “business executives must plan how and where the outsource partner fits into the overall business. This plan must be communicated to all employees and reinforced with incentives. Lack of understanding and incentives often

leads employees to feel threatened. The result can be a lack of communication and cooperation with the outsource partner which defeats the goals of the partnership” (Kobylarz, 2001). Communication and cooperation between a client and their outsourcer allow for the formation of mutual respect and understanding, qualities, which can greatly increase the sustainability of an outsourcing relationship. Finally, Webb and Laborde (2005) remind everyone that any outsourcing relationship is a “two-way street” (that is, the communication must be reciprocated).

2.8.2 SERVICE LEVEL AGREEMENTS (SLAS) FOR OUTSOURCING RELATIONSHIPS

In this section, the discussion will involve the service level agreements entered into between IT vendors and clients. Fundamental to outsourcing is the notion of quality of service, which is defined by Service Level Agreements (SLAs) between the IT vendors and clients.

An important mechanism for managing the performance of outsourcing vendors is incentive contracts. According to Kweku-Muata and Ojelanki (2006) the contractual arrangement should include identifiable or measurable milestones which must be honoured or reached by each organisation in that particular relationship; otherwise failure to reach the benchmarking would be met with clearly defined sanctions. This type of benchmarking should be incorporated in each organisation’s balanced scored as is suggested by Kaplan and Norton (1996). This then provides an opportunity for the IS manager or Head of Department (HOD) to quantify risks and benefits. However, methods and tools for analysing and quantifying outsourcing risks that IS managers have at their disposal are rudimentary (Kweku-Muata and Ojelanki, 2006).

The SLA should attempt to address all ambiguities at an early stage, so that issues such as asset value and escalation of costs do not get out of hand.

Proper planning and control of what should be in the SLA will yield positive results if, as suggested by Pycraft *et al.* (2005), the activities of the supplier are reconciled with those of the demanding party. That is, within this outsourcing relationship, the supply of products and services should be balanced with the demand for products and services. Hence, Goolsby and Whitlow (2003) emphasise the planning imperative by stating “it is better to have gathered asset value figures up front, than to deal with hurdles on the back end once the contract is in place with incorrect data”.

2.8.3 SERVICE LEVEL AGREEMENT BEST PRACTICE METHODOLOGY

To develop a set of effective business-based service level agreements (SLAs), Maurer, Scardino and Young (2004) advises that organisations must use a prescribed service-level selection methodology based on clarity, rigor and consistency. The selection methodology includes, namely, functions, activities, service level components, and service level examples.

From functions perspective, production support includes applications that are required for ensuring that systems produce the expected results, online applications function as required and batch processes are complete as scheduled. User support includes activities for ensuring that user questions are answered, problems are researched and overall assistance is provided for users to perform their jobs. Maintenance and enhancement requests are changes to established applications, processes or job control procedures and new application development. Simple requests (for example, creating an ad hoc report) that may only take a few hours to produce would be considered maintenance and enhancement requests, and tracked accordingly (Maurer *et al.*, 2004).

Estimating and consulting — Estimating includes all tasks and time associated with determining the level of effort associated with large or

small projects. Consulting is inclusive of tasks and time associated with responding to a user support request outside the routine support for the functions defined above. Continuous improvement — opportunities to improve, upgrade or re-engineer procedures, methodologies or programs. Management control — the exchange of information to ensure that management is aware of current status and future directions. The communication vehicles for this are goal-oriented measurement-based reporting (Marer *et al.*, 2004).

From a service level components perspective, this is identifying and defining service level key components. Requirement as directed by the organisation and performed by the ESP, quality as an expression of the relationship between quality and priority, assumptions and service recipient and service provider responsibilities to capture the expected and presumed state of operations and high-level roles and responsibilities of each party to the agreement, measurement formula to specify the factors that will consistently be used to arrive at an objective conclusion, data sources to specify the acceptable sources of information for use in the measurement formula, and penalties and incentives to drive the desired behavior from the service provider (Marer *et al.*, 2004).

2.9 MANAGEMENT RESPONSIBILITIES OF EXTERNAL SERVICE PROVIDERS

Ambrose and Underwood (2004) stated that when organisations decide to outsource, they transfer operational responsibility for delivering one or more information technology (IT) services to external service providers (ESPs). Yet, an organisation may not have the competencies to manage a single service provider, let alone multiple ESPs and internal resources.

Ambrose and Underwood (2004) identified nine key management responsibilities that must be addressed whether one is managing a single supplier or multiple suppliers and these are described as follows:

- **Program Management** maintains overall contract controls and monitors change over time. It focuses on managing the strategic and change activities related to service sourcing, covering both internal and external delivery sources in a multisourced portfolio. Program management provides visibility across projects and services, and addresses the interdependencies among service providers.
- **Performance management** ensures adherence to performance standards and commits to improving performance. Performance measures are critical to the success of managing IT services, but require a plan for capturing, analyzing, reporting and improving service performance. Performance management establishes the approach and processes to oversee how a service provider's performance matches the commitments in its service-level agreement. Performance management should be applied to service providers whether the service is sourced internally or externally.
- **Strategy management** aligns the IT organisation with the company's business strategy. It ensures that the delivery of IT services follows the defined business, IT and sourcing strategy. It extracts on a regularly scheduled basis the changes in the business strategy from the IT organisation's business counterparts and manages the IT and sourcing strategies to respond to business, market and technology changes. Strategy management validates the sourcing business case and ensures that value measures of sourcing performance meet company value requirements.

- **Demand management** maintains a consistent approach and standardized processes for meeting the demands of the IT organisation's internal customers. It focuses on customer satisfaction and ensures the adequate delivery of IT to meet customer needs. It does so through attentive management of customer priorities and adherence to reliable customer delivery metrics. It prioritizes customer requirements and manages the flow of demand from internal and external business and IT sources.
- **Service management** ensures the successful delivery of contracted IT services. Most likely, the service providers will be responsible for managing the sourced delivery functions. Service management oversees service delivery activities covering the service portfolio from operational projects (support, maintenance and problem management) to change projects (transfers, exits and transition).
- **Finance management** addresses the financial implications of service delivery. It focuses on the financial activities in the sourcing portfolio, such as service funding, pricing, internal chargebacks, financial assessments, and price and performance benchmarking. It ensures that the organisation realizes all of the financial implications of the sourcing contracts.
- **Human resource management** oversees the people-related issues and processes resident in the sourcing management organisation. It provides change management, training and recruitment, and retains organisation competencies and design.
- **Relationship management** ensures that the organisation and its service providers achieve the strategic objectives of their sourcing agreements while maintaining the long-term nature of their established sourcing relationship. It measures the alignment of objectives, makes

sure adequate relationship controls are in place, and drives the service relationships to achieve a balance between trust and control across all service providers and the company.

- **Legal management** oversees all sourcing-related contract development and contract administration activities. These include service scope and delivery model changes that may be required as a result of ongoing changes in the market, changes to the organisation's business needs and changes in technology. Legal management also identifies legal risks that may arise during the sourcing arrangement.

Key outcomes of all these processes are ongoing change management, the inclusion and realization of innovation, and the assurance of delivered services that add value to your organisation.

