Knowledge Management as a Framework for Understanding Public Sector Outsourcing

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Abstract

This paper provides a conceptual argument for examining the challenge of IT outsourcing in the public sector through the lens of knowledge management. While IS researchers have recently begun to focus attention on the particular challenges of outsourcing in the public sector [19, 28], we believe that the shift to more market based solutions is occurring without much consideration for the knowledge resources that exist in the public sector’s IT organizations. Hence, we believe that knowledge management, an emerging area that has generated significant enthusiasm in the management literature, has particular relevance for understanding this challenge. In this paper, we identify differences between public and private sector IT outsourcing [9], then define and employ key knowledge management constructs to identify potential difficulties that public sector organizations may experience in leveraging their knowledge assets when relying on third party IT service providers.

1. Introduction

This paper presents a conceptual argument for evaluating IT outsourcing arrangements in the public sector using knowledge management constructs. While IS researchers have recently begun to focus attention on the particular challenges of IT management in the public sector [19, 28], there has been insufficient attention to theoretical frameworks that may guide our understanding of these challenges in general, and IT outsourcing in particular. Many theoretical lenses have been applied to IT outsourcing in the private sector, and several attributes have been identified as relevant to successful IT outsourcing arrangements [33, 38]. Our review of relevant literature on public sector IT outsourcing, however, did not provide evidence that the same characteristics have yielded similar benefits. In fact, researchers have provided little theoretical justification for why IT public sector outsourcing will lead to greater efficiency. Moreover, the IT literature has neglected to consider the unique characteristics of public sector organizations that may render such results more difficult to achieve compared to similar private sector initiatives. We believe that knowledge management, an emerging area that has generated significant enthusiasm in the management literature, has particular relevance for understanding this challenge.

The 1990’s proved to be a decade of intense examination of the functions of the U.S. federal government. As stated by President Clinton, “the model that we have used to deliver government services and fill public needs is simply no longer relevant to the present, let alone the future” [27, p. 5]. Hence, the Clinton-Gore administration launched the National Performance Review (NPR), a major government reform initiative intended to identify ways to streamline government, while generating greater effectiveness.

The NPR report contained 384 major recommendations covering 27 federal agencies and 14 federal government systems [20]. Many recommendations were based on the premise that government should model itself after the private sector – that it should operate with an entrepreneurial, competitive spirit, and seek to function as efficiently as the best-run businesses. Encompassed in this adoption of market-based concepts in the public sector was an increased emphasis on cost-cutting, privatization, downsizing, entrepreneurship, reinvention, quality management, and customer service [8]. While the prescriptions for change were far reaching, two underlying postulates were prevalent throughout: (1) that government should seek market solutions to facilitate delivery of services; and (2) that government should employ advanced IT to expedite or enable the changes recommended by the NPR [11].

Additionally, one of the accompanying reports to the NPR, “Reengineering Through IT,” [41], outlined a three-