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Managing for Success

E-GOVERNMENT OUTSOURCING

YU-CHEH CHEN

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agement lessons are available (Lavery, 1999; O’Looney, 1998; Romzek & Johnston, 2002). With few exceptions, there is, however, little reference in this literature to the outsourcing of IT services.

Business literature on IT and information systems (IS) outsourcing constitutes the third main body of relevant literature. Compared with the preceding two bodies of literature, this literature deals more directly with the determinants of IT/IS outsourcing and its critical success and failure factors (Goo, Kishore, & Rao, 2000; Lacity & Hirschheim, 1993, 1995; Lacity & Willcocks, 1995, 1998; Loh & Venkatraman, 1992) as well as some general decision-making guidelines on outsourcing (de Looff, 1997). Nonetheless, it is problematic to transfer knowledge directly from the private to the public sector due to differences in the development and implementation of IS across sectors (Bozeman & Bretschneider, 1986; Bretschneider, 1990; Rubin, 1986; Dufner, Holley, & Reed, 2002). One difficulty is that multiple goals rather than profit maximization are the primary motivation for outsourcing in the public sector (Conklin & McLellan, 1994; Graham & Scarborough, 1997).

This study focuses on the management of IT outsourcing projects as the key to fully realizing the value of outsourcing. The failure rate of IT/IS projects is more than 50% for both the private and public sectors (Gartner, 2002; The Standish Group, 1995). IT/IS outsourcing projects are able to realize the promised benefits only if they are properly managed (Heeks, 1999; Lavery, 1999; Prager, 1997). This study will therefore identify the management factors for successful IT/IS outsourcing.

The main research question is what management capacities and strategies are critical for the success of an IT outsourcing project. The next section develops an analytical framework for IT outsourcing management that takes into account factors internal and external to public organization. The framework integrates insights from the three bodies of literature previously discussed. Three empirical cases are presented to illustrate and explore the key success factors. The article concludes with a discussion of cases and recommendations.

Managing Government IT Outsourcing: An Analytical Framework

Each of the three bodies of literature mentioned in the introduction contributes uniquely to the development of this study’s analytical framework. The public IT literature offers a public management perspective on IT projects, whereas the contracting out literature addresses the management issues related to outsourcing in general and IT outsourcing in particular. The business literature on IS/IT outsourcing hints at the critical success and failure factors that may be relevant to government IT outsourcing. Because the main purpose of this study is to promote better management of IT outsourcing, the relevance of each body of literature is gauged by its ability to offer insights into IT outsourcing management.

A proper integration of insights from multiple bodies of literature requires attention to the unique features of government IT outsourcing. The information asymmetry and complexity are usually higher in IT projects than in traditional services such as gar-

<table>
<thead>
<tr>
<th>External Factors</th>
<th>Internal Factors</th>
<th>Outcome</th>
</tr>
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<tbody>
<tr>
<td>Political/Regulatory Environment</td>
<td>* Top management support</td>
<td>Performance</td>
</tr>
<tr>
<td>IT Marketplace</td>
<td>* Partnership approach</td>
<td></td>
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<tr>
<td>Characteristics of Technology Services</td>
<td>* Selective outsourcing with a strategic fit</td>
<td></td>
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<tr>
<td></td>
<td>* Commitment of financial and human resources</td>
<td></td>
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<tr>
<td></td>
<td>* Relationship management</td>
<td></td>
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<tr>
<td></td>
<td>* Management capacity</td>
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<tr>
<td></td>
<td>* Performance management using service-level contracts</td>
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</tbody>
</table>

Figure 1. Analytical Framework of Managing Government Information Technology Outsourcing

bage pickup or vehicle maintenance (Globerman & Vining, 1996; Lawther, 2002). Moreover, the IT service contractor is likely to develop skills and knowledge that are geared to a specific contract (Lavery, 1999). This creates a competitive advantage of existing contractors over other potential bidders. As a result, the competitive market is less likely to exist for an IT outsourcing project. Last, the cost of regular bidding of IT outsourcing projects may be prohibitive due to the significant investment in service transitions and establishment of a capital facility (Lavery, 1999).

Substantial evidence indicates that management is central to the success of IT outsourcing. A local government IT outsourcing study found that internal management capacity is significantly associated with perceived performance and productivity (Brown & Brudney, 1998). The primary contributing factor to the failure of IT outsourcing projects is also management (Lacity & Willcocks, 1995). A national survey of local government IT projects further confirms the critical role of management practice in making IT a contributing factor to organizational effectiveness (West & Berman, 2001). Moreover, the emphasis on management is justified on practical grounds because public managers are in a better position to modify their management practices than conditions outside their organization.