2.10 INTEGRATING THE MANAGEMENT OF KEY PROCESSES

Each of the above mentioned processes must be present in any outsourcing relationship and applied across multiple providers. Visibility of these processes across multiple suppliers is accomplished only when the multisourced organisation follows an integrated approach to management across service providers.

Create an integrated approach, namely, develop a multisourced management strategy and accompanying standards to manage multiple suppliers; form governing bodies (committees) that identify and oversee standards-based approaches to the methods used in developing contracts, performance metrics, value return measures and interactions across multiple suppliers, create a sourcing office that serves as a competency centre for sourcing management standards and processes, and has decision authority for overseeing service providers; use a process map to align key processes with

management functions, between service providers and between the company and its service providers (Ambrose and Underwood, 2004).

The process map can then be used to identify key process interactions between service providers, critical process handoffs, key points of potential conflict and failure, and redundancies in process management; create a sourcing management matrix that identifies key processes, key process owners and the resources that have management responsibility for those processes; and establish a sourcing management dashboard that provides an integrated view across all service providers, by service line, of the key operational and business performance measures (Ambrose and Underwood, 2004).

2.11 SUMMARY

It has become apparent that in order for outsourcing to be success, it requires effective leadership. Outsourcing is regarded as a strategic tool that is being used by managers in a quest for the achievement of sustainable above average returns. Ambrose and Underwood (2004) identified nine key management responsibilities that must be addressed in this regard, and these were program management, performance, strategic, demand, service, financial, human resource, relationship, and legal management.

In addition, the public organisation managers have to be well capacitated to deal effectively with the new roles of assessing the impact of outsourcing employees, monitoring risks associated with outsourcing relationships and management of the whole outsourcing process (e.g. contracts or service level agreements). Both the public and private sector can learn a great deal from each other in terms of the way outsourcing relationship should be handled, even more so for them to engage each other in outsourcing partnerships.

Strengthening of the SLAs by using proper methods and tools will save the management from being absorbed in negative situations that can be out of control. Therefore, failure to achieve the desired end results can lead to the cost prohibitive process of terminating an unsuccessful relationship and finding another service provider. To develop a set of effective business-based service level agreements (SLAs), Maurer, Scardino and Young (2004) advises that organisations must use a prescribed service-level selection methodology which is based on clarity, rigor and consistency. The selection methodology includes, namely, **Functions** - defining functional application categories that will be measured, **Activities** — clearly describing activities in the functional application categories, **Service-level components** — identifying and defining service level key components, and **Service-level examples** — identifying common service levels seen in various outsourcing engagements.

Goolsby and Whitlow (2003) suggested the following framework that will assist organisations in their decision making process, namely, the **intelligence phase** for problem identification or opportunity seeking, the **design phase** for the planning of alternative solutions, the **choice phase** (or strategy selection phase) is involved with selecting an alternative or course of action from those available, **Action phase** reveals the weaknesses of Goolsby and Whitlow (2003) model shown in Figure 2 above (that is, activities of this phase are missing in Figure 2), and **evaluation and monitoring phase** allows for regular reviews, a feedback mechanism and monitoring of progress.

Stewart (2005) states that reliable industry research suggests that the way to win and retain business-to-business (B2B) customers in today's highly competitive marketplaces is to give them quality service delivered with passion, rather than focus excessively on price.

3. CHAPTER 3 – METHODOLOGY

This chapter provides an overview of the strategy that was used to conduct the research and collect data necessary to answer the research questions as outlined in Chapter 1 (i.e. in the introduction chapter). In essence, this chapter will consist of four main parts, namely, what the researcher is intending to do (i.e. aims and goals of the research), description and justification of the research design (i.e. paradigm, research method, data collection, and data analysis), description of the research procedure followed, and finally a brief summary of the research design and procedure. The chapter concludes by acknowledging delimitations and limitations of the study.

3.1 RESEARCH AIMS AND GOALS

The aim of this research is to evaluate the process and impact of outsourcing information technology (IT) services of Eastern Cape Treasury Department (ECTD) to State Information Technology Agency (SITA).

This aim will be achieved by addressing the following research questions, namely:

- (1) How did they go about outsourcing?
- (2) Was it a strategic decision or not and if so, was it an appropriate strategic decision?
- (3) Did SITA help refine the defined need?
- (4) Did Eastern Cape Treasury Department (ECTD) choose an appropriate partner?
- (5) Does SITA have the capability to provide the service?
- (6) Are SLA targets clear and reasonable?

- (7) What has been done to manage the relationship and how effective has it been? Both the drafting of the contract and in its implementation will be considered.
- (8) Has there been implementation according the contract and SLA?
- (9) How and what benchmarks were used in the outsourcing process?

3.2 RESEARCH PARADIGM

The research paradigm adopted is a constructivist approach (Guba and Lincoln, 1994) because its main concern is the officials' experience, that is, Eastern Cape Treasury Department (ECTD) and SITA, of the IT outsourcing in terms of the process and implementation. The ontological position adopted assumes that the reality is multiple. When evaluating a particular project from SITA's side and ECTD's side the answers are expected to be different but the researcher will have gained a more comprehensive perspective of that particular project (Van der Mescht, 2002).

3.3 RESEARCH METHOD

This study makes use of the evaluation research method. The evaluation research type chosen is assessment of programme effectiveness and efficiency suggested by Rossi and Freeman (1993). This type of evaluation focuses on the degree to which a programme produces the desired outcomes. The impact assessment gauges the extent to which a programme causes change in the desired direction.

There are four types of evaluation suggested by Babbie and Mouton (2001), namely, the evaluation of need (i.e. needs assessment studies), the evaluation of process (i.e. programme monitoring/process evaluation), the evaluation of outcome (i.e. outcome and impact evaluations), and the evaluation of efficiency (i.e. cost-benefit and cost-utility analyses). For the purpose of this study, the researcher will focus on the earlier mentioned

evaluation type suggested by Rossi and Freeman (1993). That is, the researcher will develop criteria by which to evaluate the process and impact of IT outsourcing by ECTD.

There will be a collection of data by means of document analysis and interviews (Babbie and Mouton, 2001). The evaluation research will involve a qualitative approach. Qualitative studies possess the following key features, namely, the research is conducted in the natural setting of social actors, qualitative research emphasises process rather than outcome, the actor's perspective is emphasised, the primary aim is in-depth descriptions and understanding of actions and events, and research process is often inductive in its approach resulting in the generation of new theories (Babbie and Mouton, 2001).

3.4 DATA COLLECTION METHODS

The interview is one of the data collection methods to be used in this study. In these interviews the researcher used open-ended interview which will allow the interviewee to speak for himself/herself. An audio recording system was used to record all the interviews. To ensure that the information provided ensures research quality, the copy of the transcript was made available to the interviewed officials for the confirmation of the interviews (Babbie and Mouton, 2001).

Separate open-ended questions for SITA and ECTD were structured in such a way that it would be easy to extract themes describing the details of a particular question. Refer to appendices for these questions. The researcher made use of thematic analysis (Boyatzis, 1998) which involved three distinct stages and for the purpose of this research the specific thematic type used was theory driven. The theory-driven approach was very attractive to the researcher because the researcher started from his own theory (that is,

literature review) and proceeded to develop his own thematic code which related back to his theory. (Boyatzis, 1998).

