

UNIVERSITE PARIS DAUPHINE

Département MSO

GFR Management et Organisation Crepa

EDBA

THESIS

pour l'obtention du diplôme de

EXECUTIVE DOCTORATE IN BUSINESS ADMINISTRATION

Présenté et soutenu publiquement par

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What motivates Public Managers to outsource in the Public Sector?

Taking away the veil of prejudices or unconscious bias

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Date: 19 Janvier 2015

GRAND AVENUE

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"If there were only one truth, you couldn't paint a hundred canvases on the same theme"

Pablo Picasso, 1966

Executive Summary

The aim of this Executive summary is to provide a quick overview of the research thesis as per the figure 1, below

Part 1: Setting up the Debate

E.1.1 The Research Question

- Outsourcing in public services has been squarely put at the media centre-stage. “Outsourcing is booming” said the Financial Times¹, “an unfairness” for the Guardian². global analysis of budgetary benefits.

Indeed, outsourcing in public services meets today intensive media coverage. Whilst outsourcing and the field of public services had been the area of the researcher’s interest for some time in his business career; it took some time to phrase the question appropriately.

What motivates Public Managers to outsource in the Public Sector?

Taking away the veil of prejudices or unconscious bias

The subtitle was subsequently added to capture the reaction the researcher was encountering as part of his initial discussions. Everyone had an immediate answer to the question; these were all based on a certain prejudice for or against outsourcing which gave a gut feel answer to ‘why’ based on an unconscious bias, for instance, interviewees responded on the spot on ‘why outsourcing?’:

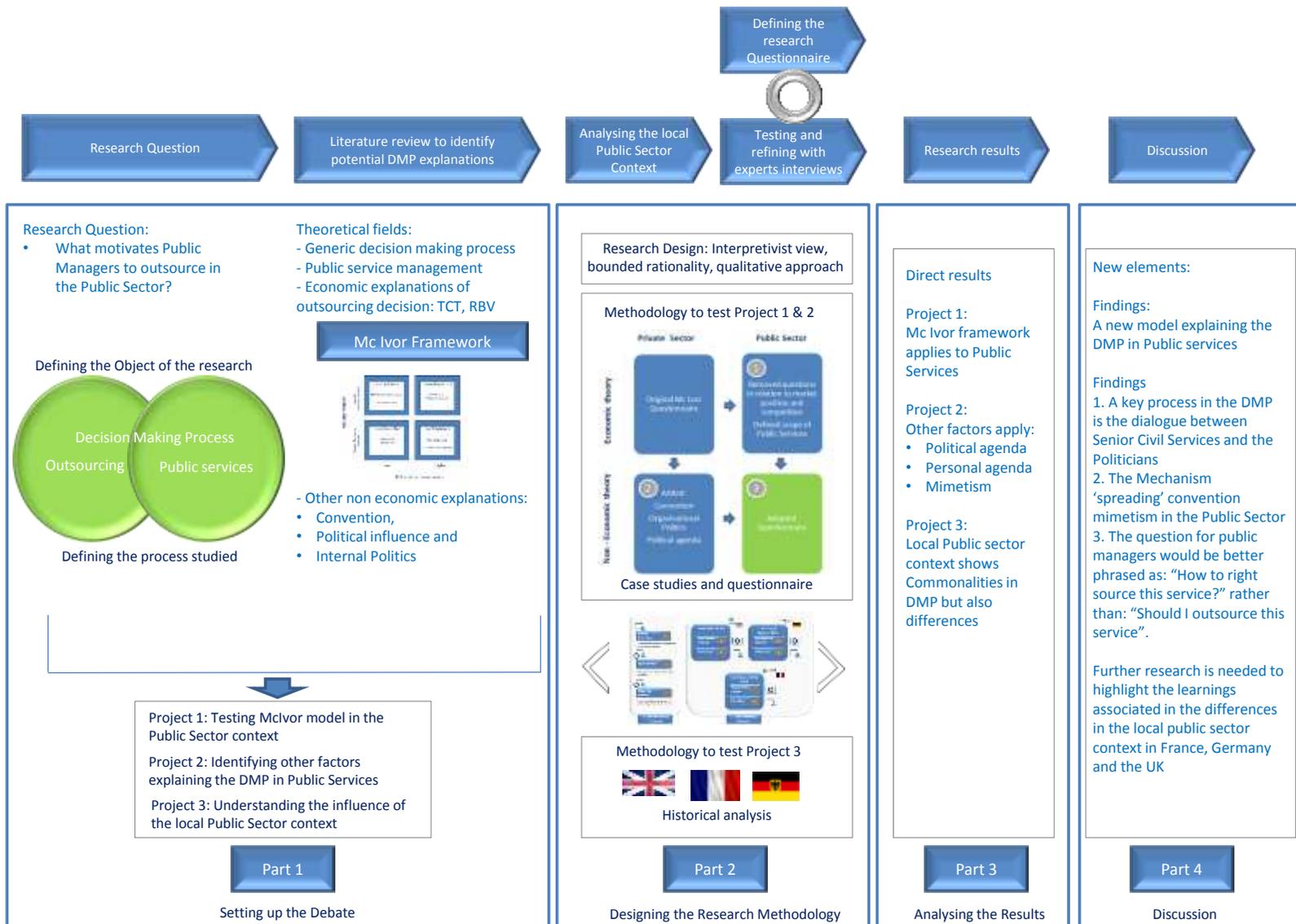
- “It is obviously based on saving cost!”
- “This is a ploy from politician to create tensions in union’s strongholds”
- “What a better way to create your own kingdom”

In a time when fiscal deficits are forcing government to look at their public spending, the promise of reduced cost through outsourcing has awoken since 2008-2009 a renewed interest for this strategic tool for public managers and politicians alike.

¹ Gill Plimmer « Outsourcing set to boom as contracts surge », The Financial Times, published on 06/17/2012

² Zoe Williams « Public sector outsourcing : finally, an unfairness we can do something about », The Guardian, published on 20/06/2012

Figure 1: Summary of the research thesis in 4 parts



But first it became quickly apparent that the risk of confusion for the use of the terms 'outsourcing' required a simple definition. "If a definition is non-intentional, it is dangerous" (Alter, 2011³).

Defined by Bryce and Useem as an "outside company's provision of the products or services associated with a major function or activity of a user organization" (Bryce, 1998), when applied to the public sector, the concept of outsourcing requires an understanding of its alternative i.e. keeping a function "in-house" (defined as "Services of General Economic Interest" by the European Commission, Altmark case⁴).

The classic definition brings outsourcing to a typical principal-agent problem (Eisenhardt 1989, Peter 1998). This definition brings a key element as it underlines the tension associated with such a strategic decision. This tension - coming from the fact that two parties have different interests and asymmetric information (the agent having more information), such that the principal cannot directly ensure that the agent is always acting in the principal's best interests – demonstrate why the DMP is critical in the concept of outsourcing

For instance, a fundamental insight into management coming from the Principal-Agent (P-A) definition is the importance of performance incentives in driving managements' decisions (Callen 2008). This puts the manager itself at the heart of the Decision Making Process.

Furthermore outsourcing takes different forms, in France, the legislative tools framing the different modes of public service outsourcings have been formalised and codified in the course of the reform process. Three modes can be retained: the delegation of public services (DPS), the new 2001 public procurement code and the public private partnerships (PPP). The point here being that when designing the research we will take into account the 'local' context and the changing role of the state (Marty and Voisin 2006, Angerer and Hammerschmid 2005).

Indeed first the researcher looked at understanding the common characteristics of a strategic decision making process.

One of which is understanding the context of decision making and how the industry and local context is important, heralded in the well-known Porter five forces model (Porter, 1998;).

Pfeffer and Salancik, 1978:4 argue that "if you wanted to understand organisational choices and actions, one place to begin this inquiry was to focus less on internal dynamics and the values and beliefs of leaders and more on the situations in which organisations were located and the pressures and constraints that emanated from those situations"

³ Alter, N, lecture EDPA Paris Dauphine, Feb 2011

⁴ Nahverkehrsgesellschaft Altmark GmbH , Rep. In the 2003 Altmark case, the European Court of Justice has set four cumulative conditions for the public compensation of a private company delivering a SGEI: there should be clearly defined public services obligations, objective and transparent parameters to calculate the compensation, and a payment that does not excessively overpass the costs of providing the service. Finally, in case there is no public procurement procedure to select the recipient undertaking, the latter must be determined on the basis of an analysis of the costs of a typical well-run company

Pettigrew and Whipp (1991) similarly highlight 3 dimensions of strategic management:

1. the what, content
2. the how, process
3. the where, context

This led to incorporate as part of the research the understanding of the interaction between the decision maker and the local Public Sector context and as such to tailor the appropriate research design.

E.1.2 The theoretical frameworks mobilised for this research

E.1.2.1 Economic Theories

Classically, the outsourcing decision in the literature is explained by economic theories, Transaction cost economics (TCE) and Resource Based view (RBV)

E.1.2.1.1 Transaction cost economics (TCE)

The contribution of “Transaction Costs Economics” represents a central mainstream view of the literature of motivational backgrounds for outsourcing decisions in the private sector (Williamson, 1979). It argues that the central variable lies in “the costs associated with arranging to have work done rather than the cost of doing the work itself”. (Aron, 2005: 40)

In other words, a TCE view sees the key variable determining whether the market should be chosen for a particular task is given by the costs that an outsourcing transaction will have. According to the TCE causal chain, a firm will outsource if this will save costs and keep the task in-house if outsourcing is subject to high transaction-costs. A key transaction cost of outsourcing is given by the contracting partner deliberately breaking the conditions under which the good was outsourced (Opportunism).

E.1.2.1.2 Resource based view (RBV)

Just like a firm, a public organisation can also benefit from making the key distinction developed by Hamel and Prahalad between “core and non-core business” of a firm (Hamel, 1994:203).

