A Paradigm Shift in Outsourcing Functions to External Service Providers in the Public Sector: A Liability for the State

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Normah Fadzai Mutongerwa¹, Zimkhitha Final Juqu² & Hlalele Matebese³

¹,²,³ Independent Researcher

Abstract

Purpose: This study aims to explore the current trends in public service delivery, focusing on the increasing use of outsourcing to improve efficiency and effectiveness. The study examines the paradigm shift in outsourcing functions to external service providers in the public sector and its potential liability for the State. The research aims to provide a comprehensive analysis of the various aspects of outsourcing in the public sector and its impact on the State’s liability.

Materials and Methods: The current research study has adopted a qualitative secondary data collection methodology to achieve its research objectives. This method was deemed suitable for the study as it has the potential to provide comprehensive, in-depth insights that are essential for attaining the study’s purpose. The study aims to systematically and rigorously examine the research variables and their interrelations by utilizing secondary collected data. This approach aided in generating valuable insights that are crucial for developing a comprehensive understanding of the phenomenon under investigation.

Findings: Key findings of the study include: Management is negligent in the appointment of external service providers owing to the tendency for public organizations to outsource services that can be performed internally, leading to excessive spending for the government; State employees are privileged and given the autonomy to transfer their responsibilities to service providers, without the government’s expenses proper considerations; Outsourcing potentially leads to the redundancy of experienced and competent workforce, and Governments pay for the same service twice arising from outsourcing.

Implications to Theory, Practice and Policy: The study offers a detailed and practical framework for public organizations, policymakers, and other stakeholders to make informed decisions about outsourcing. The framework effectively addresses the various challenges and risks associated with outsourcing, providing a viable solution to mitigate them while saving costs and jobs. This approach can help organizations improve their outsourcing practices and contribute to better service delivery to the public. The study offers a detailed and practical framework for public organizations, policymakers, and other stakeholders to make informed decisions about outsourcing.

Keywords: External Service Provider, Governments, Outsourcing, Public Organizations, Public Sector, Supply Chain Management L24, K12, H76, D86, P43, P35, G32

https://doi.org/10.47672/ajscm.1892
1.0 INTRODUCTION

Recently, public service delivery has undergone significant changes and advancements (Albalate, Bel & Reeves, 2021). As a result, many public entities opt to outsource specific tasks as a strategic approach to carry out their operations more efficiently and effectively. This shift from traditional methods to more modern and innovative working brought numerous benefits, including increased flexibility, cost savings, and access to specialized expertise and technology. These developments have transformed the public service delivery landscape, enabling public organizations to deliver high-quality services to their constituents while achieving greater operational efficiency and effectiveness. Thus, it is evident that outsourcing emerged as a popular strategy for organizations to optimize their time and resources towards developmental initiatives owing to its cost-effectiveness approach that appeals to many in the industry as it can also be viewed as a risk-mitigating factor (Tooranloo, 2019). Supporting this view, Marhoui, Ibenrissou and Rigar (2022) accentuated that numerous countries implemented novel methods to handle public services by emphasizing collaboration and coordination, with outsourcing as a crucial element of these endeavors. This strategy has proven to be highly effective in enhancing the delivery of public services and ensuring optimal efficiency.

Despite this, delivering public services is a multi-faceted challenge that requires balancing cost efficiency and quality assurance. Therefore, it is crucial to recognize that simply shifting production from public to private does not guarantee success in achieving these goals. This assertion is echoed and corroborated by Blomqvist and Winblad (2022), who stress the need for a thorough examination of the various factors that impact service delivery effectiveness beyond producer ownership. In other words, the effectiveness of public services cannot be reduced to who produces them. Regulatory framework, competition levels, and management quality are just a few of the many other factors that must be closely scrutinized by policymakers and stakeholders before deciding how to proceed with public service delivery. By taking these considerations into account, they can help ensure that services are provided in the most efficient, cost-effective, and high-quality way possible.

Notably, outsourcing has become a widespread practice in many public organizations worldwide. It involves delegating specific business functions to an external provider, which can help improve the organization’s efficiency (Wibisono et al., 2019). With outsourcing, institutions can focus on their core competencies while allowing specialized third-party vendors to handle specific tasks. In an intimately related vein, Aragão and Fontana (2022) highlighted an insightful explanation of outsourcing as delegating activities, functions, or processes to an external service provider. This practice enables the partner to take responsibility for executing specific tasks, subject to agreed contractual conditions. In light of these definitions, organizations can transfer services or functions previously performed internally to external service providers through outsourcing (Taponen & Kauppi, 2020). This strategic move enables public sector organizations to enhance service delivery and optimize operations while focusing on their core competencies. It also allows them to free up resources, reduce operational costs, and access specialized skills and expertise that may not be available in-house. According to a study by Andersson et al. (2019), outsourcing non-core functions can help public sector organizations achieve greater productivity and service delivery. Additionally, outsourcing is intended to provide greater efficiency and value for money among state entities. In this respect, Dadzie et al. (2022) revealed that outsourcing is a critical tool for achieving these strategic goals and objectives.

The practice of outsourcing has its advantages, including cost reduction and enhanced productivity. However, it is imperative to ensure that outsourcing is applied and used
appropriately. This study identified a gap in the literature because the public sector has not been thoroughly studied in this regard. This article contends that outsourcing is frequently abused when internal employees can effectively perform the outsourced tasks. Additionally, this paper argues that management continually fails to conduct a comprehensive analysis before outsourcing, resulting in unnecessary expenses for the state. This study advances that outsourcing can be used more efficiently by addressing these issues, which will benefit the state and its workers. Additionally, the aggravating circumstances are attributable to the reduction of public budgets in several state organizations, leading to a decline in work quality within the public sector and creating immense strain on the delivery and excellence of public services (Keune et al., 2020). As a result, insufficient funds will lead to a dearth of resources, under-staffing, and restricted access to essential equipment and technology. The amalgamation of these factors will create an arduous environment for state organizations to deliver the desired level of service. Consequently, citizens will be frustrated and dissatisfied with the subpar quality of services from the public sector.