Document analysis involved those documents that were pertaining to specific topic, which was the subject of and for the purpose of scientific research (Strydom, Fouche and Delport, 2002). According to Hitchcock and Hughes (1995), these documents should reveal what they are unambiguously about, not what they might be about, or what hidden deep messages they may contain. The document analysis was conducted based on the records which will be sourced from the both SITA and ECTD. Such records will include Service Level Agreements (SLAs), and other relevant contracts.

3.5 POPULATION AND SAMPLE

A purposive sampling method (Babbie and Mouton, 2001) was used during the interviews. This method can be described as a type of non-probability sampling method in which the researcher uses his own judgments in selecting the sample members. Key personnel or a sample from SITA Eastern Cape and ECTD were interviewed.

The population used was that of SITA Eastern Cape and ECTD. However, it should be noted that the researcher's focus to ECTD is due to the fact that it is the main link between SITA and other Eastern Cape Treasury Department (ECTD). There were specific interview questions (see appendix A and B) which were derived from the literature review, which were given to the four officials of both organisations before the actual interview take place, to help them to apply their minds in the interview.

From the ECTD, the researcher was able to secure time for the interviews from Mr Martin Trerise (IT Director – Treasury Department), Mr Sam Bosire (Chief Information Officer - Treasury Department). The reason for choosing these officials from the ECTD side were that they were on daily basis

directly involved with IT related issues and interactions with SITA. That is why Professor Kusi as the ECTD Head of Department requested the officials to assist the researcher with the information. From the SITA side, Mr Ntshongo (Account Manager for all Eastern Cape Departments) was very important to interview as it is his duty to monitor the relationship of SITA and ECTD and Mr Johnson Tshobonga (Senior Manager Professional Services) provided the strategic view of where SITA is and where they would be in future.

3.6 RESEARCH PROCEDURE

The researcher requested the director of Rhodes Business School to provide a letter requesting permission and obtain documents at SITA and at ECTD. The letter was sent to SITA and ECTD immediately after the approval of the research proposal by the Higher Degrees Committee in March 2007. The interviews and document analysis took place during the period of July to October 2007.

The interviewer had to be open to the officials' experience attempting to "putting myself in their shoes". The researcher only stuck to the interview schedule and further probing questions. All four officials interviewed took on average 48 minutes per official. When introducing the researcher to the interviewees, the researcher had to clarify that his role was that of researcher and not that of a representative of SITA or ECTD and that the researcher had permission to conduct the interview. All interviewees agreed to be recorded.

All this was done to assure the interviewees that their most honest answers were necessary and would not prejudice them in any way. Finally, the researcher had to make sure that he was polite, courteous and sensitive during interviews, thanking the officials for their time and participation at the end of every interview.

At the end of each interview, the researcher collected the documents which were recommended for further analysis. The process of data analysis outlined in section 3.7 below commenced wherein results and discussions thereof have been explored in chapter 4 below.

3.7 METHODS OF ANALYSIS

The data collected from the interviews and documents was transcribed from the recordings and the notes into Microsoft Word respectively. In essence the researcher followed Kvale's (1996) seven stage process, which was described as follows, namely, thematizing: clarifying the purpose of the interviews and the concepts to be explored; designing: laying out the process through which the research will accomplish his purpose, including a consideration of ethical dimension; interviewing: doing the actual interview; transcribing: writing a text of the interviews; analysing: determining the meaning of gathered materials in relation to the purpose of the study; verifying: checking the reliability and validity of the materials; and reporting: telling the researcher's supervisors about the experience, and once all interviews have been finished, the development of theory-driven code will take the form of three stages as supported by Boyatzis (1998) and as follows:

Stage I: Sampling and design issues

The sampling and design issues have been geared to the literature review. The number of units of analysis or themes appropriate or sufficient has also been geared to the literature review.

Stage II: Developing themes and a code

There are three steps which will be used in developing themes and a code: (a) generating a code, (b) reviewing and revising the code in the

context of the nature of the raw information, and (c) determining the reliability of the coders and therefore the code.

Stage III: Validating and using a code

The researcher began the inquiry to generate understanding, obtain insights, or build on the work of others. In effect in this stage the researcher validated the code and then interpreted its meaning.

With regards to the document analysis, the following documents were sourced from ECTD and SITA officials and their respective websites, namely, Supply Chain Management Guidelines, SITA Act NO.38 of 2002, National Treasury Regulation, Service Level Agreement (SLA), 2006 and 2007 SITA Annual Report, and Contract document for Software and Hardware (Hitchcock and Hughes, 1995).

The documents have been studied and the researcher searched for links between the data obtained through the interviews and the documentation.

3.8 LIMITATIONS

The limitations of the research are the fact that the study only concentrated on the senior managers of the affected organisations (i.e. SITA and ECTD) instead of the end users in those institutions and Eastern Cape citizens. The questions posed to the officials of these organisations were open-ended, in which case the respondents had to provide his/her own answers to the questions.

The fact that the researcher had to attempt to become more than just a participant listener and make a deliberate attempt to put himself “in the shoes of the interviewees”, was a challenging experience.

The process of evaluating a contract as to whether it was correct or not, posed numerous challenges for the researcher. The specific evaluation of these contracts required a researcher with a fair amount of legal knowledge.

3.9 ETHICAL ISSUES

Both organisations have agreed to the publication of the research report provided prior notification from them has been obtained.

3.10 SUMMARY

This chapter has provided a firm basis of what the researcher was intending to do, namely, the aim of this research is to evaluate the process and impact of outsourcing information technology (IT) services of Eastern Cape Treasury Department (ECTD) to State Information Technology Agency (SITA).

The research paradigm adopted is a constructivist approach and the ontological position adopted assumed multiple realities.

The research method used in this study is the evaluation research method. Key to the research procedure was the fact that four senior officials were interviewed using audio recording, wherein two were each chosen from SITA and ECTD. The researcher used document analysis and interviews as a means of collecting data. Separate open-ended questions for SITA and ECTD were structured in such a way that it would be easy to extract themes describing the details of a particular question. The researcher made use of the thematic analysis. The theory-drive code development process was key in the research analysis.

The preceding discussion of the research methodology has provided a thorough framework for the gathering, processing and analysis of the data. A detailed discussion and interpretation of the results will be provided in the following chapter.

4. CHAPTER 4 – RESULTS AND DISCUSSION

4.1 INTRODUCTION

This chapter provides an analysis of the data collected through the methods outlined in Chapter 3. In essence, this chapter will combine the information gained from the interviews conducted with the SITA and ECTD officials and documents analysed (e.g. Supply Chain Management Guide, SITA ACT as Amended No. 38 of 2002, Service Level Agreements, Contract 398, and SITA 2007 Annual Report).

The results will be presented according to themes and these will be outlined in the following structure, namely, description of what has been outsourced and how this has been done, evaluation of the process of outsourcing, and the evaluation of the impact of outsourcing. The themes mentioned above will be presented with a view to address research aims and goals outlined in section 3.1 above.