A core competency is a concept in management theory originally advocated by two business authors, C. K. Prahalad and Gary Hamel (Prahalad and Hamel, 1990). A simple definition to a core competency is that it is a specific factor that a business sees as central to the way the company or its employees operate.

A core competency can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. It may also include

product development or culture, such as employee dedication, best Human Resource Management (HRM), good market coverage, etc.

Core competencies are particular strengths relative to other organizations in the industry/market, which provide the fundamental basis for the provision of added value. Core competencies reflect the collective learning of an organization and involve coordinating diverse production skills and integrating multiple streams of technologies. It includes communication, involvement and a deep commitment to working across organizational boundaries. An organisation will only have a few core competencies and focusing on non-core activities will distract the organisation and lower its superior position for a given service.

This superior position is linked to its internal capability and resources i.e. Outsourcing will thus not occur in cases where the organisation possesses "superior performance achieved in organizational activities relative to Competitors" (McIvor, 2009: 46, Quinn, 1999) - or in the case of public services other actors in the market e.g. private vs public health. If the organisation views a potential to develop and sustain a superior resource position compared to other actors in the market it should not outsource. To illustrate, a public prosecutor could outsource certain crime investigative methods such as DNA testing to a specialized laboratory, since this service is not considered a core element of the public service portfolio and other actors may perform a higher quality at a lesser price.

E.1.2.1.3 Mc Ivor framework consolidating TCE and RBV

In McIvor neither TCE nor RBV is exclusively capable of explaining an outsourcing decision by private actors; Both the TCE and the RBV offer partial explanations: Citing a study of 55 major American companies, Bryce and Useem conclude that cost-saving motives explain outsourcing by high cost producers while "a search for improved capabilities" explains outsourcing by inefficient companies. (Bryce, 1998: 636)

Analysing the case of UK public service outsourcing, Grimshaw, Vincent and Willmott caution that the ultimate result of efficiency gains or cost savings also "depends on the precise form of market structure and the accompanying nature of regulation." (Grimshaw, Vincent and Willmott, 2002, p.5.)

In 2011, Cox et al conducted an analysis of IT Outsourcing in the Public Sector. Using Local Government as their proxy, they examined the outsourcing decision to include an explanation of motivations, and the notions underpinning successful outsourcing from the point of view of the buyer. Cox et al explain that one of the most prominent advantages of outsourcing is to attain a specialized workforce; the private sector pays higher wages and is likely to attract the best skills. However due to staff transfer, this may not make a difference at all. Therefore the most cited advantage of outsourcing is that 'the provider specializes in the activity and can devote more resources to it.'(Cox et al, 2011: 196)

Cox et al argue that 'cost savings can only be achieved if the provider has access to economies of scale or can achieve increased efficiency through specialization.' (Cox et al, 2011: 195)

Conducting a number of case studies, Mclvor concludes “that both TCE and the RBV are required to understand the complexities of the outsourcing decision”. (Mclvor, 2009: 59)

This is the case since both theories offer complementary and contradictory explanations of when an outsourcing decision should take place.

Mclvor illustrates this by testing the theories in real-world cases in which the strength of the model’s key variables ‘A company’s resource position’ (RBV) and ‘potential for opportunism’ (TCE) diverge: In these cases, the theoretical prescription becomes contradictory: Faced with a high resource position and low level of opportunism, TCE recommends outsourcing, while RBV advises to keep the superior resource position in-house: Conversely, in case of high levels of opportunism but a weak resource position, RBV would recommend outsourcing, while the TCE advises to keep the product in-house. (Mclvor, 2009: 61)

In cases where the strength of the models’ key variables is aligned, the models do offer complementary recommendations.

Resource Position	Superior Resource Position	<p><i>Contradictory</i></p> <p>RBV - Perform Internally (P1a)</p> <p>TCE - Outsource (P1b)</p>	<p><i>Complementary</i></p> <p>RBV & TCE - Perform Internally (P3)</p>
	Weaker Resource Position	<p><i>Complementary</i></p> <p>RBV & TCE - Outsource (P4)</p>	<p><i>Contradictory</i></p> <p>RBV - Outsource (P2a)</p> <p>TCE - Perform Internally (P2b)</p>
		Lower	Higher
		Potential for Opportunism	

Figure 2: Prescriptions of the RBV and TCE in outsourcing decisions based on Mclvor, Ronan, ‘How the transaction cost and resource-based theories of the firm inform outsourcing evaluation’, Journal of Operations Management 27 (2009) 45-63, p61

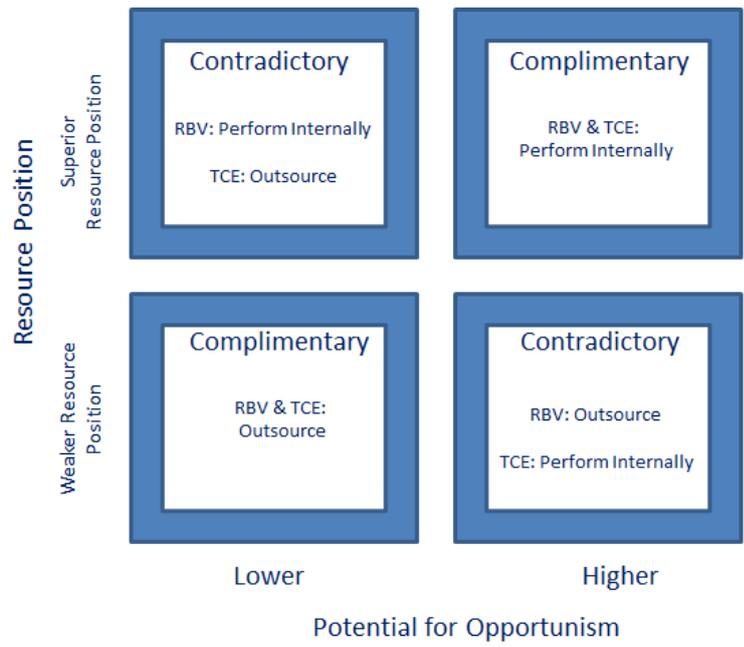


Figure 3: Prescriptions of the RBV and TCE in outsourcing decisions - Complimentary and Contradictory prescriptions

E.1.2.2 Non Economic Theories

When starting to look for other similar questioning about decision making, the researcher was introduced to Douglas North (2005) and his analysis of economic change. In a way a decision on outsourcing is a decision on economic change. And what was a revelation was the statement: "Economics is a theory of choice - so far so good. But the discipline neglects to explore the context within which choice occurs" (North, 2005:11)

The researcher recognised immediately the need for avoiding that pitfall. North continues: "The rationality assumption is not wrong, but such an acceptance forecloses a deeper understanding of the decision-making process in confronting the uncertainties of the complex world we have created. The way we perceive the world and construct our explanations about that world requires that we delve into how the mind and brain work - the subject matter of cognitive science" (North, 2005:11)

So it is also assumed that this research sits within Herbert Simon (1955), bounded rationality as the classical theory does not fit with our research worldview. When considering the research scope the three criteria did not stand:

- Objective criteria exist for evaluation
- All choices are visible
- All consequences of choices can be seen

Instead, this research evaluates decision making within the paradigm of bounded rationality. With cognitive bias (Schwenk 1984), we evaluate in this research the unsaid reasons for taking an outsourcing decision (Heiner 1983).

With that posture established, the researcher thought there may be more to explain an outsourcing decision (Schönteich 2004), so a scan was performed of the overall research interested in explanations beyond efficiency and Better capabilities and identified Public Manager's alternative motivations which are:

- Conventions and mimetism (DiMaggio and Powell 1983, Levy-Tadjine, 2007; Bessy and Favereau, 2003; Batifoulie, 2001; Levy 2002)
- Organizational Politics and Personal Politics (Marshall et al, 2007; Gerber, et al., 2004; Angerer and Hammerschmid 2005; Robert 1979)
- Political Agenda: Service Delivery (Quality, Access and Choice) (Hood and Miller, 2009; Shah, 2005; Warner, 2001)

E.1.3. Research projects

The problematic of this research can best be described by the below 3 projects:

Project 1: Testing McIvor model in the Public Sector context

Project 2: Identifying other factors explaining the DMP in Public Services

Project 3: Understanding the influence of the local Public Sector context

Part 2: Designing the Research Methodology

E.2.0 Research design

After having explored the research topic and theoretical landscape, the following part presents an overview of the methodology and pays attention to the different and often interrelated methodological choices that were made.

E.2.1 Historical Analysis

First the researcher conducted an historical analysis (Gilbert 1946) of the Public Sector in three target countries: France, Germany and the United Kingdom. This would serve as the basis to answering Project 3



Figure 4: Historical Analysis across France, Germany and the UK

E.2.2 Case study research

For Project 1 and 2, the researcher, having limited experience in academic research, but thorough experience in the field, decided to take a case study approach based on three case studies and framed by a number of hypotheses (Kohlbacher 2006, Yin, 2003) for two main reasons:

- It was important to use a tried and tested methodology and one that would allow a rich data collection to gain an in-depth understanding of the phenomenon in question.
- The researcher wanted to make sure he could anchor its work on previous studies on the same phenomenon (outsourcing) but with a different focus for its research and concerning a different field (Public Services). (Fenneteau 2007, Flyvbjerg 2006)

The researcher tested the qualitative approach with the four tests (Yin, 2003):

- Construct validity; internal validity; external validity; reliability.

As stated above, outsourcing is seen as highly dependent on the local historical public sector context, so the researcher decided to focus on three countries with differing public services traditions: UK, France and Germany (Haensch and Holtmann 2008). This would allow to test whether local context is a factor.

To answer the research question, the researcher first reviewed the literature from which an initial set of new variables were identified and tested and refined with expert interviews to establish the research questionnaire.