The study identified a gap in the current literature and strives to bridge it by providing an in-depth analysis of the multifaceted aspects of outsourcing within the public sector. The objective is to illuminate the advantages and disadvantages of outsourcing in this domain and furnish policymakers and stakeholders with informed recommendations based on an analysis of the existing literature.

Problem Statement

The public sector has witnessed a surge in outsourcing activities, prompting several concerns regarding its management and feasibility. This assertion led to the formulation of this study's problem statement, claiming that outsourcing is often misgoverned by management with little accountability or scrutiny, resulting in unnecessary costs to the State. Supporting this view, Lapuente and Van de Walle (2020) opine that management fails to critically analyze service quality, accountability, and equity before delegating services to external parties. As a result, this study probes the effects of outsourcing on the public sector and identifies the challenges posed by its management, with a particular focus on accountability. In light of the study's results, public managers can make informed decisions that can help them avoid unfavorable consequences and ensure favorable outcomes by carefully scrutinizing these factors.

In cases where the use of external service providers is inevitable, management needs to exercise due diligence and ensure that public funds are disbursed and spent judiciously. This action can be achieved by conducting a thorough assessment of service providers and their capabilities and a cost-benefit analysis to determine the most cost-effective option. Moreover, numerous public organizations globally are grappling with the issue of budgetary constraints, which could have a considerable influence on the quality of services delivered by the public sector (Keune et al., 2020). Consequently, such entities may find it arduous to sustain their operations and fulfill the requirements of their constituents. Given the current financial climate, public organizations must take necessary measures to optimize resources and minimize waste. Failure to do so may result in the inability to meet the populace’s growing demands, and thereby hamper the organization's ability to fulfill its core objectives. Therefore, public organizations must engage external service providers only when no other viable option is available, and such a decision should be sound and substantiated.

Therefore, it is imperative to consider all relevant factors and their possible ramifications before implementing outsourcing in the public sector. Accordingly, this study contributes to public-sector outsourcing since it provides a meaningful understanding of the phenomenon and its complexities. It offers practical recommendations for effective outsourcing management,
considering the unique features of the public sector. The research also promotes best practices in outsourcing that can benefit both the public sector and society.

The research study exhibits the factors contributing to this shift towards outsourcing, its consequences on the public sector, and the measures to mitigate its risks. The study addresses how outsourcing can be managed effectively in the public sector to ensure the delivery of the desired outcomes while minimising the risks and negative impacts. The research further examines the various aspects of outsourcing in the public sector, including its influence on organisational performance, service quality, and cost-effectiveness. It also probes the social and economic implications of outsourcing, such as job losses, and its effects on the quality of public services.

2.0 LITERATURE REVIEW

A Shift in Public Services

In recent times, there has been a significant shift in the role of governments across the world. Governments are no longer singular providers of public services but have transformed into network facilitators. Public services are services that aim to address social or economic challenges faced by the community and provided by the public sector or outsourced to external providers and are pivotal in ensuring the efficient functioning of society (Osborne 2021). They are essential in meeting the needs of the public and can include healthcare, education, transportation, law enforcement, and public utilities, among others. The provision of public services is a fundamental responsibility of governments worldwide, as they provide the necessary infrastructure and support to promote societal well-being. Governments can ensure that their citizens have access to essential services and that their basic needs are met through the provision of public services.

In the same train of thought, there has been a notable movement towards outsourcing public service provision to external institutions. This shift brought a significant transformation in the institutional landscape, with outsourcing becoming a popular strategy for governments worldwide. According to a recent study by Friedländer et al. (2021), this trend has resulted in a differentiation in performance among public service providers, which positively impacts the overall quality of services provided to the general public, as it encourages providers to compete with one another and strive to provide the best possible service.

The primary objective of governments today is to create an enabling environment that fosters societal advancement by empowering citizens to engage in the co-creation of public value. This approach promotes a more collaborative and inclusive approach to governance, where citizens are actively involved in decision-making that impacts their lives. By involving citizens in the co-creation of public value, governments can better understand the needs and aspirations of their citizens and work towards meeting those needs more effectively and efficiently. According to Li and Qiu (2022) and Osborne (2021), governments enable citizens to actively participate in the creation of public value. This approach requires a shift towards more collaborative and inclusive approaches to governance that can promote trust and legitimacy in government institutions. Such changes acknowledge the evolving role of governments and highlight the need for more citizen-centered and participatory governance models.

As such, Laage-Thomsen (2022) uncovered that public organizations are undergoing a discernible change in their approach to workforce management. Rather than relying primarily on long-term civil servant work, they are increasingly turning to short-term outsourced expert knowledge production. This shift demonstrates a growing preference for external expertise and
a decreased emphasis on internal capacity building. Consequently, public organizations are placing greater precedence on specialized and targeted knowledge acquisition as opposed to broad-based skill development.

This trend has significant implications for organizational effectiveness and human resources management. It means that public organizations need to rethink their recruitment practices, placing greater emphasis on finding individuals with specialized expertise rather than generalists. Additionally, it requires a shift in training practices to ensure staff have the skills and knowledge required for specific tasks and projects. Finally, it raises questions about staff retention, as public organizations may face increased competition from private sector companies and other organizations competing for the same expert talent. Overall, this shift in focus represents a significant change in how public organizations approach workforce management, and it will require careful consideration and planning to ensure that they can continue to deliver high-quality services to the public.