The interviews took the form of an open-ended type of questions (i.e. discussed in Chapter 3), which were directed at SITA and ECTD officials. The interviewed officials directed the researcher to the relevant documents that needed to be analysed. Separate and specific questions to SITA and ECTD were asked and the following answers were received:

4.2 WHAT HAS BEEN OUTSOURCED AND HOW THIS HAS BEEN DONE

All officials interviewed concurred that what has been outsourced to SITA is within the services such as provision or maintenance of a private telecommunication network (PTN) or a value-added network (VAN) service

in accordance with the Telecommunications Act, 1996 (Act No. 103 of 1996); provision or maintenance of a transversal information systems such as Personnel and Salaries System (Persal), Basic Accounting System (BAS) and Logistics Information System (LOGIS); provision of data-processing or associated services for transversal information systems; training in information technology or information systems; application software development; maintenance services for information technology software or infrastructure; data-processing or associated services for departmentally specific information technology applications or systems; and technical, functional or business advice or support, or research, regarding information technology; management services for information technology or information systems.

All the above mentioned correspond with the literature review chapter above, wherein it was stated that IT Outsourcing involves application service providers, applications outsourcing, business process outsourcing, Infrastructure outsourcing, internet service providers, IT utility services, offshore services, managed and professional network services, network and internet services, software maintenance and support, solution implementation services, outsourcing relationships, communications services, consulting services, development and integration services, hardware maintenance and support. This, according to Sprague and McNurlin (1993) means turning over an organisation's computer operations, network operations, or perhaps other information systems functions to a vendor for a specified time.

Trerise was categorical that they use the Supply Chain Management (SCM) Guide and SITA ACT when pursuing IT outsourcing. He stated that ECTD had to abide with the SITA ACT and as a result of that any IT outsourcing had to go via SITA and only SITA could facilitate the tender process. There were different types of tenders mentioned, such as application development, hardware procurement, and network installation among others were sent out

for tender. Therefore, SITA acts as ECTD's agency wherein they, according to the SITA Amendment Act No. 38 of 2002, have to have a certified database of companies to be used by the departments. As was indicated in table 1 above, SITA performs both mandatory and non-mandatory services. Every time SITA has to act on behalf of a particular department they charge a markup fee of 7% of the goods and services rendered (Bosire).

The Integrated Financial Management System (IFMS) project is a multi-stakeholder programme of National Treasury working closely with provinces, Department of Public Service and Administration and SITA, to consolidate and renew government's back office applications. The scope of the project covers Financial Management, Human Resources Management, Supply Chain Management, Asset Management and Business Intelligence across both national and provincial departments and as such constitutes the biggest integrated business solution undertaking in South Africa.

The IFMS project will in time replace old systems such as the Basic Accounting System (BAS), the Personnel and Salary System (PERSAL), the Logistics Management System (LOGIS) and many others that are found in government departments. Therefore, the IFMS is an integration and migration of government finance, human resources, asset management, logistics and other line-of-business solutions, into a single distributed transversal system, across SA's provincial and national government structures.

SITA says government will spend no more than R4 billion in initial capital on the entire IFMS project, while the life cycle cost is estimated at R10 billion over 10 years and could eventually affect more than 200 000 users in about 185 national and provincial government departments. Therefore, this implies that the project is so big such that a lot of caution in this outsourcing relationship needs to be taken into consideration.

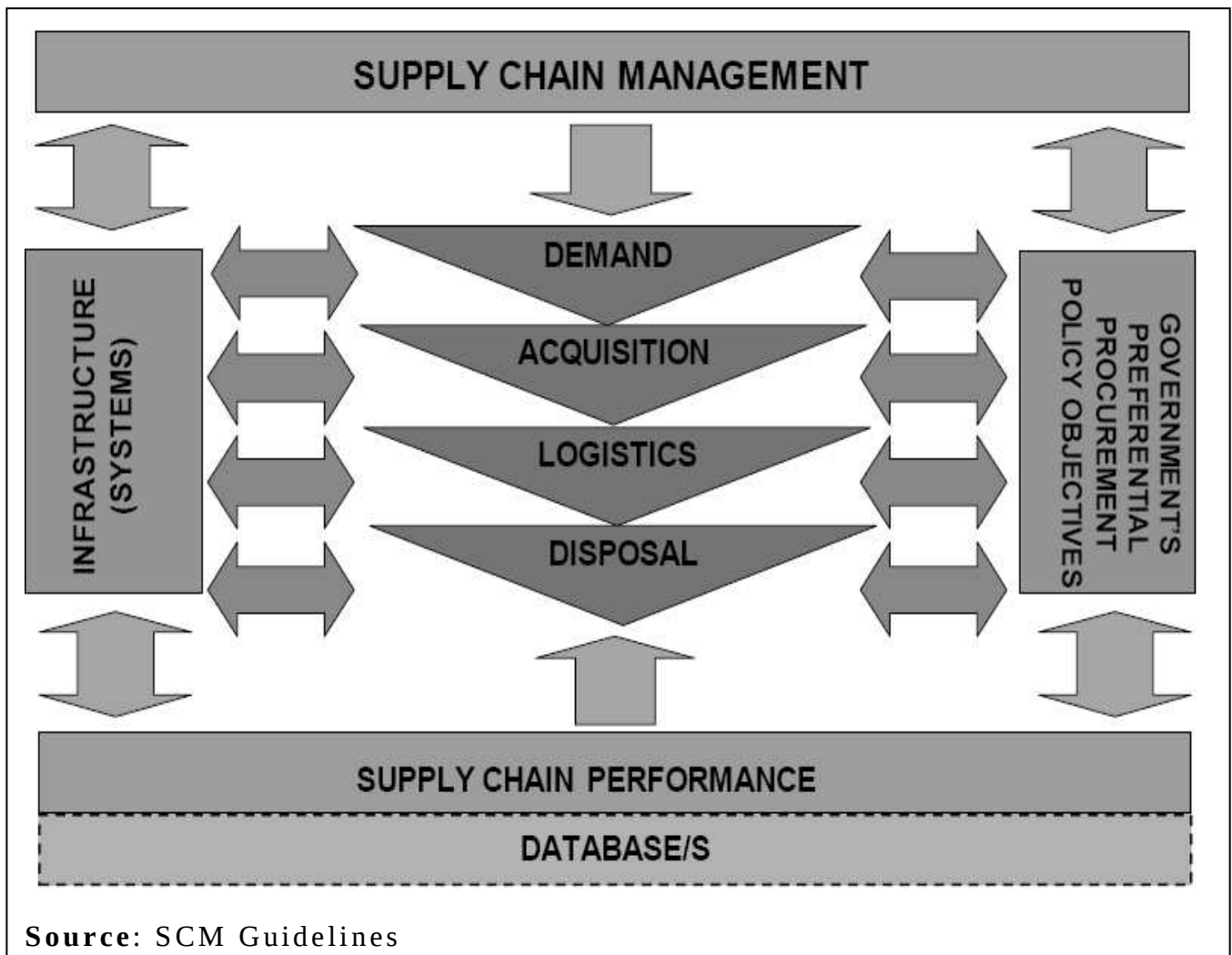
Czernowalow (2007) has reported that SITA has fast-tracked the issuing of a tender for the human resources (HR) module. SITA initially indicated that the tender for the HR module would be published at the end of June, and the agency now anticipates the development and testing of the HR module will be completed by the second quarter of 2008. During this period, the module will be deployed at the Department of Public Services and Administration and the Free State Department of Education, and other provinces like the Eastern Cape will follow, says Ndlazi.