E.2.2.1 Establishment of the semi directive interviews questionnaire

The researcher tailored the semi-directive questionnaire that was used by McIvor (2009) to add the new variables identified in the literature to be tested (Stake, 2005). This was used for interviews with two expert practitioners (Bogner 2009) in order to test and refine the questions as well as the variables framework.

The process by which the researcher extended the questionnaire created by Mc Ivor to understand the Outsourcing Decision Making Process in the Private sector and from a non-exclusive Economic view is presented in the below diagram:



Figure 5: Diagram explaining the process used to adapt the original questionnaire for testing the outsourcing decision making process mobilising economic theories in the Private sector

E.2.2.2 Analytical framework

With the development of the variables framework, the analytical grid for case studies was derived as well as the N-Vivo model designed to test the interviews transcripts.

		Variable
Resource Based View		Rarity
		Imitability
		Substitutability
		Value
		Resource constraints
Transaction Cost Theory		Opportunism
		Asset specificity
		Measurability
		Uncertainty
	• Risk	Delivery Risk
		Governance

		Variable
Convention		Mimetic
Organizational politics		Personal politics
Political Agenda / Politics	Service Delivery (Quality, Access, Control),	Alignment to Political Ideology

Figure 6: Research variables tables

E.2.2.3 Data Collection

The overall data collection process is best summarised in the diagram below:

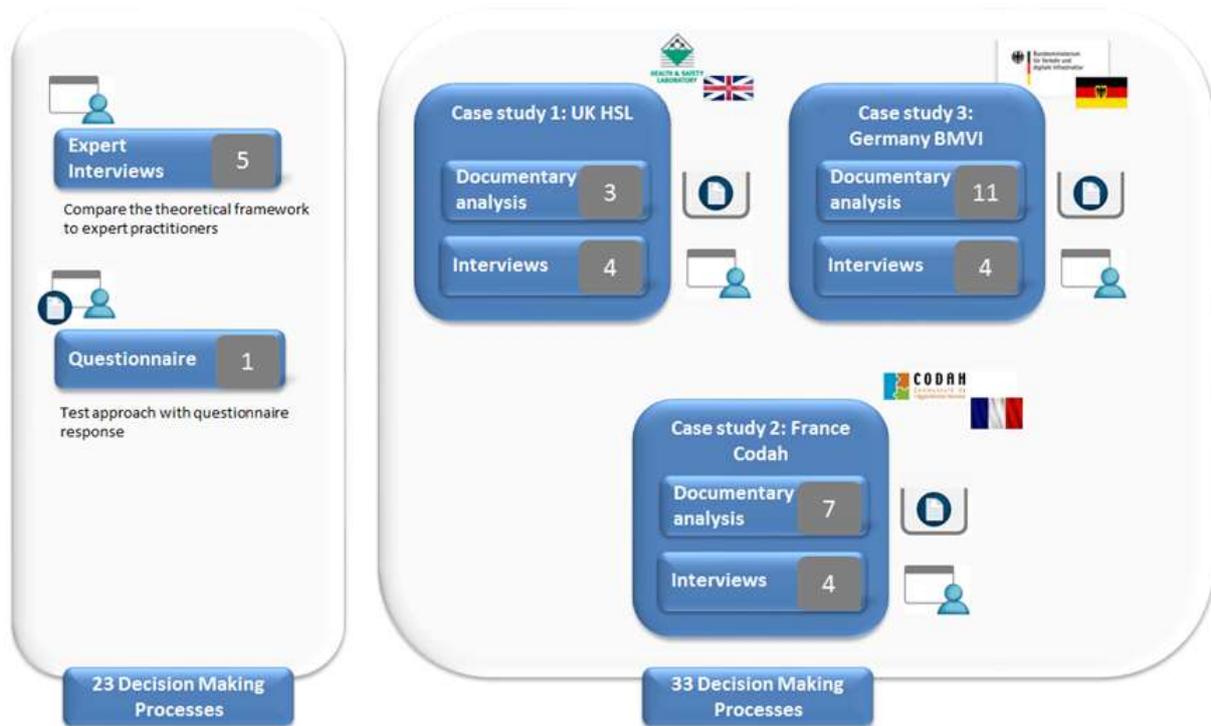


Figure 7: Summary of the data collection process and number of Decision Making process studied

Part 3: Analysing the Results

E.3.1 Understanding the historical context - Outsourcing in public services across Europe

From the results of the historical analysis, we can draw the following– as resumed in the diagram below:

- Definition and volume of outsourcing varies among European countries and is highly dependent on its culture and history.
- Only the UK in Europe has developed a “doctrine”: a (very wide) definition of outsourcing activities including them in the policies and legal framework.
- Political ambitions are variable and are not necessary linked by the means employed to implement them
- Today, no country has a systematic outsourcing strategy supported by a global analysis of budgetary benefits.

Levels of ambitions vary across States and are not linked to the means provided to achieve them

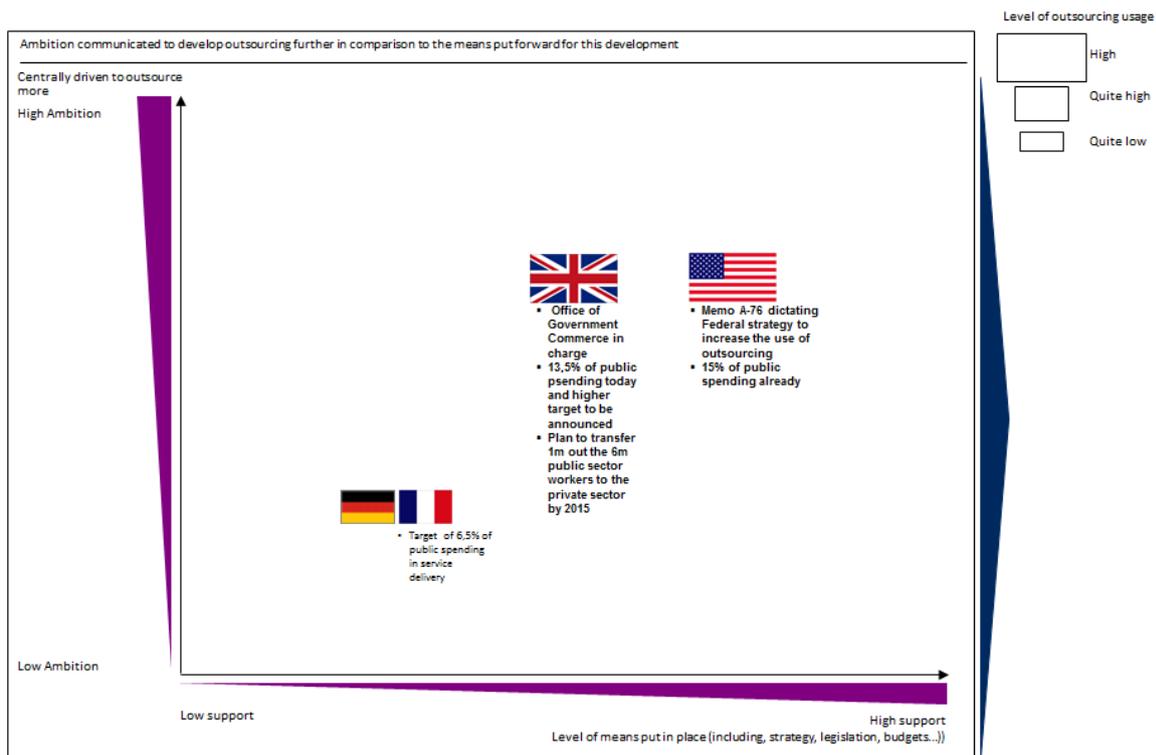


Figure 8: Summary of outsourcing ambitions in France, Germany, the United Kingdom and the USA

E.3.2 Research Results

The direct results for each project can be summarised as:

Project 1:

Mc Ivor framework applies to Public Services

Project 2:

Other factors apply in the DMP:

- Political agenda
- Personal agenda
- Mimetism

Project 3:

Local Public sector context shows Commonalities in DMP but also differences

With the results of the case studies analysed, some richer findings have come through, there is a great diversity of findings:

There are numerous factors going into the outsourcing decision and TCE and RBV only offer a partial explanation. One of the very interesting finding is the dialogue between the political and senior civil service that punctuates such a decision

Some verbatim: “simplifying the public sector with outsourcing” seen as a “dictatorial decision” from the British government. British government wants to make UK Public Services more “customer-oriented” and, in that way, more “businesslike”.

Also what came out was that mimetism is a strong driver for organizations to overcome people’s fears and resistance as leaders with previous positive experience of outsourcing are the one that decided to move forward.

Risks were highlighted that when outsourcing, consciously or not, one or several of its core functions, an organisation becomes dependent of its services providers and may lose control over its strategic functions.

Those extra factors are actually common to all three countries. The output is that some factors account more in some countries than others – but this would need to be further researched more systematically.

- Only the UK in Europe has developed a “doctrine”: a definition of outsourcing activities including them in the policies and legal framework.
- Today, no country has a systematic outsourcing strategy supported by a global analysis of budgetary benefits.