**Benefits of Outsourcing**

According to a recent study conducted by Poutvaara (2020), outsourcing public services is an effective approach for governments to reduce the overall cost of production. The study suggests that outsourcing can lead to more efficient and cost-effective delivery of public services. Governments can potentially save considerable costs in areas such as labor, infrastructure, and other operational expenses through outsourcing services. This approach, in turn, allows for better utilization of resources and improved service delivery to the public. Therefore, the benefits of outsourcing for governments include the potential to achieve significant cost savings without compromising the quality of services provided to the public.

In another sense, Friedländer Röber and Schaefer (2021) conducted an extensive study to investigate the impact of adopting fundamental administrative practices on the performance of public organizations through outsourcing. The study aimed to identify the extent to which implementing such practices can affect the functioning and outcomes of public organizations. The results of the study were significant. The researchers found that implementing such practices can significantly affect the functioning and outcomes of public organizations. The findings suggest that public organizations can improve performance by adopting fundamental administration practices. Overall, this study adds to the growing body of research that emphasizes the importance of adopting fundamental administration practices in the public sector. It highlights the potential benefits of such practices, such as improved efficiency, effectiveness, and service quality, and provides valuable insights to public organizations seeking to improve their performance.

In the realm of human resources management, incorporating external service providers can offer several distinct benefits for public organizations. Firstly, outsourcing HR functions can lead to heightened efficiency, as external providers are often specialized in their respective areas and can provide expertise that may not be available internally. By leveraging the knowledge and experience of external HR providers, organizations can enhance their HR functions, streamline processes, and increase overall effectiveness.

Secondly, outsourcing HR functions can lead to lowered costs, as external providers offer economies of scale and often have lower overhead costs than internal departments (Ndubuisi-Okolo & Obiakonwa, 2020). This approach can allow organizations to save on expenses related to employee salaries, benefits, training, office space and equipment. Thirdly, outsourcing HR functions can provide organizations with access to advanced HR systems and expertise (Ndubuisi-Okolo & Obiakonwa, 2020). External providers often have the resources and technology to implement state-of-the-art HR systems and processes that may not be available
Internally. This strategy can lead to improved data management, reporting, analytics and increased compliance with regulatory requirements.

Finally, outsourcing HR functions can free up internal resources and allow organizations to focus on core business activities. By delegating HR functions to external providers, organizations can reduce the workload of internal HR staff and allow them to focus on strategic initiatives that align with the company's mission and vision. This initiative can lead to increased productivity, employee satisfaction, and overall organizational success. In general, using external service providers for HR management is a strategic approach that can bring numerous benefits to organizations seeking to optimize their HR functions. By leveraging specialized knowledge, experience, and technology of external HR providers, organizations can enhance their HR capabilities, reduce costs, and focus on core business activities.

In a similar vein, many public organizations opt to outsource their Information System (IS) tasks, viewing it as an effective solution for managing complex IS requirements (Wibisono et al., 2019). These authors opined that outsourcing provides benefits that can enhance overall performance and quality of IS development. One of the common advantages of outsourcing is cost reduction. This decrease can be achieved by capitalizing on economies of scale and lower labor costs in other regions. Additionally, outsourcing offers access to skilled personnel who are experts in their respective fields, bringing fresh perspectives and innovative ideas to the project.

Another common benefit for outsourcing is its ability to allow organizations to concentrate on their core business areas. The day-to-day management of IS tasks is not a concern, allowing organizations to stay up to date with the latest technology, essential in today's rapidly changing business environment (Wibisono et al., 2019). Across-the-board, outsourcing can be a strategic move for public organizations seeking to improve their IS capabilities. Organizations can reduce management overheads, access specialized expertise, and focus on their core competencies, ultimately increasing efficiency and productivity by outsourcing IS-related tasks.

As previously mentioned, the trend of outsourcing has gained significant momentum in recent years, particularly in the public sector. While outsourcing can offer several benefits, it is crucial to acknowledge that it can also have potential drawbacks, which must be meticulously considered before making a decision. Therefore, this study cautions that before considering outsourcing public services, it is critical to conduct a thorough evaluation of the possible negative consequences. These consequences may include the loss of jobs, reduced transparency, and accountability. Hence, it is essential to approach outsourcing precautionary and prioritize internal staff for organizational tasks. Organizations can ensure a stable workforce and maintain the quality of work by prioritizing internal staff. In essence, the decision to outsource must exclusively be taken into account as a last resort. This approach can help ensure that the management makes informed decisions that benefit the organization and its employees. In sum, while outsourcing can provide benefits, it is pivotal to weigh up the potential negative consequences. Organizations can make informed decision that benefits the organization and its employees by prioritizing internal staff and assessing all possible outcomes.

Henceforth, this study posits that outsourcing could result in experienced and competent employees becoming redundant and organizations incurring unnecessary expenses. This claim is because outsourcing may lead to a loss of institutional knowledge and expertise, which can only be acquired through experience and time spent working within the organization. Additionally, outsourcing typically requires significant management oversight, which can be
expensive and time-consuming. Consequently, public organizations may spend considerable amount of money to ensure that outsourced work is completed on time and to the desired level of quality, even though the same tasks could have been executed with greater efficiency by internal employees. The study suggests that organizations should carefully weigh the potential costs and benefits of outsourcing to make informed decisions that align with their long-term strategic goals.

**Drawbacks Associated with Utilizing External Service Providers in the Public Sector**

Taponen and Kauppi (2020) conducted a comparative study of public and private organizations in Finland to analyze their service outsourcing decisions. The study revealed that the outsourcing decision-making process in the public sector was not as robust as that of the private sector. The private sector organizations demonstrated a more thorough understanding of the market and suppliers’ cost levels, which resulted in more cost-effective outsourcing decisions. In contrast, public sector organizations were found lagging behind and made less informed outsourcing decisions. The study further concluded that the private sector was more efficient in outsourcing services than the public sector. Therefore, the study suggests that public sector organizations could benefit from improving their decision-making processes concerning outsourcing services.