SITA spokesman Sifiso Ndlazi says the HR module is being fast-tracked to "help government remedy some of the problems that are hampering service delivery, such as resource allocation, elimination of 'ghost workers', and the provision of better planning information, among others".

During the financial year 2006/7, two tenders were issued for the IFMS, namely the Integrated Development Environment tender, which is for the open standards platform on which the system will operate, as well as the Procurement Module tender, which is intended to support government's reformed procurement processes. As was noted in this section above, the IFMS is a project programme of the National Treasury working closely with provinces (e.g. ECTD), National Department of Public Service, Administration (NDPSA) and SITA.

The IFMS project has been implemented following the SCM guidelines (see Figure 4 below), namely, *Demand Management*: This is the beginning of the supply chain where a needs assessment to ensure that goods or services are acquired in order to deliver the agreed service is done; specifications are precisely determined; requirements are linked to the budget; and the supplying industry has been analysed. This phase will bring the supply chain practitioner close to the end user, to ensure that value for money is achieved.

Figure 4: Supply Chain Management Model with Elements of supply chain management



Acquisitioning Management: Traditionally, almost all the focus of procurement activity has been given to this stage (to the almost total exclusion of the other aspects of SCM). The procedural considerations are to decide on the manner in which the market will be approached; to establish the total cost of ownership of a particular type of asset; to ensure that bid documentation is complete, including evaluation criteria; to evaluate bids in accordance with published criteria; and to ensure that proper contract documents are signed.

Logistics Management: This aspect addresses the setting of inventory levels; receiving and distribution of material; stores, warehouse and transport management; and the review of vendor performance. From these processes, the financial system should be activated to generate payments.

Disposal Management: At this stage consideration should be given to obsolescence planning; maintaining a data base of redundant material; inspecting material for potential re-use; determining a disposal strategy; and executing the physical disposal process.

Supply Chain Performance: This is a monitoring process, undertaking a retrospective analysis to determine whether the proper processes have been followed and whether the desired objectives were achieved. Some of the issues that may be reviewed are compliance to norms and standards; cost efficiency of SCM process, that is, the cost of the process itself; and whether supply chain practices are consistent with Government's broader policy focus.

SITA maintains the list from which Enterprise Content Management (ECM) products can be procured by departments and governmental bodies. The ECM solution requirements consist of certain core components and supporting components. To ensure that the needs of any government department or public body can be addressed the ECM solutions were grouped as follows:

CLASS A: Total ECM Solution – where the total solution consists of: imaging; document management, digital asset management, web-content management and collaboration; records management and integrated document archive and retrieval systems; portal management; business process management (workflow); biometrics and digital signatures and certificates; search and retrieval; e-mail archiving; and forms management.

CLASS B: ECM Core – consists of: imaging; document management, digital asset management, web-content management and collaboration; records management and integrated document archive and retrieval system; and business process management (workflow).

CLASS C: Stand-alone components are any or all of the following components: biometrics and digital signatures and certificates; Search and retrieval; e-Mail archiving; Forms management; Portal management; and Business Process Management (workflow).

The individual client requirements will be mapped against the products' functions in subsequent acquisition processes to enable the clients to acquire the necessary solution to support the requirements. The components covered by contract 398 are clear and are as follows: Imaging, Document management, Digital asset management (DAM), Web-content management, Collaboration, Records management, Integrated document archive and retrieval systems (IDARS), Portal management, Business Process Management and workflow, Biometrics and digital signatures and certificates, Search and retrieval, e-Mail archiving; and e-Forms management.

4.3 EVALUATION OF THE PROCESS OF OUTSOURCING

Both Trerise and Bosire contend that IT outsourcing is motivated by the imperatives of their annual strategic plan for the whole department. This strategic thinking process has also been utilised by SITA. SITA strives to be recognised as a thought leader on information and communications technology (ICT) for the public sector. As the official ICT agency for the government of South Africa, it is imperative that customers acknowledge the value of the strategic insight, expertise and advice they provide to enhance their technological capability. Since they occupy a unique cross-government market position, they possess a broad insight into the ICT objectives and

strategies of the various government departments they serve. Therefore, SITA is exploiting this strategic position they hold to develop their thought leadership credentials to the collective benefit of the state (Pedlar, 2007).

Bosire alluded to the fact that they were not using any framework or model, but only concurring with the researcher's understanding of outsourcing wherein he described it as services that they seek from the outside that are not done in-house (i.e. ECTD) within the IT domain; he then concluded by saying that IT outsourcing within ECTD is guided by the SITA ACT and SCM guidelines and these were used as a model or a framework.

For the purposes of illustrating the salient points of contracts entered into between SITA and their clients (e.g. ECTD), the researcher will make use of Contract 398 supplied to him to show how it has been used as a guide for other contracts. The researcher acknowledge generalising from the above mentioned contract because Trerise has mentioned that SITA uses standard contracts and only make minor modifications to suite a specific project. The said guidelines will ensure operational efficiency with respect to the procurement of enterprise content management (ECM) solutions and services delivered to SITA clients.

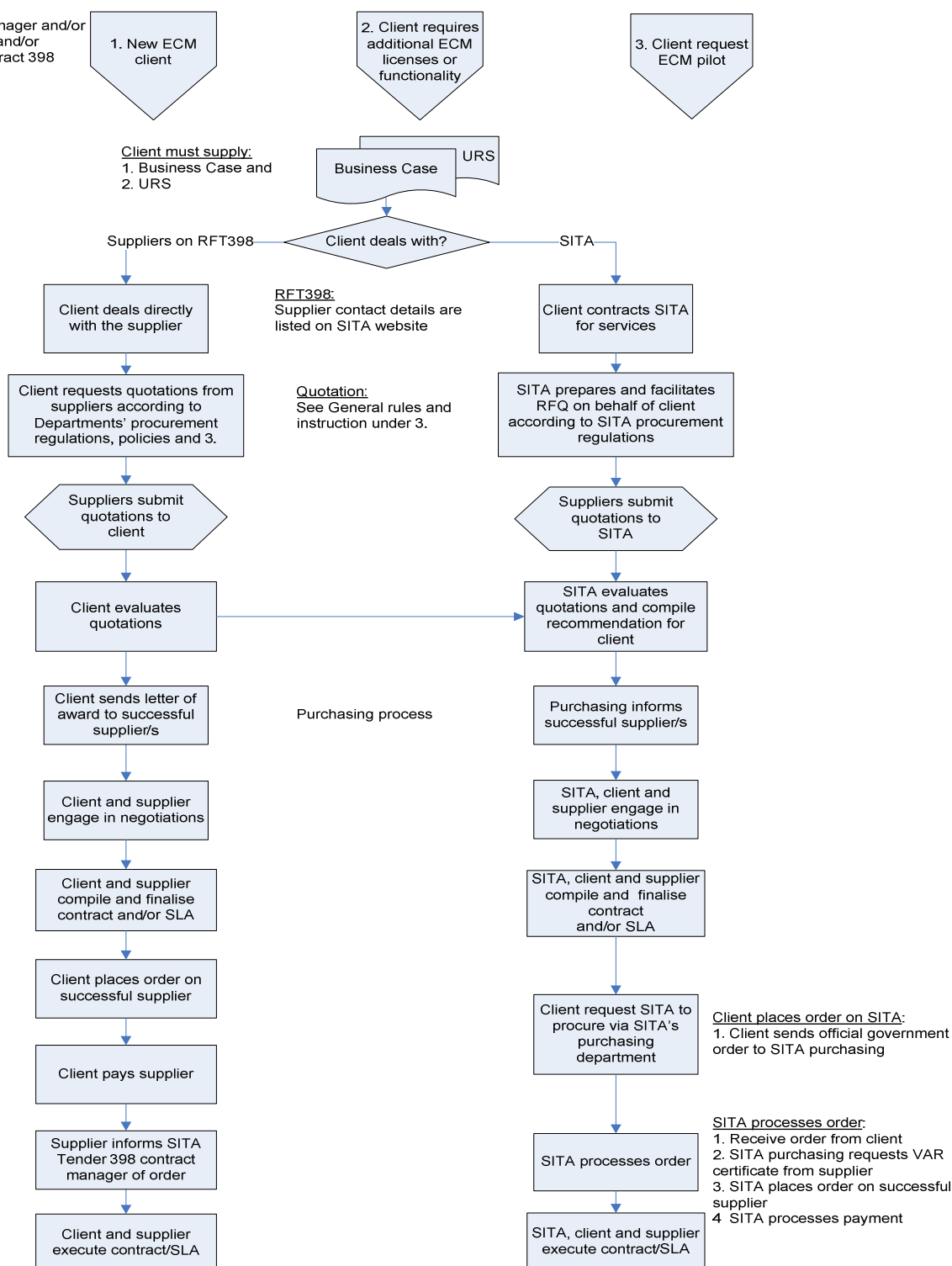
The process used in executing the components of contract 398 is shown in the engagement model of contract 398 represented in Figure 5 below. In summarising what Figure 5 entails, SITA clients wishing to procure from Contract 398 must have a detailed Business Case and a User Requirement Specification (URS) for the need, in order to assist with the identification of the solution/products that support the user criteria. If so requested then SITA can develop a URS on behalf of SITA clients at a proposed cost. If so requested by a department or public body, SITA will evaluate the URS for completeness and correctness regarding the functional, technical and procurement requirements.