Summary findings for each case study:

Nodes	Variables	% coverage				Average HSL
		K Russ	P Davies	C Neilson	E Morland	
RBV	Value	10.54%	4.62%	2.16%	8.53%	6.46%
	Rarity	4.66%	1.37%	0%	10%	3.90%
	Imitability	8.37%	3.64%	0.06%	11.58%	5.91%
	Substitutability	11.30%	4.25%	0.06%	6.80%	5.60%
	Resource constraints	3.68%	3.51%	4.58%	0.00%	2.94%
TCT	Opportunism	4.27%	3.63%	0	0.0304	2.74%
	Asset specificity	12.78%	0.08%	0.06%	10.78%	5.93%
	Measurability	8.41%	0%	3.84%	0.00%	3.06%
	Uncertainty	5.15%	1.56%	0%	0%	1.68%
Convention	Mimetic	18.49%	8.29%	4.67%	1.77%	8.31%
Risk	Delivery Risk	15.13%	4.26%	0%	6%	6.28%
	Governance	10.10%	6.46%	0%	6%	5.58%
Org politics	Personal politics	10.06%	14.05%	24.15%	4.68%	13.24%
Politics	Service Delivery (Quality, Access, Control),	3.99%	3.76%	2.42%	4.16%	3.58%
	Alignment to Political Ideology	0.08%	8.66%	14.42%	3.04%	6.55%
Innovation	Cross-Fertilization for Public Administration	0.08%	0%	0%	4%	1.02%

Figure 9: UK – HSL summary of case study analysis

Nodes	Variables	% coverage				Average Codah
		Chaboche	Colombel	Fidelin	Fonteneau	
RBV	Value	6.44%	17.70%	14.94%		9.77%
	Rarity	1.23%	14.50%			3.93%
	Imitability	1.23%	14.50%	8.87%		6.15%
	Substitutability	2.43%	19.15%		0.59%	5.54%
	Resource constraints		6.09%			1.52%
TCT	Opportunism	2.43%	1.45%	3.94%		1.96%
	Asset specificity	1.23%				0.31%
	Measurability	2.53%	4.25%	1.50%		2.07%
	Uncertainty					0.00%
Convention	Mimetic	4%	2.08%	39.93%	21.50%	16.88%
Risk	Delivery Risk	8.35%	4.80%		2.26%	3.85%
	Governance	0.44%	4.11%	7.94%	17.44%	7.48%
Org politics	Personal politics	3.11%	7.07%	18.19%	22.23%	12.65%
Politics	Service Delivery (Quality, Access, Control),	2.57%	5.39%	7.94%	9.45%	6.34%
	Alignment to Political Ideology	6.48%	10.75%	24.75%	15.09%	14.27%
Innovation	Cross-Fertilization for Public Administration	4.76%	9.85%	14.65%	9.45%	9.68%

Figure 10: France – Codha summary of case study analysis

Nodes	Variables	% coverage			Average
		Kunz	Frau T	Hellen S	
RBV	Value				0%
	Rarity				0%
	Imitability				0%
	Resource constraints				0%
	Opportunism				0%
TCT	Asset specificity				0%
	Measurability	55.90%	45.5%	8.70%	37%
	Uncertainty				0%
	Mimetic	24.50%	75.1%	43%	48%
Risk	Delivery Risk	10.50%		4%	5%
	Governance				0%
Org politics	Personal politics	24.80%	51.9%	62.20%	46%
Politics	Service Delivery (Quality, Access, Control),	5.00%		10.80%	5%
	Alignment to Political Ideology	1.00%	20.3%	1.50%	8%
Innovation	Cross-Fertilization for Public Administration	1.10%	39.1%		13%

Figure 11: Germany - BMVI summary of case study analysis

Part 4: Discussion

E.4.1 Analysis and summary of findings

The direct results for each project can be summarised as:

Project 1:

Mc Ivor framework applies to Public Services. The following summarises how the various case studies confirm the private sector findings:

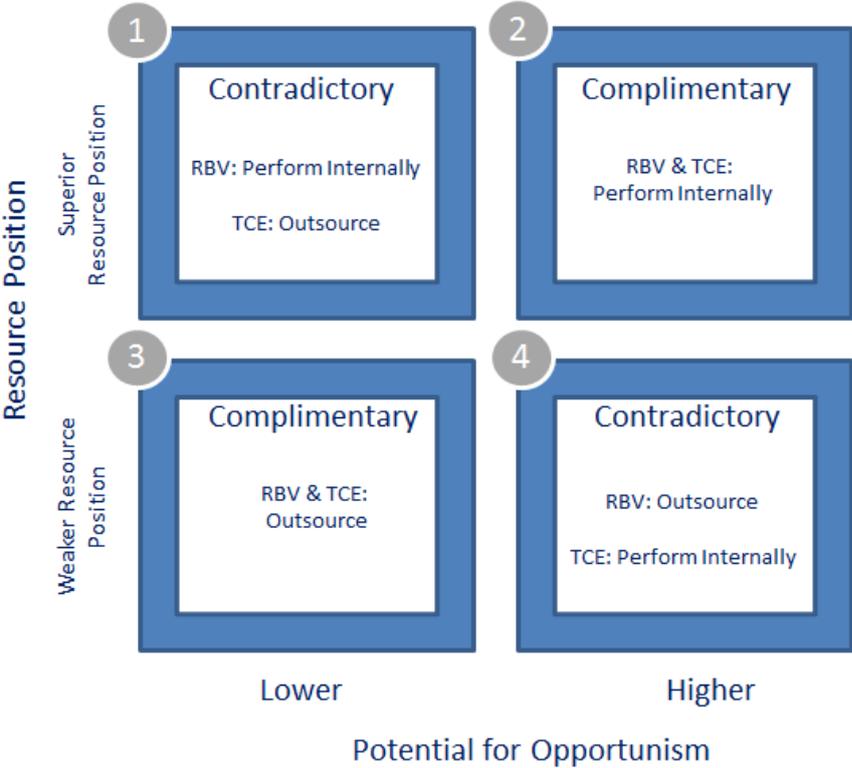


Figure 12: McIvor framework including quadrant numbering 1-4

As seen with the results of each case study, three quadrants are confirmed as predicted.

Overall RBV and TCT are represented as expected but the other factors are equally interesting and presented as a result to Project 2.

Quadrant from Mc Ivor Research	Description	Case example	Research findings
1	RBV – Perform internally TCE - Outsource		The findings indicate that when a public authority considers possessing a superior resource view, it will not decide to outsource on economic grounds only
2	RBV and TCE - Perform internally	Transport Codah - Poitiers	The authority considers having a superior

			research position and that the potential for opportunism is high
3	RBV and TCE – Outsource	UK HSL and Germany BMVI	In both cases, the authority considers that it has a lower resource position than the market but also that the potential for opportunism is low as the market for the given service is mature
4	RBV – Outsource TCE - Perform internally	Transport Codah	The authority believes that it has a weaker resource position but despite a high potential for opportunism (with a restricted choice for vendor) still decide to outsource on capability grounds

Figure 13: summary of public sector findings in adherence to McIvor framework including quadrant 1-4

Project 2:

Other primary factors apply in the DMP:

- Political agenda
- Personal agenda
- Mimetism

For HSL: The analysis of the interviews results shows that the decision to outsource some HSL functions took into account four criteria that go beyond RBV and TCT, namely: personal politics, a mimetism effect, an external political pressure and risks.

For Codah: The analysis of the interviews results shows that the decision to outsource Codah's transport functions took into account six criteria that go beyond RBV and TCT, namely: a mimetism effect, influence from the political agenda, personal politics, innovation opportunities, governance risks and service delivery quality.

For BMVI: The analysis of the interviews results shows that the decision to outsource road construction takes into account six criteria that go beyond RBV and TCT, namely: a mimetism effect (48%), personal politics (46%), innovation opportunities (13%), influence from the political agenda (8%), delivery risks (5%) and service delivery quality (5%).

	Variables	Average HSL	Average Codah	Average BMVI	Average experts
Nodes					
RBV	Value	6.46%	9.77%	0.00%	7.71%
	Rarity	3.90%	3.93%	0.00%	4.10%
	Imitability	5.91%	6.15%	0.00%	3.38%
	Substitutability	5.60%	5.54%	0.00%	4.83%
	Resource constraints	2.94%	1.52%	0.00%	6.96%
TCT	Opportunism	2.74%	1.96%	0.00%	1.80%
	Asset specificity	5.93%	0.31%	0.00%	5.89%
	Measurability	3.06%	2.07%	36.70%	1.86%
	Uncertainty	1.68%	0.00%	0.00%	0.29%
Convention	Mimetic	8.31%	16.88%	47.63%	6.56%
Risk	Delivery Risk	6.28%	3.85%	4.83%	3.24%
	Governance	5.58%	7.48%	0.00%	2.41%
Org politics	Personal politics	13.24%	12.65%	46.30%	8.53%
Politics	Service Delivery (Quality, Access, Control),	3.58%	6.34%	5.27%	3.11%
	Alignment to Political Ideology	6.55%	14.27%	7.60%	7.81%
Innovation	Cross-Fertilization for Public Administration	1.02%	9.68%	13.40%	1.18%

Figure 14: Summary of findings across case studies and experts

Project 3:

P3	Understanding the influence of the local Public Sector context	
	Theoretical axis	Questions
Q1	Public Management	Are there commonalities explaining the DMP?
Q2	Public Management	Are there differences explaining the DMP?

Local Public sector context shows Commonalities (P3 Q1) in DMP but also differences (P3 Q2)

With the results of the case studies analysed, some richer findings have come through which are presented as part of the Discussion in Part 4. The extra non-Economic factors are actually broadly common to all three countries. The output is that some factors account more in some countries than others – but this would need to be further researched more systematically.

For instance in the UK a “doctrine” for outsourcing has been developed with a definition of outsourcing activities and the inclusion in the policies and legal framework, the research highlight a much lower hit on ‘Alignment to political ideology’ than in France – scoring 6.55% in the UK versus 14.27% in France; which is similar in Germany where the adherence to procedure and law also shield more the administration from political influence and a lower score of 7.60%.

Furthermore, with a more mature but also more commoditized outsourcing sector in the UK, Innovation is not seen as a factor in the UK with a very low 1.02% whilst in France, where outsourcer are still maturing and differentiated on value more than on cost, it is a high 9.68% and in Germany some importance with a high 13.4%

The other outstanding element in Germany is the high mimetism effect, supported by strong adherence to convention culturally and a focus on constantly updating procurement laws with the learning from increasing codified decision making processes.