There are other drawbacks attributable to outsourcing in the public sector. In this respect, authors advise that it essential to recognize that the reduction or discontinuation of outsourced activities can pose a significant threat to business continuity (Niemimaa et al., 2019), particularly in the public sector. Thus, organizations that fail to acknowledge the potential risks associated with such decisions are more likely to encounter negative impacts on their operations. Therefore, organizations must conduct a thorough analysis and evaluate the consequences of any proposed changes before making any decisions that could impact their business continuity. This analysis should involve a detailed assessment of the risks and potential repercussions of discontinuing or reducing outsourced activities. The assessment should also consider the impact on the organization's operations, budget, and overall efficiency. Moreover, organizations should take necessary measures to avoid any negative impact on their operations. This step may involve developing contingency plans, identifying alternative solutions, or renegotiating contracts with outsourced service providers. Organizations can ensure business continuity and minimize potential risks associated with outsourcing non-core activities by taking these necessary measures.

There is another strand in literature supporting these drawbacks differently. Some nuanced findings showed that during times of financial hardship, as is the case with budget cuts, public organizations may find themselves in a position where they must make difficult decisions about which services to cut back on or temporarily halt altogether (Aragão & Fontana, 2022). These scholars further indicated that outsourced services are often the first to be impacted in such situations, which can disrupt the continuity of public services.

However, it is crucial to take a long-term view and carefully analyze the situation to avoid any negative repercussions on the services. Unfortunately, this approach is not frequently employed in the public sector (Aragão & Fontana, 2022). Their research points out that organizations sometimes prioritize short-term gains over long-term sustainability, which can have a detrimental effect on the delivery of essential public services. Therefore, organizations need to strike a balance between immediate cost-cutting measures and ensuring the continuity and quality of public services.
Management Negligent Practices in Outsourcing

Recently, governments have shown an increasing interest in outsourcing activities. While outsourcing can offer a range of benefits, its true potential can only be realized if public sector managers possess the necessary skills and knowledge to manage outsourced activities effectively. According to Dahlström, Nistotskaya and Tyrberg (2019), public sector managers must exhibit effective outsourcing competency to leverage this practice for maximum benefits. Public sector managers must develop and implement robust governance structures that ensure accountability and transparency in all outsourced activities to achieve effective outsourcing competency. This approach includes selecting the right outsourcing partners that align with the organization's objectives and values and ensuring that all outsourced activities are appropriately monitored and evaluated. Effective outsourcing competency is essential to achieving operational efficiency, cost savings, and service quality improvements in the public sector. Public sector managers can ensure that the organization delivers high-quality services while optimizing its use of resources by possessing the necessary skills and knowledge to manage outsourced activities.

For this reason, it is crucial to understand that service providers and management play a vital role in fostering a healthy partnership to establish and maintain successful outsourcing relationships (Lok et al., 2021). While service providers are responsible for delivering quality services, management must ensure the partnership thrives. Firstly, effective communication between the service provider and the management is crucial for successful outsourcing relationships. Management should be committed to establishing and maintaining effective communication channels throughout the outsourcing process to ensure that both parties are on par. This move helps to identify and address potential issues before they escalate into major problems.

Secondly, identifying potential issues is another critical aspect of successful outsourcing relationships. Management should be proactive in identifying any potential issues that may arise during the outsourcing process. This action requires a thorough understanding of the outsourcing process, potential risks, and best practices for managing outsourcing relationships. Being proactive helps the management team to swiftly address any issues that arise from outsourcing to meet the targeted deadlines efficiently. Lastly, implementing best practices is essential to ensure mutual success in outsourcing relationships. This strategy includes developing clear and concise service level agreements (SLAs), establishing key performance indicators (KPIs), and regularly monitoring and evaluating the outsourcing process. By implementing best practices, the management team can ensure that both parties are working towards the same objectives and achieving success together.

Parallel to these findings in a different context, outsourcing has become a popular business strategy for organizations looking to reduce costs and improve efficiency, as previously stated. However, this trend resulted in growing concerns over outsourced service providers' performance and management. Public organizations have increasingly sought to ensure that outsourcing arrangements are managed effectively, minimize reliance on external service providers, and achieve better outcomes to address these concerns. To this end, researchers Galwa and Vogel (2023), and Ylönen and Kuusela (2019) conducted studies that provide valuable insights into how organizations can improve their outsourcing practices and enhance overall performance. These studies highlight the importance of effective communication, unambiguous performance metrics, and comprehensive risk management strategies in outsourcing arrangements. They also stress the need for businesses to maintain a robust internal team and avoid over-reliance on external service providers by management. The findings of...
these studies have significant implications for businesses that rely on outsourcing to deliver critical services. By implementing the recommended practices, organizations can avoid potential pitfalls, maximize the benefits of outsourcing, and achieve better overall performance. Meanwhile, the analysis of Andersson et al. (2019) highlighted the significance of exercising caution while outsourcing services, especially when the contracting process poses substantial challenges. The study suggests that it is crucial to scrutinize the outsourcing process's details to avoid the threat of oversight. Thus, this study opines that management should be more careful in appointing service providers, particularly when the state pays double for the same service. The study further suggests that such negligent practices can be avoided by adopting a more proactive approach and engaging in thorough research to identify potential and unnecessary financial losses for public organizations.