Figure 5: Engagement Model – Contract 398: ECM for Public Service

(Contract 398: Enterprise Content Management for Public Service)

Client engage with:

1. SITA account manager and/or
2. SITA ECM team and/or
3. Suppliers on contract 398



Source: ECM for Public Service

The URS must: Specify the functions to be supported by the solution, contain an analysis and design of the processes to be implemented, specify the criteria and standards of the client technical environment, specify the number of end-users, records managers, scanner operators, specify the demographics of the solution, specify other criteria required by the client. SITA clients may include terms additional to, but not contradictory to the mandatory clauses of the tender specification.

The client may request SITA to facilitate the RFQ process, or engage directly with the suppliers for quotations. The RFQ may request suppliers to submit the following, namely, confirmation on how the product(s) will support the client's requirements; projected time scales; minimum performance standards; specification of the required service and SLA's where applicable; detail pricing. The duration, closing date for the delivering of quotations and evaluation criteria must be supplied by the client.

In addition to the RFQ evaluation process the following may be requested from the suppliers, namely, demonstration on product functionality, presentations to clients on project approach, proof of concept, and pilot costs. Where SITA is requested to facilitate the RFQ process or the purchasing, the SITA procurement process will be followed such that clients purchasing via SITA can fax the order through to purchasing division. Where SITA clients procure directly from the suppliers the clients' own procurement guidelines will be applicable.

Using SITA, clients can request SITA's services with the URS; clients requests SITA send RFQ to vendors; SITA requests quotations from suppliers; SITA and the client evaluates quotations; SITA and client negotiates with supplier; Client places order on SITA; SITA places order on supplier; SITA invoices client; Supplier invoices SITA; SITA pays supplier.

Buying directly from supplier would mean client requests quotations from suppliers; client evaluates quotations, SITA can be invited to participate, at the cost of the department, to assist with the evaluation process; client negotiates with supplier; client places order on supplier; supplier invoices client; and client pays supplier.

All officials from both SITA and ECTD agree with each other that monitoring mechanisms/processes are done in terms of monthly PGITO Council meetings wherein Provincial Government Information Technology Officers (DGITO) and SITA representatives meet. The members of this council are bound to abide by the code of conduct which regulates their behaviour. Account Managers act as mediators between SITA and ECTD although issues can be taken to higher levels should a stalemate exist at the level of the Account Managers.

Trerise contends that the tendering process is used as a last resort and especially for very big projects which exceed the value of R 200 000 stipulated by the SCM guidelines. These companies are already listed in the SITA databases. Bosire concurred with Trerise and added by stating that the benefits of IT outsourcing to SITA has enabled them to save time they would have spent to follow the procurement and/or tendering processes. However, Bosire highlighted the fact that they still had to manage certain projects jointly with SITA and this to them was beneficial because they were able to leverage (i.e. make use of) the skills of their experienced partner.

Standard SLAs are provided by SITA. If the SLA is not adhered to, then there will be a verbal interaction, formal interaction, and/or further consultation (Ntshongo). However, SITA Amendment ACT No. 38 of 2002 provides for the dispute resolution process and non-compliance with regulation. The Act provides for any department, public body, or other interested person to report any alleged non-compliance with any provision of regulation to the Minister or an official of the Department of Public

Service and Administration (DPSA) designated by the Minister for that purpose.

The dispute resolution process provided for in the Act can be described as follows, namely, a department and SITA must make every reasonable effort to settle a dispute between them amicably through conciliation and negotiation within 30 days after the aggrieved party gave written notice to the other party; if a dispute cannot be so settled or the subject-matter of the dispute necessitates settlement before the end of the 30 day-period referred to above, either party to the dispute may refer the matter to the Minister for mediation; if mediation fails, either party may refer the dispute for arbitration to the office of the State Attorney, which is closest to the department's head office; and the State Attorney must act as arbitrator and his or her decision will be final and binding on the parties.

4.4 EVALUATION OF THE IMPACT OF OUTSOURCING

Bosire stated that what they were looking for in an outsourcing company was the experience and knowledge, and project management skills of which these attributes would be contained in the project specification.

However, there are four key impacts of outsourcing realized within the relationship of SITA and ECTD, namely, transformation of government procurement and provisioning practices into an integrated SCM function; introduction of a systematic approach for the appointment of consultants; creation of a common understanding and interpretation of the preferential procurement policy throughout the Eastern Cape Province and South Africa; and the promotion of the consistent application of 'best practices' throughout government's supply chain.

4.4.1 TRANSFORMATION OF GOVERNMENT PROCUREMENT AND PROVISIONING PRACTICES

The introduction of the concept of an integrated SCM system for government has contributed significantly towards the improvement of financial management in the broader public sector (Trerise). At the same time, this has created a consistent framework for achieving Government's preferential procurement objectives. It should be recognised, however, that the gap between the current procurement and provisioning procedures and practices and those contemplated in the policy adopted by Cabinet is substantial. Hence there is an attempt to address this in the SCM policy wherein a three-phase strategy to move from the current position to that desired has been devised. These phases can be categorised as, namely, firstly, the pre-tender board abolition or preparation phase; secondly, the immediate post-tender board abolition or full implementation phase; and lastly, the monitoring phase.