E.4.2 A new proposed model for the outsourcing DMP in the Public Sector

Having reviewed the literature proposing explanations of the DMP for outsourcing, the researcher first observation was that most were positivist and most were piecemeal i.e. contemplating only one domain: economy, psychology, political sciences...

It became apparent to the researcher that the DMP for outsourcing is a complex multi-level process involving interactions between the self, the institution and the market where:

- Self represents the importance of the decision maker itself, this relates more to the psychological element of the process
- Institution represents the fact that the decision maker operates with a multitude of stakeholders including politicians, in relation to the conventions existing in a given environment
- Market goes back to the economic explanation where indeed the law of supply and demand drive the contractual part of the process.

The following diagram captures this:

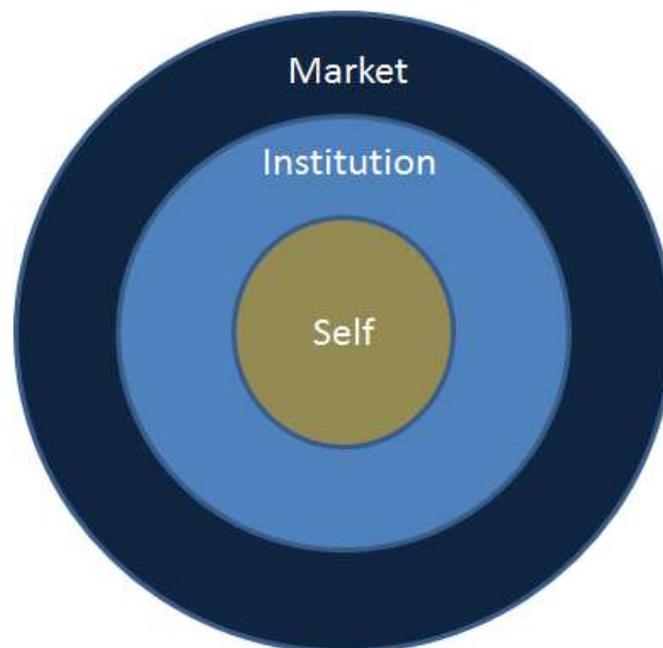


Figure 15: three levels of criteria for the Decision Making Process

The three levels defined in the framework of self, institution and market show the multi-level functioning of the Decision Making Process.

Continuing on this path of synthesizing the research findings, through the analysis, something became apparent about how a model could be derived; it could not be linear. The criteria for the decision were more like ingredients in a formula with more or less strength.

On the one end the economic theory key criteria of:

- Resource position
- Opportunism
- Risk

- Service Delivery
- Innovation

And on the other, the non-economic criteria of:

- Internal Politics
- Mimetism
- Political Ideology



Figure 16: Proposed model explaining the outsourcing Decision Making Process

E.4.3 Discussion of additional findings

With this analysis undertaken three additional findings are discussed :

- Dialogue between Politicians and Public Managers
- Mechanism 'spreading' convention mimetism
- Rightsourcing vs Outsourcing

And some areas for further research are put forward:

- Is there a link between the outsourced service itself and the DMP?
- Is there a link between the Decision Makers background and the criteria that influence the DMP?

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Acknowledgements

Let me start by saying that this was one of the most exhilarating experience of my life. The process of truly researching gives the feeling I imagine detective have when solving a case, in the word of Conan Doyle: "It is one of those instances where the reasoner can produce an effect which seems remarkable to his neighbour, because the latter has missed the one little point which is the basis of the deduction".

So I now feel like starting on this new journey of discovery where you last see the shores fainting at a distance and you know that you have the tools to question, to discover new islands of knowledge. Towards the end of writing that first Thesis, I already felt the need to take on the next question. Research is a new life.

It was not easy though as combining the demand of a professional career and the demanding and relentless need to progress with discipline but thankfully my director of Thesis, Pr de Montmorrillon quickly got how I function and regularly ask me to look at the big picture, how all was hanging together. And thanks to this guidance I felt I always had a direction and that I had a compass in my end to navigate to the intended result

Others helped me to develop the skills and the stamina for research, Pr Romelaer was a constant inspiration and I feel privileged to have been chosen to take the challenge of the EDDBA.

All the incredibly talented members of the faculty and I will not quote names as I cannot quote them all.

But I will point to the support of Pierre Volle to taking the EDDBA programme to the next level, whose soft but clearly visible action also inspired me in the art of the possibilities.

And my fellow EDDBAs, the single most important group of like minded people I have met in my life – with truly inspirational moments at the Shangai World Expo presentations, meeting our fellow EDDBAs from our sister programme from Jiao Tong University

All these week ends where people from so many different walks of life (a professional pilot, international financiers, government official...) helped each other question their own view of the world, learn how to think as a researcher but also how to become one, with all these small tips, from using Zotero, Nvivo and the discipline of reading academic papers.

My friends and family have been a source of constant optimism on how I would succeed to become a researcher despite those difficult personal moments I encountered on the journey

I feel that Paris Dauphine has established a fantastic programme and I will be a strong ambassador in my professional network on what this all gives you and the community you belong.

I'll finish by thanking Accenture, as a visionary company, it has understood the value for us to take part in such a programme, Antoine Brugidou in particular has been the key to giving me the chance to take the plunge.

Thank you all and I hope that this thesis is only the beginning of the dialogue I hope I will foster at a time when Europe needs to become quickly so much more effective at reforming.

Prologue

As a professional in management consulting for public services, my clients are increasingly under pressure to deliver cost savings.

This has led me to work with clients on cost cutting programmes which I find a very difficult human experience.

I remember a very brutal discussion with union representatives and how what was seen as a short term view, was destroying the social fabric of a mid size town in the UK.

I saw the pictures in Ken Loach films playing in front of me; the images of labour rights in *The Navigators*⁵ were vividly re-enacted in front of me.

But in the same time, it was the pictures of the Terry Gilliam movie *Brazil*⁶ that I would recall most when thinking about the endless and complex bureaucracy that is still the norm in most European public services.

The question of outsourcing kept being mentioned with too much emotion or at least a lack of understanding. In most cases it feels as a practitioner in the public service that exist a 'veil of prejudices' around outsourcing.

Why was outsourcing so polarised? Why it felt so obvious that outsourcing should be considered based on cost but so rarely was the decision to implement taken?

There was a paradox and I was, despite my professional insight unable to answer.

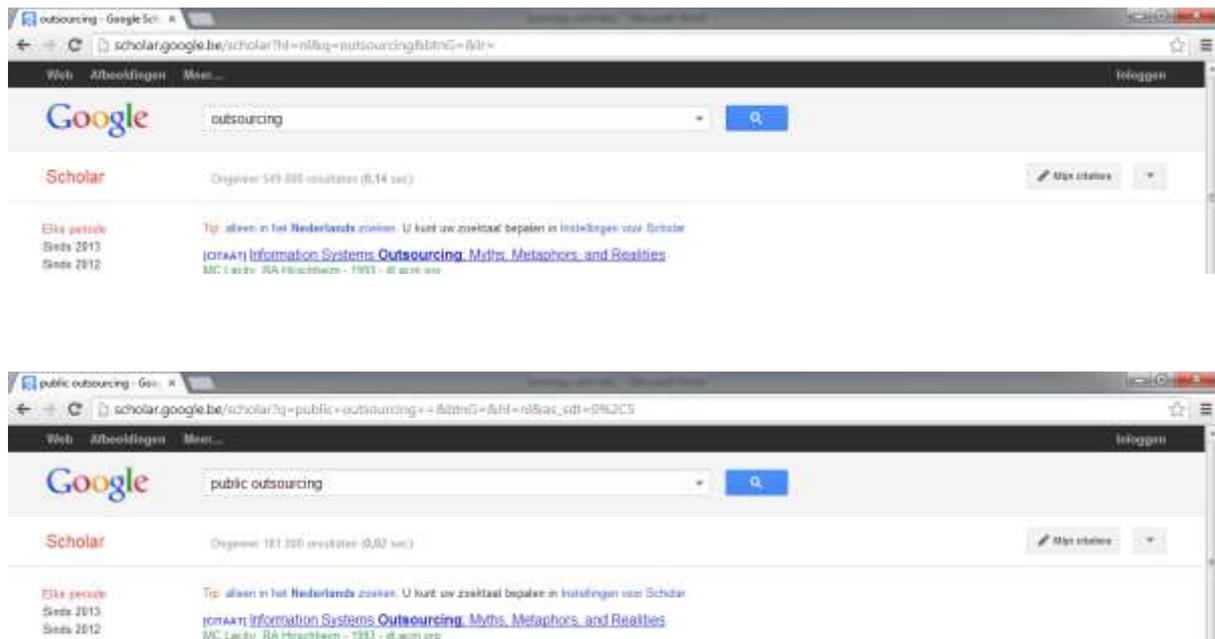
This is what led me to enter into this research. It was too puzzling – or said otherwise – this was an irritant.

⁵ <http://www.amazon.co.uk/The-Navigators-DVD-Dean-Andrews/dp/B000063KMY>

⁶ http://www.amazon.co.uk/Brazil-DVD-Jonathan-Pryce/dp/B0001JZQ36/ref=sr_1_7?s=dvd&ie=UTF8&qid=1408870771&sr=1-7&keywords=Terry+Gilliam+movie+Brazil

Introduction

Outsourcing has been studied many times but if the majority of research is in the private sector, enough exist relative to the public sector to provide a sound basis to build from. A simple search in google scholar on the term 'outsourcing' returns: 549,000 results. But with the realistic assumption that research on outsourcing in the public sector would include the term 'Public', a search on 'public outsourcing' returns: 181,000 results.



What was interesting though is that typically the literature on outsourcing is limited on its performance and primarily its performance in regards to cost reduction and service delivery.