**Case Studies: Public Sector Outsourcing**

In accordance with (Wamunyima et al. 2024), Zambia implemented various outsourcing arrangements to provide public goods and services, which include joint ventures, supply, build-operate-transfer, and management contracts. However, despite the benefits intended, some outsourcing pacts have failed to deliver the anticipated results. According to reports, some outsourced goods and services were overpriced, substandard, or delayed. These issues arose due to the private companies’ prioritization of profit maximization rather than providing quality public goods and services contracted by the Zambian government. Therefore, it is vital to reconsider the outsourcing models utilized to ensure that public goods and services outsourcing benefits the public and the government. The Zambian experience provides valuable lessons for other public entities to learn from and implement in their outsourcing arrangements (Wamunyima et al. 2024).

In Sweden, Blomqvist and Winblad (2022) conducted a study to explore the effectiveness of monitoring the performance of service providers by public organizations, focusing on the Swedish social services sector. Through a thorough analysis of the case, the researchers found that although local governments implemented some level of oversight to monitor the performance of external service providers, there is still room for improvement in holding service providers accountable for under-performance. The study’s findings signify that the performance metrics used by public organizations to evaluate service providers were not well-defined or comprehensive enough to provide an accurate assessment of the service providers’ performance. This assertion implies the need for public organizations and external service providers to collaborate and establish more rigorous performance metrics to promote a fair and accurate evaluation of service providers’ performance. By adopting this approach, public organizations can be more effective in holding contractors accountable for under-performance, and service providers can improve their service quality and ensure higher levels of client satisfaction. Overall, the study highlights the importance of continuous monitoring and evaluation of service providers to ensure that the population receives the highest quality of service.

In China, Human Resource Management’s outsourcing services in public sector gained significant popularity. The outsourcing process can be divided into four stages: decision-making, selection, implementation, and exit (Zhong, 2019). However, each stage poses unique risks that must be addressed carefully to ensure the success of the project. According to Shi (2023), during the decision-making stage, it is crucial to select the suitable project that caters to the actual needs of the public sector. Choosing the wrong project could lead to increased costs and management risks. Therefore, it is essential to give careful consideration to outsourcing decisions. This author further indicated that in the selection stage, the public

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service sector is most vulnerable to contractual risks when limited knowledge and expertise are available. Novel risks may also arise during the implementation of the project, making it challenging to hold outsourcers accountable lest they are not listed in the contract. To mitigate these risks, public managers can increase supervision and management, check the quality of outsourcing, raise awareness about information security, and prevent data leaks.

Shi (2023) also opined that during the implementation stage, regulatory risks may arise lest the outsourcer fails to comply with contractual commitments or acts opportunistically. Such risks could lead to the collapse of the HRM outsourcing project and significant losses for the public sector. Thus, it is imperative to monitor and manage the outsourcer effectively to minimize such risks. In the exit phase, there is a risk of data disclosure when the outsourcing contract is terminated, and the public service sector ceases working with the outsourcer. To prevent data leaks, relevant departments must recover and destroy information effectively. Therefore, addressing the risks associated with outsourcing HRM services in the public sector is crucial to ensure a seamless working relationship with outsourcers and help the public service sector reap the benefits of outsourcing. Public managers can optimize the outsourcing process and achieve their objectives effectively by taking adequate measures to mitigate the risks at each stage.

**Supply Chain Management Challenges in the Public Sector**

Ellram and Murfield (2019) define Supply Chain Management (SCM) as a collaborative system that brings together the efforts of all stakeholders towards achieving optimal production levels. The SCM system is designed to ensure the seamless and cost-efficient flow of goods and services, enabling organizations to operate more efficiently and effectively. By integrating various activities such as procurement, production, transportation, and distribution, SCM helps organizations optimize their processes, reduce costs, and enhance consumer satisfaction. Therefore, SCM plays a crucial role in improving the overall performance of businesses by streamlining their supply chain activities and enhancing their competitiveness in the market.

Despite this, for SCM to yield desirable results, it is imperative to establish and execute various fundamental components, such as collaboration. It is critical to SCM as it enables seamless coordination between all parties involved in producing and delivering goods and services, from primary producers to final consumers. Experts in the industry, such as Dvorsky et al. (2021) and Ellram & Murfield (2019), have identified collaboration as a critical success factor for managing supply chains. As such, supply chain actors can ensure that products are delivered on time and at a reasonable cost, improve consumer satisfaction, and ultimately improve organizational performance through joining forces.

It is becoming more prevalent that incorporating SCM principles into the public sector can be an effective solution for co-creating public value (Seepma, de Blok & Van Donk, 2021). Public organizations can optimize their operations and improve outcomes for citizens by managing the flow of goods and services from procurement to delivery. Adopting a supply chain perspective can enhance public organizations' ability to respond to changing conditions, reduce waste, and increase accountability. Utilizing SCM principles in the public sector presents an optimistic prospect to improve service delivery and generate substantial benefits for citizens. Notwithstanding, managing supply chains is undoubtedly a complex and multifaceted task, which can pose a various challenge to organizations. To address some of these challenges, Kyriacou and Roca-Sagalés (2021) suggested that decentralizing procurement spend could be an effective approach to promoting local development. However, it is essential to be mindful of the potential risks that may arise from such a strategy. In particular, these scholars advised
that corruption could be a significant concern as it can undermine the desired benefits of the decentralized procurement approach.

Therefore, it is crucial to implement measures that can help mitigate this risk. One effective approach is to promote transparency and accountability in decision-making processes. In other words, organizations can ensure that procurement activities are conducted with integrity and that the desired benefits are realized. For instance, organizations could consider publishing procurement data and reports on their website or through other public channels. This measure can help increase transparency and allow external stakeholders to monitor the procurement process. Furthermore, it is also advisable to establish clear guidelines and standards for procurement activities. This approach can help ensure that procurement decisions are made based on objective criteria and that procurement activities are conducted ethically and fairly. Additionally, organizations could consider implementing training programs to help employees understand the importance of ethical procurement practices and the potential risks associated with corruption. Overall, while decentralizing procurement spend may offer benefits for local development, it is crucial to carefully consider the potential risks and take steps to mitigate them. Organizations can help ensure that their procurement activities are conducted with integrity and that the desired benefits are realized by promoting transparency, accountability, and ethical procurement practices.