Figure 1 puts management capacities and practices in their organizational and environmental contexts. External factors are the external influences on a public organization in its IT outsourcing decision making and management. Internal factors are the specific management practices and strategies for IT outsourcing. The outcome variable is performance. Each factor and variable will be discussed as follows.
characteristics of technology services

access to quality vendors continues to be a challenge in maintaining service level agreements and ensuring full compliance. the challenge is to find solutions that are both cost-effective and efficient. it is essential to develop a comprehensive plan that includes vendor selection, contract management, and service level agreements (slas).

the success of any IT outsourcing strategy depends on the right approach. this includes a thorough understanding of the current IT environment, identifying key performance indicators (kpis), and developing a clear strategy for managing the transition. it is also important to establish clear communication channels and establish a culture of shared responsibility.

internal factors: management capability and strategy

the more complex the environment, the greater the challenge in implementing successful outsourcing strategies. it is crucial to have a clear understanding of the internal processes and how they align with the outsourcing strategy. the key is to identify the critical success factors and ensure that the outsourcing provider has the necessary expertise and resources to deliver the required outcomes.

external factors: regulatory environment

the regulatory environment plays a significant role in outsourcing decisions. government policies, industry regulations, and market trends can have a significant impact on the decision-making process. it is important to stay informed about any changes in the regulatory landscape and ensure that the outsourcing strategy complies with all relevant regulations.
The adoption of a more rigorous approach to risk management and control can lead to significant improvements in financial accounting systems. The proposed plan was designed to enhance the functionality that was not previously available. The plan includes measures to improve the accuracy and reliability of financial statements and to ensure compliance with regulations.

The importance of risk management cannot be overstated. The effective implementation of risk management strategies is critical to the success of any organization. The plan includes a comprehensive risk assessment framework to identify and mitigate potential risks. This framework includes regular risk reviews and the implementation of control measures to ensure that risks are managed effectively.

In conclusion, the adoption of a more rigorous approach to risk management and control can lead to significant improvements in financial accounting systems. The proposed plan includes measures to enhance the accuracy and reliability of financial statements and to ensure compliance with regulations. The implementation of this plan will require significant investment, but the benefits are clear. The organization can expect to see improvements in its financial reporting and a reduction in the risk of financial reporting fraud.

<table>
<thead>
<tr>
<th>Category</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Control</th>
<th>Recommendation</th>
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<tbody>
<tr>
<td>Revenue Forecasting</td>
<td>High</td>
<td>Low</td>
<td>Process control</td>
<td>Implement robust control mechanisms.</td>
</tr>
<tr>
<td>Expense Forecasting</td>
<td>Medium</td>
<td>High</td>
<td>Process control</td>
<td>Implement robust control mechanisms.</td>
</tr>
<tr>
<td>Cash Flow Forecasting</td>
<td>High</td>
<td>Medium</td>
<td>Process control</td>
<td>Implement robust control mechanisms.</td>
</tr>
<tr>
<td>Credit Risk Management</td>
<td>Medium</td>
<td>High</td>
<td>Process control</td>
<td>Implement robust control mechanisms.</td>
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Table 1: A summary of recommended recommendations.
Discussions and Recommendations

The findings of our study indicate that creating a clear understanding of the PFA's goals and objectives is crucial. Effective performance measurement is essential for identifying areas for improvement. The PFA has developed a performance measurement framework that aligns with its strategic objectives. The framework includes key performance indicators (KPIs) that are regularly reviewed and updated to ensure alignment with the PFA's vision and mission. The PFA has also implemented a robust data collection and management system to support its performance measurement efforts. This system allows for the collection of accurate and timely data, which is critical for effective performance management.

The PFA's performance measurement system is well-integrated with its IT infrastructure, ensuring that data is captured and analyzed in real-time. This capability enables the PFA to quickly identify areas where performance is falling short of expectations and take corrective actions promptly. The PFA's performance measurement system is also designed to foster a culture of continuous improvement, as employees are regularly informed about their performance and given actionable feedback to help them improve.

In conclusion, the PFA's performance measurement system is a valuable tool for achieving its strategic goals. By regularly reviewing performance data and making data-driven decisions, the PFA can ensure that its operations are aligned with its mission and vision. The PFA's performance measurement system is a key component of its overall organizational success, and it is essential that the PFA continue to invest in this area to maintain its competitive advantage.
The national system of public administration is a system of public administration established in a country. It refers to the systematic and organized manner in which the government manages and operates various public services and programs. This system includes the structure, functions, and processes of government agencies, as well as the rules and regulations that govern their operations. The national system of public administration is designed to ensure the efficient and effective delivery of public services, and to promote transparency, accountability, and citizen engagement.