But very little is actually focused on why – what criteria truly explain why outsourcing take place.

Even when research look at the outsourcing Decision Making Process (DMP in the remaining of this thesis) it specifically focuses on one aspect of the process e.g. Vining 1999 – risk management, Hirschheim 2007 – cost management...

Kremic 2006:467 confirms this in its systematic classification of outsourcing research: "...A number of trends and relationships are identified. For example, most studies focus on US for-profit organizations and are typically theoretical, discussing benefits, risks and motivators. On the other hand, the research on outsourcing practices of non-profit organizations, where objectives for outsourcing are typically politically driven, is found to be scarce"

With cost pressure mounting in public sector, outsourcing is increasingly considered but no unified framework help understand how the decision making process for outsourcing works.

Defined by Bryce and Useem as an "outside company's provision of the products or services associated with a major function or activity of a user organization" (Bryce, 1998), when applied to the public sector, the concept of outsourcing requires an understanding of its

alternative i.e. keeping a function “in-house” (defined as “Services of General Economic Interest” by the European Commission, Altmark case³). And whilst most research have a positivist posture on the question, I was really interested to look at understanding the dynamics at both individual and institutional level, adopting an interpretivist posture in my research endeavour.

It also greatly depends on the context: core to peripheral services

The research question that this poses is:

“What motivates Public Managers to outsource in the Public Sector?”

The journey to answer that question is described in 4 parts

Part 1 consists of the review of the literature around outsourcing, its definition and the existing attempts to describing a framework explaining the decision making process. But to understand the context some questions must be answered: what are the services that are outsourced: Core or periphery, and What are the variables that can be tested to explain the decision making process?

Part 2 looks at the development of the methodology to tackle the research question. When testing ideas on how to devise the methodology it became quickly clear that to both understand the rationale from individual as well as an institutional view, a case study with interviews was going to be most effective. This section describes the choice of case studies, the hypotheses, the development of semi directive interviews and the coding protocol. It also describes the historical analysis undertaken to better understand the local public sector influence on outsourcing decisions

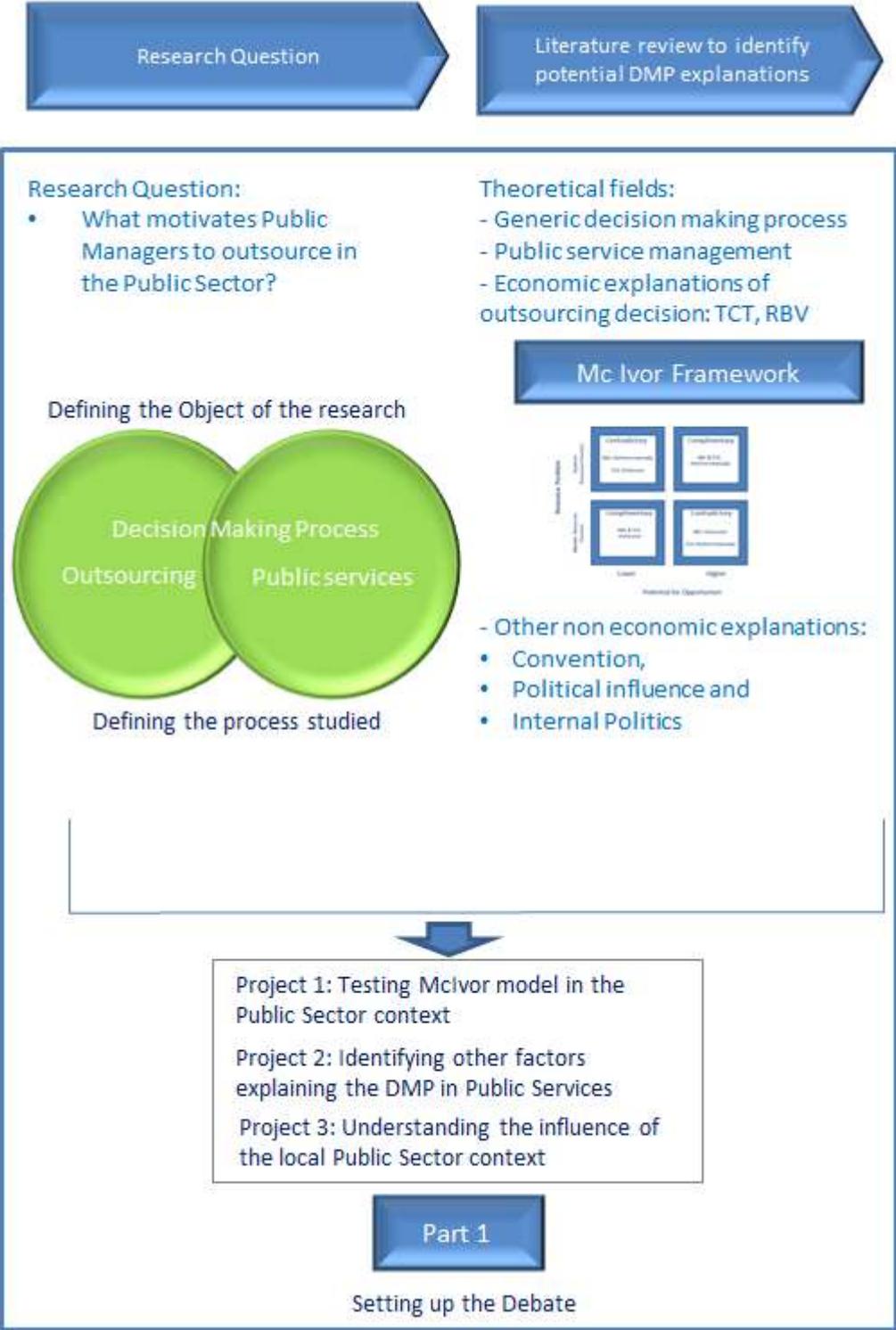
Part 3 presents the research findings across the three case studies. Presenting the local context within which these case studies are run in France, the UK and Germany. With the description of the historical context within which outsourcing is taking place nowadays.

This section presents a summary of the N-Vivo analysis performed on the interviews for each case studies and extract verbatim that convey the findings.

Finally in Part 4, the research findings are examined and a discussion on what the analysis highlight is presented.

The validity of the research findings is further tested. Finally the implications of the discussion are presented and some conclusions are drawn.

Part 1: Setting up the Debate - Theory: the existing knowledge on outsourcing and outsourcing decision making



1.0 Defining the debate

For the last 10 years, literature on public management has considerably increased. Economic imperatives have obliged to think government and administration management in the same way as private sector management. As such, there are similar management tools and both sectors must face challenges of efficiency and effectiveness.

In its search for more adaptability and cost optimization, the administration falls back more and more on contracts tied with private entities.

Outsourcing in public services has been precisely put at the media center-stage. “*Outsourcing is booming*” said the Financial Times⁷, “*an unfairness*” for the Guardian⁸. Indeed, outsourcing in public services meets today intensive media coverage. Of course, this is primarily due to public money management but also to a phenomenon that has rapidly grown as public budget constraints become inevitable in the context of European debt crisis. For instance, according to the Financial Times, in the UK the new tranche of work outsourced in the 2012 health and social care bill will be worth £4 bn⁹.

But a small percentage of research on outsourcing is today dedicated to public services. Again, outsourcing remains considered as a tool designed for the private sector not public services.

A brief overview

Yet, this is not new in Europe and we can go back to the fundamental contribution of Smith’s division of labor, with the idea that to specialize where you have an absolute advantage leads to more efficiency and productivity. Applied in public services, the idea behind is to refocus the administration on its core functions and outsource what could be done better and at a cheaper price to the private sector.

At the beginning of the French First Empire, crew employees are not military staff but recruited by private enterprises. In a report on services outsourced by the Ministry of Defence, the MP Michel Dasseux states: “*it is observable that armies have always traditionally entrust external entities a certain amount of tasks*”¹⁰.

Historical studies¹¹ showed that this phenomenon has allowed building-up of public equipment especially after the World War II.

The UK was the first country in Europe to adopt a comprehensive framework to outsource in public services. It was introduced by the Conservative government in the early 1980s “*as a way to neuter strikes, downsize blue-collar council and NHS workforces and cut costs*”¹². The British government wanted at that time to introduce a culture of innovation and competition in public services and putting into practice Friedman’s and Hayek’s ideas on State intervention. Outsourcing was viewed as a measure of lessening bureaucracy in the state, and a means of increasing quality and in reducing costs, and planted the roots of a culture of entrepreneurship and innovation in public service.

⁷ Gill Plimmer « Outsourcing set to boom as contracts surge », The Financial Times, published on 06/17/2012

⁸ Zoe Williams « Public sector outsourcing : finally, an unfairness we can do something about », The Guardian, published on 20/06/2012

⁹ op. cit. note 1

¹⁰ Michel Dasseux, « Rapport d’information sur l’externalisation de certaines tâches relevant du ministère de la Défense », Assemblée nationale, published on 02/12/2002, p 9

¹¹ Bezançon (Xavier), *Essai sur les contrats de travaux et de services publics*, Paris, LGDJ (coll. « Bibliothèque de droit public »), tome 206, 1999.

¹² A history of outsourcing in the UK, Patrick Butler, The Guardian and British Telecom, 04/15/2003, available at: http://society.guardian.co.uk/microsite/outsourcing/_story/0,,933818,00.html

The UK Government introduced the Compulsory Competitive Tendering Act (CCT) in 1988. CCT was originally introduced in hospitals, and further broadened to encompass local government in the Local Government Act 1988. This initially affected mainly blue-collar services, but was extended in 1991 to include white-collar services in the tendering process. Firms and the government alike would now open bid on their outsourcing contracts, and invite proposals from several providers before making a decision. "In-house" bids could also be made, allowing service to be retained by public service providers.