Another SCM challenge involves budget cuts in the public sector. Generally, outsourcing is viewed as a practical solution to address financial challenges. However, when organizations are faced with budget cuts, managing outsourced tasks can become a complex undertaking for supply chain management professionals (Borowska et al., 2020; Dekker et al., 2020). It is thus imperative to recognize that outsourcing, despite its cost-effectiveness, can lead to unforeseen difficulties that may adversely affect operations. As a result, it is critical to develop a comprehensive program for managing outsourcing that aligns with the company's objectives and goals. This program should cover fundamental areas such as vendor selection, contract negotiation, and supplier relationship management. As such, SCM professionals can efficiently handle outsourced tasks and avoid any negative impacts that may arise due to budgetary constraints through implementing such a program.

Furthermore, in the South African context, a recent study undertaken by Myeza, Nkhi, and Maroun (2021) uncovered that the public sector in South Africa continues to face persistent challenges regarding compliance with procurement laws and regulations related to SCM. Despite the existence of numerous legal frameworks and guidelines, noncompliance remains a major issue within this sector, posing a significant threat to the overall efficiency and effectiveness of public procurement processes. This challenge can have far-reaching consequences, including compromised transparency, increased risk of corruption, and reduced accountability. Therefore, there is an urgent need for policymakers and stakeholders to address this issue by taking appropriate measures to strengthen compliance mechanisms and ensure more effective implementation of procurement rules and regulations.

Collaboration is widely recognized as an essential factor for successful supply chain management (SCM) within the public sector. However, a gap exists in the current understanding of how to optimize collaboration in this specific context. To enhance supply chain performance, it is imperative to investigate the strategies, best practices, and barriers to effective collaboration among public sector organizations and their stakeholders. Decentralizing procurement spend within the public sector can lead to various potential risks, including corruption. Future research must delve deeper into effective measures that mitigate these risks while still leveraging the benefits of decentralized procurement for local
development. Innovative governance mechanisms, monitoring systems, and accountability structures are some key factors that might be explored to address these issues.

Outsourcing is often considered a practical solution for addressing financial challenges within the public sector. However, managing outsourced tasks becomes increasingly complex during budget cuts. Robust strategies and frameworks are essential for effectively managing outsourcing arrangements in times of fiscal constraint while ensuring that outsourced tasks do not compromise operational efficiency or service delivery. Compliance with procurement laws and regulations in the South African public sector remains a persistent challenge. Future research should delve into the root causes of noncompliance, including institutional, cultural, and structural factors, and identify targeted interventions to strengthen compliance mechanisms and improve the effectiveness of procurement processes.

Incorporating supply chain management principles into the public sector can contribute to co-creating public value. However, the direct and indirect impacts of SCM principles on public value creation are not yet fully understood. Future research should investigate these impacts, including improvements in efficiency, responsiveness, and citizen satisfaction. Addressing these research gaps can provide valuable insights and evidence-based recommendations for improving supply chain management practices in the public sector. Ultimately, this can lead to enhanced efficiency, effectiveness, and accountability in service delivery, which are critical factors for achieving optimal public value.

3.0 MATERIALS AND METHODS

Research Methodology

The study’s research methodology leaned on secondary data, which refers to information previously collected and published by various sources such as academic journals, government reports, industry publications, and books (Taherdoost, 2021). The researchers accessed existing data and literature related to outsourcing practices in public organizations, allowing them to gather comprehensive information and insights from various sources without conducting primary data collection such as surveys or interviews. The scholars further analyzed trends, identified patterns, and drew conclusions based on the collective knowledge available in the field by reviewing existing literature and data. The study’s sources outlined above were utilized to comprehensively analyze outsourcing practices, management negligence, workforce dynamics, and organizational decision-making within public organizations. In this regard, researchers critically evaluated and synthesized this data to develop a thorough comprehension of the research topic and effectively address the study objectives. Essentially, using secondary data provided researchers with a solid foundation for analysis and interpretation, enabling them to contribute valuable insights to the existing body of knowledge on outsourcing practices in public organizations.

The study adopted a pragmatic approach and utilized secondary data analysis to achieve the Study’s purpose. This method involved analyzing previously collected reports and statistics to evaluate the impact of outsourcing on the public sector. The researchers found this approach highly effective in providing a detailed understanding of the challenges and subjects related to outsourcing. In this regard, a more comprehensive analysis of the research topic was conducted. It allowed them to uncover practical senses and findings by gathering and analyzing information from various sources. On a positive note, these findings empowered the researchers to reach a sound conclusion. In essence, the study’s use of secondary data proved to be a constructive and successful approach to achieving the research objectives. It allowed

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the researchers to gain a nuanced understanding of the complexities associated with outsourcing in the public sector (O’Leary, 2004).

To ensure the methodological rigor of the study, the researchers commenced by explicitly defining the scope of the research, research objectives, and research questions. This was done to aid in the selection and evaluation of literature within the specified timeframes and themes of interest. The second phase of the research methodology involved the identification of potential data sources. In order to achieve this, the researchers utilized various academic databases, repositories, and pertinent websites. Through the careful application of inclusion and exclusion criteria keywords and specific search terms, potential sources of data were identified. Subsequently, relevant scholarly articles, reports, and government publications were collated and identified for further analysis (O’Leary, 2004).