This transformation has enabled the government to achieve the ideals of good governance and to address deficiencies in supply chain management. These reforms need to promote efficient and effective procurement and provisioning systems and practices that enable government to deliver the required quality and quantity of services to communities. The establishment of uniformity in procedures, policies, documentation and contract options and the implementation of sound systems of control and accountability form the cornerstone of institutional reform.

4.4.2 APPOINTMENT OF CONSULTANTS

Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the accounting officer/authority cannot be reasonably expected either to train or to recruit people in the time available. The relationship between the

accounting officer/authority and the consultant should be one of purchaser/provider and not employer/employee. The work undertaken by a consultant should be regulated by a contract. The accounting officer/authority is, however, responsible for monitoring and evaluating contractor performance and outputs against project specifications and targets and should take remedial action if performance is below standard.

The procedures outlined herein apply to all contracts for consulting services. In procuring consulting services, the accounting officer/authority should satisfy himself/herself that, namely, the procedures to be used will result in the selection of consultants who have the necessary professional qualifications; the selected consultant will carry out the assignment in accordance with the agreed schedule, and the scope of the services is consistent with the needs of the project.

Consultants should observe due diligence and prevailing standards in the performance of the assignment. The accounting officer/authority should evaluate the performance of consultants appointed in a fair and confidential process. In the case of repeated poor performance, the firm should be notified and provided an opportunity to explain the reasons for it and the remedial action proposed.

4.4.3 INTERPRETATION OF THE PREFERENTIAL PROCUREMENT POLICY

The impact of IT outsourcing on SITA and/or in turn companies existent in their database has enabled the government especially ECTD, to overcome the flaws associated with the Preferential Procurement Policy Framework Act (PPPFA) and its regulations, it was necessary to adopt a more integrated approach. This has sought to leverage government's preferential policy objectives both directly and indirectly – directly in respect of, for example, contracting directly with black owned enterprises where legitimate

opportunities arise and indirectly through, for example, granting preferences to non-black owned enterprises for achieving Government's preferential policy objectives within such enterprises.

4.4.4 PROMOTION OF THE CONSISTENT APPLICATION OF 'BEST PRACTICES'

The provision of information technology, information systems and related services such as those mentioned in section 4.2 above, in a maintained information systems security environment to departments and public bodies by SITA has enabled the government to concentrate more on their core business of improving service delivery to the public; and that has in turn promoted efficiency of departments and public bodies through the use of information technology (Bosire). Tshobonga concurs with Trerise on SITA's capability that it is not where they would like it to be. He states that some ECTD officials are happy with them whilst other ECTD officials are disgruntled. This statement is supported by the fact that SITA initiated a comprehensive customer survey to provide a baseline study for measuring customer satisfaction and tracking over time. This study revealed that there has been a 20% customer satisfaction improvement.

The adoption of the standard service level agreement (SLA) has been one of progressive practices employed by SITA and ECTD. This SLA generally has the following critical components, namely, scope, definitions, parties to the SLA, service elements, service levels and deliverables, warranties and disclaimers, responsibilities, penalties, and validity. The scope involves a clear description of what the SLA is about, which regulations and/or guidelines are applicable and what are the limitations to that particular service. The definition of key terms becomes extremely important for avoiding any ambiguities during the implementation of that particular service. Key terms such as who the client is, who the service provider is,

who SITA is, what we meant when referring to equipment, what SLA is among others.

Furthermore, the practice of making use of relevant regulations has been the hallmark of outsourcing parties. For example, according to Trerise, they used SITA Act Section 7-3 on procurement which states that despite any other law to the contrary, every department must, subject to subsection (4), procure all information technology goods or services through the Agency. A department that wishes to acquire the service from the SITA must do so in accordance with business and service level agreements; or procure that service through the Agency if the Agency indicates in writing that it is unable to provide the service itself. Parties full contact details need to be included. Service elements such as time and material and software maintenance on all information and communication technology (ICT) infrastructure, equipment audit and asset management, and upgrade of devices to the maximum of the original equipment manufacturer (OEM) specification are some of the issues to be stipulated in the SLA.

4.4.5 INFORMATION SYSTEMS SECURITY ENVIRONMENT

Information systems security environment is defined in section 1 of the SITA Act No.38 of 2002 as to preserve the availability, integrity and confidentiality of Information Systems and Information according to affordable security practices. Passwords, firewalls, encryption, two-factor authentication and access-control lists are among the tools available to information security professionals. Other options include system audits, patch management, network traffic monitoring and penetration testing. There are a range of information security training programs and certifications to best use these tools.

4.4.6 IMPROVING SERVICE DELIVERY

A key spin-off for the IFMS programme is anticipated in future contributions towards creating capacity and sustaining South Africa's technology skills base. However, it is important to emphasise that the later statement has not yet been realized. One of the contributing factors to the impact of this outsourcing relationship is the capability of SITA to carry out the tasks or projects presented by ECTD and these projects have been outlined in section 4.2 above. Related to this issue is the fact that a key highlight in SITA's 2007 financial year report was the overall staff turnover of 9,11% which was well below the current average of 12% for the ICT sector (Pedlar, 2007).

The improvements in service delivery which have occurred as a result of the impact of IT outsourcing have been demonstrated by SITA's balanced scorecard results (i.e. learning and growth, financial, business performance, and customer perspectives) reflected in their 2007 Annual Report. SITA's balanced scorecard has been highlighted intentionally because even though the partners in the relationship are important, but SITA's contribution and success impacts positively on ECTD. For the purposes of this research and relevance to the impact of outsourcing, the SITA's balanced scorecard has been highlighted as follows:

It is also pleasing to note that locally empowered ICT players continue to benefit from contracts awarded by SITA on behalf of government. These ICT players are the ones mentioned by Trerise which SITA have in their database, and these players are such companies like GijimaAST, Arivia.com, Vhuwani, Amava Information Technologies, Advocate Technologies, etc. A total of 65 contracts worth R1 527 billion were awarded during the financial year 2006/7. Of these, 86% were awarded to black economic empowered service providers. Notwithstanding the above mentioned successes, it is

SITA's contribution in developing the indigenous ICT industry where they would expect to see progress in the future (SITA Annual Report, 2007).

From a financial sustainability perspective, SITA has exceeded their expectations. Management has delivered strong growth of 15,6% on revenue and 76,4% on surplus for the year, which bears testimony to the underlying robustness of the organisation and impact of IT outsourcing (SITA Annual Report, 2007).

The objective of this research is to develop and evaluate a decision-making framework suitable as a guide for public organisations managing IT outsourcing. The results to this effect show that ECTD use SCM guidelines and SITA Act No 38 of 2002 provisions as tools for decision-making. The results of outsourcing a project such as the IFMS have proved to be complex and had diverse circumstances and as such it is difficult to evaluate, as adequate outcomes and feedback will only occur once outsourcing has been implemented and been operational for a period of time as Grover *et al.* (1995) have alluded. However, for the finished projects which Pedlar (2007) has reported on in the SITA's annual report, there has been a 20% customer satisfaction improvement (i.e. customer satisfaction survey increase from 43% to 63%).