As it will be developed below, this explains why outsourcing can be found in multiple public services and even where it is considered as traditional State's core functions (health, emergency services, pension, police forces).

Taxonomy of outsourcing

Outsourcing consists in a general sense of allowing private enterprises to carry out tasks, which were previously endorsed by the State. As a transfer from public to private sector, these services can be investment spending (prison, hospital) or operating spending (surveillance, maintenance). This is done through a delegation contract or partnership contract¹³:

- Subcontracting is based on the idea of furnishing a service in return for a certain price. The ordering party – public agencies - leaves the contract manufacturer with execution of the specific task;
- Partnership contracts in the broad sense are used to delegate services to a private agent. This is a contract in which a public authority leaves a private firm with execution of public service activity through a payment of investments and/or operating subventions. Remuneration of the agent can be linked to the result of the exploitation (by the users) and this implies that he assumed a large part of exploitation risk. An option of this is the Public Private Partnership (PPP). This is a long term public contract where the principal mandates a private agent for financing, building, maintaining and managing a public work by way of a rent transferred by local, regional or national authorities. This type of contract allows construction of public infrastructures without having a weighty impact of the public budget since spending is spread over time.

In the first case spending is most of the time considered as non-essential by the State. Like within a firm, the State distinguishes between its non-essential and core functions – sovereign missions and the ones related to welfare. Countries have transferred to the private sector management and support tasks. But, as it will be developed below, some countries have extended outsourcing to areas in which the State is traditionally sovereign such as penitentiary public service (the UK, Canada, the United States), defense (USA, the UK) or emergency services / fire protection (USA, Denmark).

¹³ Jean-Jacques Lavenue, « PPP, service public, rôle et réforme de l'Etat : externalisation ou stratégie des chocs ? », p. 4, paper available at : http://droit.univ-lille2.fr/fileadmin/user_upload/enseignants/lavenue/PPP_service_public.pdf

In the second case, PPPs are called for infrastructures such as road networks (Portugal, Italy, France, UK), high-speed railways (Netherlands) or construction of hospitals and schools (UK)¹⁴.

Impact of the crisis

In the context of economic crisis, the debt challenge has become very sensitive in the debates. European countries have launched large spending cut plans and every State is put under a growing pressure to constrain budget and reduce costs. As a consequence, States fall more and more back to privatization and invite the private sector to bid for contracts. This economic and budgetary argument was already the same invoked by Margaret Thatcher when the Private Finance Initiative was set up.

At the European level, the Stability and Growth Pact aiming at maintaining stability of the Economic and Monetary Union was essentially a fiscal monitoring imposing several debt and deficit maximum limit. Thus, building of new infrastructures should not lead to increase spending. Indeed, both objectives of maintaining efficiency in public services and debt reduction logically should lead to increase participation of the private sector.

Not to recall that there are different interpretations of public services outsourcing is politically sensitive. As a conservative MP Jackie Doyle-Price stated during a debate on outsourcing in Government Departments, we must refrain from framing “*public versus private*”: “*the reality is that we are looking at any number of models to deliver our public services. We have social enterprises and co-operatives; surely we should look at the outcome and not the structure of delivery*”¹⁵.

This illustrates that there are different possible interpretations of what can be and what cannot be outsourced. These interpretations vary among countries so that it cannot be given one single answer to target outsourced-like services.

Nevertheless, data show that five functions are the most outsourced¹⁶:

- Housing and collective equipment;
- Leisure;
- Healthcare;
- Economic matters (transports included);
- General services (cleaning, surveillance,..)

Structural measures in areas of health, social action have increased the recourse to private sector for healthcare (for both management and financing) in some countries:

¹⁴ Centre d'Analyse Stratégique, « *L'externalisation des services publics : un moyen efficace pour réduire les dépenses de fonctionnement ?* » note de veille n° 148, July 2009

¹⁵House of Commons Hansard Debates “Outsourcing (Government Departments)” Column 323 WH, on 04/12/2012. Available at: <http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120425/halltext/120425h0002.htm#12042544000002>

¹⁶ op cit. note 8 CAS

- Through a competition reinforcement with the creation a quasi health market by the NHS reform in the EU (large use of contracts), legal status modification of hospitals in Spain (transformation into “health public foundations” with large administrative autonomy) ;
- Introduction of a new allowance system in Finland (predetermined budget as a replacement for automatic reimbursement of hospital expenses) ;
- Free choice between public services and private providers.

This gives information on the current trend to outsource more in areas where the public authorities used to endorse the service entirely, in the healthcare sector in particular. In the UK, 2012 health and social bill opened the way for greater private sector involvement in the health service and new foundations are forming. As SA Mathieson, healthcare analyst for public sector market intelligence provider Kable, said: “*with more than 40% of acute trusts yet to gain foundation status and two years to go until the government’s deadline, many will consider management outsourcing. The success or failure of the trailblazers will decide whether this becomes an option*”¹⁷.

The *Centre for Strategic Analysis* in Paris also points out that public service decentralization are most of the time accompanied with outsourcing increase¹⁸. Yet, this is a tendency observable in many countries. In France for instance, the Government will present a bill that modifies competencies of local authorities. The Minister of the Reform of the State and of Decentralisation already said, “*the objective is to better reorganise public action delegated to local authorities*”, “*public expenditure must generate value*”. In times of crisis, priority is given to services rationalisation to “better value” which can be connected with the concept of “Best Value” under Blair’s Labour Government.

Rationale to outsource in Government Departments

The rationale for outsourcing in public services is now seen as an opportunity to not only reduce cost but also improve service provision – for example bringing innovation in the way a service is delivered.

Within the framework of State modernization programmes (Big Society in the UK, State Modernisation in France), the guiding principle for the State is to refocus on its Regalian missions. Some reasons are quoted to explain the decision to outsource:

- With the objective to reduce civil service numbers, public authorities can look to transfer activities to the private sector.
In parallel, one assists to a reduction of basic tasks assumed by civil servants. These tasks can be transferred to the private sector

¹⁷ Gill Hitchcock « *NHS trust in outsourcing talks* » article published by the Guardian Professional on 3/13/2012. Available at: <http://www.guardian.co.uk/healthcare-network/2012/mar/13/nhs-trust-george-eliot-hospital-privatisation-talks>

¹⁸ Nicholas Ridley, who led the free market charge on outsourcing, published in 1988 « *The Local Right* » by the Centre for Policy studies, arguing that local authorities should concentrate on enabling rather than providing services.

- There is a need for expertise for some scientific activities. Technical nature of some tasks plays in favor of outsourcing. That is the reason why the most outsourced services are about IT, security system...
- The economic criterion is critical here: outsourcing some activities can lead to cost reductions and allow public sector to be more adaptable. It is easier to adapt to the new conjuncture by regulating operating budget rather than human resources.

We depart from the observation that public sector organisations are currently undergoing major transformations as a result of pressures to adjust to the imperatives predominantly of cost-saving. The growing pressure on public managers is, however, not accompanied by effective strategies tailor-made to ensure that (out-)sourcing initiatives are successful. One thread of orientation can undoubtedly be provided by evidence gained through scientific research.

Defined by Bryce and Useem as an “outside company’s provision of the products or services associated with a major function or activity of a user organization” (Bryce, 1998: 1), when applied to the public sector, the concept of outsourcing requires an understanding of the concepts of its alternative of keeping a function “in-house” (“Coeur de métier”).

An academic approach to outsourcing in the public sector provides a systematic assessment of the topic and helps highlight the particularities of the public sector as a domain for outsourcing. The following sections start with a definition of key concepts as well as an attempt to sketch taxonomy of public outsourcing including key areas of its practice. Building upon this, a dedicated section will assume the role of a public manager to synthesize theoretical contributions to the question of what motivates public sector outsourcing.

Regalian Functions vs. peripheral tasks

In the public sector, there is a long-held belief, that the state possesses a set of core competences that define its core functions. These have been termed “Coeur de métier” and “regalian functions of the state”.

In the 16th Century, the rising age of absolutism developed the terminology of “common services” giving rise to the concept of a “public interest” and a “public service”. Before the French revolution, these public services were considered to depend on and belong exclusively to the crown. (Giraudon, 2010: 11)

Xavier Baron explains that historically coined in the age of absolutist rule, the term “regalia” is derived from the Latin word ‘regalis’ and signals pertinence to royal competences. Regalian functions of the state are derived as relevant to the right of the king or the ‘fait du prince’. In constitutional law, the term “regalian” is replaced by the labeling of certain functions of the state as “fundamental” (Xavier, 1993:6). In constitutional terms, regalian services become the “property of the nation” (Valette 2000:175). Others sum up the regalian functions as lying in the “essence of the state” and in the provision of “public order”. (Chevallier, 2012: 15)

Which areas do these regalian fields encompass? During the age of absolutism, the essential rights of the state in which it enjoyed primacy included the fields of defense, justice,

government and administration, legislation, fiscal policy and the right to pardon criminals. (Nemo, 2003: 42). Adding to the fields of defense and justice, the 1946 French constitution defined the area of “government and administration” in more specific terms as lying in Foreign Affairs, police, taxes, currency, certain state monopolies (such as salt, tobacco, production of arms) as well as economic and social services such as a free education and health flowing from the state’s obligation to provide for “free, public (...) education and to protect the health of its citizens.” (Giraudon, 2010: 14)

In a more recent definition by the French government, regalian functions are limited to “National defense, diplomacy, justice, tax collection and public security“ (French Ministry of Finance, 2007: 25).

While terminologically developed in French thinking, the necessity to delimit “collective functions” is common to all states (Chevallier, 2010: 14). However, as a cursory survey of historical definitions demonstrates, there is a difficulty to delineate the nature of regalian functions (justice, police, and army) from other functions (“service delivery”) given conceptual obscurities and different cultural traditions.(Cossalter, 2007: 6, 8-9).