In order to ensure that the literature collected was relevant to the study's objectives, inclusion criteria were employed. Additionally, the quality of data was evaluated for its suitability. Sources that failed to meet the inclusion criteria, such as those containing outdated or irrelevant literature, lacking adequate data, or exhibiting poor methodology, were excluded from further consideration. The quality assessment of selected sources was conducted through a rigorous evaluation process, which involved verifying the peer review status, author credibility, research methodology and validity of data. In addition, the context in which the data was collected was taken into consideration, along with any biases or limitations that may have been present in the original studies under review. The aim was to ensure that the sources used in the analysis were robust, credible, and reliable, thus lending greater credibility to the overall findings (O’Leary, 2004).

During the course of this study, proactive measures were taken to minimize the potential for bias in the selected data sources. Several discussions were conducted amongst the researchers, with the aim of triangulating data from multiple sources. This was accompanied by a critical evaluation of conflicting perspectives and a consideration of alternative interpretations of the data, ultimately enabling the researchers to acknowledge and address limitations identified in the secondary data analysis. Such measures were essential to ensure the integrity and accuracy of the research findings. In accordance with the research process, the data sources were systematically organized and synthesized based on the identified themes. This step was carried out prior to conducting a thematic analysis. The resulting findings were then interpreted in alignment with the research objectives. Additionally, the implications for theory, practice, and policy were identified through a careful analysis of the data (O’Leary, 2004).

4.0 FINDINGS

- Management is negligent in the appointment of external service providers owing to the tendency for public organizations to outsource services that can be performed internally, leading to excessive spending for the government.

This finding implies that public organizations can maximize their spending efficiency by carefully evaluating their requirements before outsourcing services that could potentially be carried out in-house. Management needs to take an active role in the selection of external service providers, ensuring that they conduct proper due diligence and cost-benefit analysis to benefit the government and its stakeholders. A proactive approach towards appointing external service providers is critical in this regard. This measure can involve identifying the specific services that need to be outsourced, creating a detailed SLA that outlines the terms and conditions of the agreement, and selecting service providers based on their experience, expertise, and reputation. It is also crucial to establish clear communication channels to monitor
the performance of the service providers regularly. As such, public sector entities can achieve significant savings while maintaining the quality of services delivered to their constituents by taking a strategic and diligent approach to outsourcing.

- State employees are privileged and given the autonomy to transfer their responsibilities to service providers without the government's expenses proper considerations.

This finding suggests that individuals employed in the public sector have been entrusted with the responsibility of delegating their duties to external service providers. While this practice can be beneficial in terms of enhancing efficiency and effectiveness, it is crucial to exercise due diligence to ensure that it does not lead to unnecessary expenses for the government.

- Outsourcing potentially leads to the redundancy of experienced and competent workforce.

This finding indicates that outsourcing can have negative consequences on the existing workforce. When certain functions are outsourced, employees who have been working on these functions for a long time may become redundant and may find it difficult to transition into other roles within the organization. As a result, public organizations need to be mindful of the potential impact on their workforce when engaging in outsourcing. Thus, organizations can take proactive steps to address the situation to mitigate the negative effects of outsourcing. This system may involve retraining employees for different roles within the organization. In this regard, public organizations need to communicate with their employees about the outsourcing process, and to be transparent about the reasons for making this decision. Therefore, public organizations that choose to outsource should consider the long-term implications of their decision and weigh the benefits against the potential costs. While outsourcing can be an effective cost-cutting measure, it is essential to ensure that the interests of the workforce are not overlooked in the process.

- Governments pay for the same service twice arising from outsourcing.

This finding highlights that, in some cases, governments face additional expenses when they outsource certain services. This occurrence is because the outsourcing company charges the government for the service, and the government is subsequently required to pay again for employees responsible for performing the same task. This duplication of costs can be attributed to ineffective oversight by management, which results in the government paying twice for the same service. Thus, public managers need to establish proper monitoring mechanisms to ensure that outsourced services are being delivered cost-effectively and efficiently, while avoiding unnecessary expenses. In light of this finding, public managers can ensure that outsourcing services are being utilized in an effective way, which ultimately leads to greater efficiency and cost savings for the government by implementing proper oversight measures.

**Discussion**

This research delves into the potential benefits and drawbacks of outsourcing in public organizations, emphasizing the importance of a comprehensive analysis of various factors before opting for service providers. Firstly, the study urges that public organizations evaluate their internal resources before outsourcing, which involves analyzing the competencies and capabilities of their existing workforce to determine whether they can meet the organization's needs. Lest internal resources are inadequate, then outsourcing can be considered.

Secondly, a meticulous cost-benefit analysis must be undertaken to determine the viability of outsourcing. In this sense, public organizations must weigh potential benefits, such as cost savings and increased efficiency, against potential drawbacks, such as loss of control and
reduced quality of service. Thirdly, stakeholder interests must be prioritized, including employees, and their concerns must be taken into account. This action includes considering the impact of outsourcing on job security, working conditions, and employee morale. The rationale is to balance cost reduction and employee satisfaction.

Finally, public managers should prioritize stakeholder interests, including employees, and conduct a thorough analysis that considers internal resources, cost-benefit, and stakeholder concerns before outsourcing. This approach will help ensure that any outsourcing decisions are taken with due consideration to the organization's interests and the well-being of its workforce. The current study developed a strategic framework emphasizing the interdependent relationship between various key stakeholders, including the government, employees, management, and double payment. This framework can assist organizations in analyzing the different factors that impact the government and employees emanating from outsourcing to develop effective strategies to address any challenges that may arise. By adopting this framework, organizations can gain a deeper understanding of the complex dynamics of their outsourcing and take appropriate measures to optimize their performance and achieve their goals. The framework has the potential to provide a robust foundation for informed organizational decision-making, guide policy formulation, and enhance operational efficiency. Figure 1 below demonstrates the study’s strategic framework.