ECTD have opted to outsource the IT services to SITA so as to ultimately achieve the superior service delivery quality desired. It is through this pursuit of excellent service delivery that various public organisations have, according to ECTD officials interviewed, embarked on IT outsourcing as one of the ways of achieving their goals by engaging the services of organisations like SITA (Lawther, 2004). In emphasising the importance of outsourcing relationships between public sector departments and SITA, Webb and Laborde (2005) and Niven (2006) agree with ECTD and SITA officials interviewed that the attention of both the outsourcer and the client must be focused on the client's customers and their satisfaction. It is for

this reason that the use of Account Managers and Provincial Government Information Technology Officers (PGITO) Council forum have been employed and established solely for that purpose.

In corroboration of the above Pedlear (2007) states, “This, in part, can be attributed to our efforts to attract and retain critical skills and motivate our best performing staff”. SITA trained 96% of their staff as per the training requirements to fill core competency gaps in their existing skills base. Furthermore, they concluded a study to identify the critical workforce segments in SITA that need to be acquired, or retained and developed (Pedlar, 2007).

4.5 SUMMARY

ECTD outsourced to SITA the following IT services as reported earlier, namely, provision or maintenance of a private telecommunication network (PTN) or a value-added network (VAN); transversal information systems and its data-processing or associated services; training in IT/IS; application software development; maintenance services for IT software or infrastructure; data-processing or associated services for specific IT applications or systems such as website development; and IT support.

The interviewed officials from ECTD contend that they used the SCM Guide and SITA ACT when pursuing IT outsourcing for projects such as those listed above. One of the key projects outsourced to SITA is the IFMS, which is a project programme of the National Treasury working closely with provinces (e.g. ECTD), National Department of Public Service, Administration (NDPSA) and SITA. The IFMS project has been implemented following the SCM guidelines. The key SCM Guide components are demand, acquisition, logistics, and disposal management.

The engagement model used by SITA to guide them on the process of engaging in an IT outsourcing relationship has, according to officials interviewed, been a success. SITA uses a standard contract wherein other specific contracts get minor adjustments.

The impact of IT outsourcing has shown increases in customer satisfaction improvement, transformation of government procurement and provisioning practices, appointment of consultants, interpretation of the preferential procurement policy, promotion of the consistent application of best practices, information systems security environment, and improving service delivery.

5. CHAPTER 5 – CONCLUSION

This chapter serves to highlight the main findings of this research. Thereafter, the researcher makes recommendations for management practice purposes and future research.

5.1 MAIN FINDINGS

The list of those projects which has been outsourced by ECTD to SITA has been found to be similar to that of IT outsourcing authors reviewed. This has greatly strengthened the pursuit of evaluating the processes and impact of outsourcing.

The reasons advanced by ECTD for embarking on IT outsourcing have been found to be firmly grounded on strategic plans, guiding policies such as SCM and relevant regulations such as the SITA Act. Projects such as IFMS have successfully been guided by these documents. The engagement model used by SITA to guide them through the process of engaging in an IT outsourcing relationship has, according to officials interviewed, been successful. SITA uses a standard contract wherein other specific contracts get minor adjustments.

The impact of IT outsourcing has shown increases in customer satisfaction, transformation of government procurement and provisioning practices, appointment of consultants, interpretation of the preferential procurement policy, promotion of the consistent application of best practices, information systems security environment, and improving service delivery.

5.2 RECOMMENDATION FOR MANAGEMENT PRACTICE

It would appear that ECTD officials are solely dependent on the abovementioned SCM guide and that is strongly cautioned by Goolsby and Whitlow (2003) when they state that good planning and an adherence to this plan by the parties to the contract is key to the success of any outsourcing initiative. Goolsby and Whitlow (2003) emphasise that it is important that buyers of any IT service should have a clear understanding of what they want done and declare upfront their (i.e. buyers) capabilities and responsibilities so that the provider knows clearly the extent of the task to be done rather than to rely on the SCM guidelines and SITA Act.

Goolsby and Whitlow (2003) suggest the following framework that will assist organisations such as ECTD in their decision making process, namely, the intelligence phase for problem identification or opportunity seeking, the design phase for the planning of alternative solutions, the choice phase (or strategy selection phase) is involved with selecting an alternative or course of action from those available, Action phase reveals the weaknesses of Goolsby and Whitlow (2003) model shown in Figure 2 above and evaluation and monitoring phase allows for regular reviews, a feedback mechanism and monitoring of progress.

It has been noted above that few organisations can afford to develop internally all the technologies that might lead to competitive advantage (Hitt, Ireland, and Hoskisson, 2005). By making use of external vendors such as SITA as is encouraged by SCM Guidelines and SITA Act in outsourcing those activities in which the buyer (i.e. ECTD) lacks competence, organisations can concentrate on core business.

Therefore, organisations look to outsourcing because it is seen as a way to reduce costs, especially the labour costs which are associated with employee benefits, as well as the training and capital costs (Drucker, 1995).

5.3 RECOMMENDATION FOR FUTURE RESEARCH

The current research concentrated on the sample of four senior officials who had wide knowledge of IT outsourcing within SITA and ECTD. However, the views of these officials were supplemented with documents such as the SITA Act, SCM Guide, National Treasury Regulations (NTR), etc. In hindsight, the current study could have been more effective, had the researcher also used end-users of these IT services outsourced and may be citizens as well. The addition of the end-users' and communities' views on the impact and process of outsourcing IT services by ECTD to SITA could have enhanced the research study and had given it more credibility.

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7. APPENDIX A: QUESTIONS FOR SITA STAFF INTERVIEW

1. Is there any model or framework that guides you throughout the outsourcing process?
2. How did you go about outsourcing with ECTD?
3. Were you able to help refine the stated need (i.e. did you have to simplify the specification)?
4. Did Eastern Cape Treasury department (ECTD) choose the correct outsourcing option/type?
5. Does SITA have the capability to provide that was decided upon?
6. Did you jointly participate in the drafting of the SLA and in its implementation?
7. How were the SLAs arrived at?
8. What has been done to manage the relationship and how effective has it been?
9. Has there been implementation according to the contract and SLA?
10. How and what benchmarks were used in the outsourcing process?
11. What are the differences between your relationships with the various Government departments?
12. What are the best practices you used during the outsourcing?

8. APPENDIX B: QUESTIONS FOR SITA CLIENT INTERVIEW

1. Is there any model or framework that guides you (i.e. ECTD) throughout the outsourcing process?
2. How did you (i.e. ECTD) go about outsourcing?
3. Was it a strategic decision or not and if so, was it an appropriate strategic decision?
4. How are decisions arrived at regarding IT Outsourcing? Describe the process. (i.e. what are the underlying causes of outsourcing?)
5. Did Eastern Cape Treasury department (ECTD) choose the correct outsourcing option/type?
6. Does SITA have the capability to provide the service?
7. Did you jointly participate in the drafting of the SLA and in its implementation?
8. How were the SLAs arrived at?
9. What has been done to manage the relationship and how effective has it been?
10. Describe the process, what happens if the SLA is not adhered to?
11. How and what benchmarks were used in the outsourcing process?
12. Could you please explain how did you go about preparing and planning for outsourcing? What was the outcome? Did implementation occur according to plan?
13. What are the key attributes you are looking for from the outsourcing/vendor organisation?
14. What benefits have you gained in outsourcing and what risks, problems have you encountered?
15. What are the best practices which are being used by you in outsourcing?
16. Who is managing the relationship and what problems encountered?