![Figure 1: Outsourcing Strategic Framework](Source: Author)

According to the figure above, public sector organizations are under pressure to optimize their resource utilization amidst budget cuts. Efficient management of resources is crucial, and one of the primary areas is the proper use of public funds. Unfortunately, public organizations outsource tasks to external service providers even when internal employees are qualified to perform them, resulting in double payment for the same service. This practice leads to wasteful use of public funds, undermining financial sustainability and public trust. The public sector must ensure that its resource management practices are transparent, fair, and accountable to the community they serve. Management must take responsibility and ensure the efficient utilization of public funds. They can achieve this by adopting ethical leadership standards and
conducting comprehensive assessments to determine whether appointing a third-party service provider is more feasible than using internal staff to perform the necessary services. However, increasing resource utilization should not come at the expense of employee well-being. Overworking and burnout can be counterproductive to the ultimate goal of enhancing resource efficiency. Management must strike a balance between resource optimization and employee welfare.

Effective cost-saving measures can prioritize employee well-being without compromising resource utilization. Providing adequate resources and support to help employees manage their workload, promoting a healthy work-life balance, and developing a positive work culture include such measures. Additionally, flexible work arrangements and professional development opportunities can boost employee morale and engagement. Creating a work environment by prioritizing employee well-being and resource efficiency benefits all stakeholders. In this regard, employees benefit from reduced burnout and improved job satisfaction, and the government can make the most effective use of its resources. The Figure presented in Figure 1 outlines a crisis in which the government overpays for specific services by compensating its employees and service providers for the same service. Regrettably, this issue materializes under the management's supervision, which is entrusted and tasked with the responsibility of managing public funds. Nevertheless, this study highlights the feasibility of tackling this situation and ensuring that public funds are used optimally and productively by implementing appropriate strategies and measures.

5.0 CONCLUSION AND RECOMMENDATIONS

This study concludes that outsourcing practices in public organizations require adequate management. It reveals that the lack of attention for work external service providers offer highlights the need for a more thoughtful and strategic decision-making process. Public organizations can improve their spending efficiency while ensuring the delivery of quality services. This initiative can be pursued and achieved by carefully analyzing internal capabilities and conducting thorough cost-benefit analyses. Therefore, it is imperative to adopt a proactive approach in addressing the potential pitfalls of outsourcing, given factors such as workforce redundancy and duplicate payments for services rendered. As a result, public managers must prioritize and strike a balance regarding the interests of all stakeholders, including employees, and implement effective oversight mechanisms to ensure the cost-efficient delivery of outsourced services.

The proposed strategic framework developed in this study offers a comprehensive approach to address the complex dynamics of outsourcing, guiding informed decision-making and enhancing operational efficiency. In light of the study's framework philosophy, public organizations can optimize organizational performance while fostering a positive work environment by prioritizing resource utilization and employee well-being. As a result, they can enhance their performance while creating a favorable work culture by prioritizing resource management and employee welfare. Accordingly, it is crucial that outsourcing practices are diligently and competently managed to uphold the responsible use of public funds and maintain public trust. The article further highlights that public sector managers can guarantee that outsourcing decisions align with organizational objectives and benefit the government and its stakeholders through ethical leadership and thorough assessments.

Based on the findings presented in the study, the following recommendations are proposed to address the challenges and optimization relating to outsourcing practices in public organizations:

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i. Management should take a proactive approach by conducting due diligence and cost-benefit analysis to select external service providers. This process includes identifying appropriate services, establishing detailed SLAs, and selecting providers based on experience, expertise, and reputation. The rationale is to ensure that the appointed provider has a proven track record of success and is capable of delivering high-quality services that meet the organization's needs.

ii. Robust oversight mechanisms should be carefully developed, applied and implemented to ensure the cost-effective delivery of outsourced services to preclude duplication costs.

iii. Management should assess the competencies and abilities of the current workforce to determine whether tasks can be performed effectively internally. However, management must ensure a balance between resource optimization and employee well-being.

iv. Management should adopt ethical leadership standards in terms of resource management. This measure can be achieved by conducting comprehensive assessments to determine the feasibility of outsourcing versus utilizing internal staff, prioritizing the efficient use of public funds, while considering employee well-being.

v. Public organizations must provide adequate support for managing workload, promoting work-life balance, and offering professional development opportunities, and avert overworking employees.

vi. Proper communication channels should be established among management, employees and service providers to monitor performance regularly.

vii. Transparent communication with employees about the implications of outsourcing is critical to maintain employee morale and job satisfaction. Additionally, offering retraining opportunities for employees to transition into different roles in the organization can preserve institutional memory and help address potential redundancies due to outsourcing.

viii. Organizations should adapt strategic frameworks, such as the one developed in this study to analyze the complex dynamics of outsources to guide decision-making where optimal performance, enhancement of operational efficiency and attainment of organization goals are concerned.

In conclusion, public organizations can increase the probability of maximizing spending efficiency, maintaining service quality, and sustaining public trust in the responsible management of taxpayer funds by implementing these recommendations.

**Implications to Theory, Practice and Policy:**

In theory, this study contributes to the existing literature by providing an in-depth analysis of the theoretical framework of outsourcing in the public sector. It aims to identify the key factors contributing to the State’s liability in the outsourcing process and provides recommendations to mitigate these risks.

Practically, this study contributes to understanding the practical implications of outsourcing functions to external service providers in the public sector. It highlights the potential risks and challenges associated with outsourcing and provided recommendations to ensure that the State can effectively manage these risks.

In terms of policy, this study contributes by providing insights into the policy implications of outsourcing in the public sector. It offers recommendations for policymakers to develop effective outsourcing policies that balance the need for cost savings and efficiency with the need to protect the State’s interests.
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