To illustrate the latter point, by contrast to the French idea of a regalia state, in the historical view of Great Britain, the role of the public sector among other tasks “was traditionally associated with the requirement that governments establish principles of transparency and fairness.” (Grimshaw, et al., 2002, p.2.) The safeguarding of these principles demanded the provision of “essential state services”. In addition to endangering the latter, outsourcing could “diminish the accountability of those responsible for the delivery of services” provoke “labour disputes” and render access to services “unequal”. (Schönteich, 2004:14).

Besides being subject to historical transformations concept of regalian functions is thus contingent upon distinct cultural interpretations.

In terms of public services, under absolutist rule, the relationship between the state as the supplier of public services and the citizens representing the demand side was seen as one where the supply dictated demand (Chevallier, 2008: 115).

As our contemporary concept of a “public service” was largely shaped by 20th century thinking, this relationship gradually moved to be inversed:

From a business angle, Williamson (Williamson, 1975) traces the conceptual origins in outsourcing to the view of areas of a firm considered “asset-specific”. (McIvor, 2009:47). Just like the firm a state can also benefit from making the key distinction developed by Hamel and Prahalad between “core and non-core business” of a firm (Hamel, 1994:203),

Translating this concept to a political concept, a public service – according to one definition- becomes any activity that is assumed by the public person to the benefit of a public interest (Chaput, 2001: 579).

Judged from this angle, the concept of outsourcing transforms the private enterprise into the role of a public person. Its mission according to Narcy are thus ‘satisfaction of general interest’, ‘control by the administration’ while maintaining ‘a prerogative of the public’. (Ecole nationale d’Administration, 2009:17)

As private companies remain private, they must conceptually be instructed to work to the benefit of the broader public. (Chevallier, 2010: 15) The fact that their actions may risk to interfere with some areas of public interest, reflects the continuous belief that certain state functions are to remain exclusively vested in the nucleus of the state, while other services are by their nature amenable to be exercised by private actors. A decision at which level of the (expanding) functional concentric circles surrounding the state's core purposes (Chevallier, 2007: 15), an outsourcing decision is seen as responsible in the public interest remains contentious.

The public sector's need to delineate core from peripheral functions has provoked practical challenges in several disciplines:

In public international law, the line between what constitutes a core of a state's functions is drawn as a conceptual distinction between "acta iure imperii" and "acta iure gestionis": In concrete terms, it is held that, "acta iure gestionis" can often be recognized by their potential to be carried out by citizens in a private capacity, as opposed to "acta iure imperii" that must by their very nature belong solely to the realm of the state and the exercise of its sovereignty." (Petit, 2011:2)

Business transactions such as acquisition of embassy furniture may be considered "non-core" whereas a core ("régalien") state function is given by an embassy's reporting on political events in a foreign state.

Taking a policy-oriented example, public policy makers are often faced with the challenge to define the legal boundaries of a "public service". In the case of the European Union's services directive (2006/123/EC), a public services are defined as "services of general interest" (European Parliament/ European Council, 2007:3) , which "include education, social protection, security, criminal justice and local government services such as refuse collection." Yet "Healthcare, social services and social housing are not included under these terms." (European Parliament/ European Council, 2007:3).

The European Public Services Union is furthermore pushing to exclude services of general economic interest such as social services, health, water and education from the pressures of "competition regimes" while arguing for a right "for local and regional authorities to provide in-house services." (Gosling, 2008:7)

Besides the latter concerns, pressures for cost-saving and demands by the public for efficiency have induced public managers to rethink the concept of "core" or "exclusive" public competences" towards a new equilibrium between private and public partnership – a new 'Regalian balance'.

The conceptual evolution of the term "public services" has been accompanied by theoretical innovations: A key contemporary example is provided by the Theory of New Public Governance:

New Public Governance

New Public Governance as "implementation regimes" represents the contemporary, influential theory in a line of new approaches in the field of implementation of public policy and service delivery, which started with Public Administration (19th Century- 1970s) and New Public Management (early 2000s).

The concept spanning multiple governance areas both socio-political, public policy, administrative, contract and network in kind seeks to explain both institutional and external pressures on a “plural” and “pluralist” (Osborne, 2009: 6-7) state, where “increased interdependencies between societal actors from all sectors (private, public, third) and civil society” contribute to policy making through a variety of different processes (Osborne, 2009: 9). This new public mode of governance is increasingly driven by new opportunities for service provision and participation through the use of technology coined digital-era governance (DGE). (Dunleavy et al., 2006: 467-494)

To some observers, this theory has produced “a fundamental change in the role of government from provider to enabler and an increasing erosion of traditional sector barriers” (Angerer & Hammerschmid, 2005: 131) as it “introduced management concepts, management and language to the public sector”. (Angerer & Hammerschmid, 2005: 137)

Thus, a key to ensuring that the state can fulfill its new function of an ‘effective service provider’ for the public lies in its ability to skillfully delegate tasks to the private sector. One key to practice ‘rightsourcing’ lies in minimizing the costs of an outsourcing decision. Minimizing costs through the tools of governance becomes thus an exercise in successful risk management.

1.1 What is outsourcing in public services? What are the differences with the private sector?

Outsourcing in public services differs in many parts from outsourcing in private sector

First, it is important to note that outsourcing differs from privatisation since it takes the form of a contract tied between the public authority and the firm. On the contrary, privatisation is transferring ownership of a business, service or agency to the private sector.

Second, types of services outsourced by the State naturally vary a lot from businesses’ ones. The idea of “Regalian” state, which traditional missions of security, police, justice have been recently completed with a broad objective of social welfare, is that there are a number of services of public interest that cannot be delegated as such: health, pensions, employment, education, defense, public safety.

Nevertheless, within each areas of government, the nature of the service to be right sourced will vary but outside what is considered as “State’s core functions”. Thus, outsourced services in these areas have usually been call centre, audit, facilities, cleaning... But some countries like the UK is willing to go further and extend the type of functions outsourced to the private sector.

It is worth emphasizing that public services are services for which citizens have particular expectations and understandings. According to a report published by Ipsos MORI entitled

“*what do people want, need and expect from public services?*” three headline findings indicate that people¹⁹:

- Want public services to be based on the notion of the public good;
- Understand public good is largely defined in terms of universalism, with equality of access to benefits;
- Struggle to see a compelling or urgent case for reforming public services to cope with economic pressures and social changes.

Thus, while outsourcing in public services, it is important to take into consideration these missions of general interest realised by private entities. Even at the European level, the EU has adopted specific rules for application of rules on state aid, public procurement and internal market to “Services of General Economic Interest” (SGEI)²⁰.

1.2 Definition of the perimeter: functions outsourced versus regalian functions

1.2.1 Definitions of public, private and hybrid good

Before examining different policy areas within a government which can possibly be subjected to outsourcing, a distinction between a public, private and hybrid good can offer key insights in this debate: The following typology is derived from Fixler and Poole of the Reason Foundation:

Type	Funding of Service	Provision of Service
Outsourcing or contracting out.	State	Private
Hybrid private-public good	Private	State
Privatized	Private	Private (Terms of conditions may be partially controlled by state)

Figure 17: Typology of Outsourcing according to Risks and Benefits / Schönteich, 2004:15

According to this typology, Schönteich defines a “*public* good or service” as “generally produced in the public sector and paid for via taxation” (Schönteich, 2004:15) since no one can be excluded from its enjoyment. An example is national defense. A “private good” by contrast “is consumed privately and available only to those who pay for it.” (e.g. a privately purchased orange) As a third and in-between category, Schönteich defines *hybrid* goods and services as “consumed collectively” with the possibility of being “charged for individually.”(e.g. toll roads) Schönteich argues that due to their nature private and hybrid goods can be more easily privatized than public goods.

¹⁹ “*What do people want, need and expect from public services?*” Report prepared by Ipsos Mori, published in March 2010, p 4. Available at: http://www.ipsos-mori.com/DownloadPublication/1345_sri_what_do_people_want_need_and_expect_from_public_services_110310.pdf

²⁰ See European Commission « Guide to the European Union rules to services of general economic interest and in particular social services of general interest » Commission Staff working document, published 12/7/2010, Brussels. Available at : http://ec.europa.eu/services_general_interest/docs/guide_eu_rules_procurement_en.pdf

A government can adopt three key forms of delegating tasks to an outside provider through contracting out, private-public goods and full privatization. Following the above typology and Schönteich's analysis of the case of South Africa we can distinguish these types according to the degree of responsibility by the government:

Outsourcing (or contracting out) occurs “[i]f the state retains responsibility for funding a service, but hires the provider of the service in the open marketplace.” (Schönteich, 2004:16) A hybrid public or private good is provided in cases where citizens are charged for a governmental service individually but the state remains the sole provider. (Schönteich cites the example of a state-owned and managed museum).

Both types can be framed under the umbrella term of Public-Private partnership defined as contractually formalized “interactions between government and business actors in pursue of complementary goals (...)” whereby “both partners contribute human, strategic and financial resources” (Blanke et al., 2005:2) while their “ identities and responsibilities of the partners remain intact. “ (Hammerschmid and Angerer 2005: 132.)

Outsourcing, however, is not synonymous with downright privatization as only in the latter case “both the funding mechanism and the service delivery are shifted to the private sector” (Schönteich, 2004:16)

An alternative typology of public-private partnerships is provided by the below table by Schaeffer and Loveridge who delineate the cooperation according to the depth of cooperation in decision-making and the degree to which problems are clearly defined or more open-ended. (Schaeffer and Loveridge, 2002: 169-189) A Joint Venture is therefore dissimilar to a partnership as within it joint decision making is not accompanied by mechanisms for open-ended problem-solving but limited to a specifically defined activity.

These limitations act as a restraint on the potential of the service provider to innovate (or cross-fertilize) the public principal in providing the service.

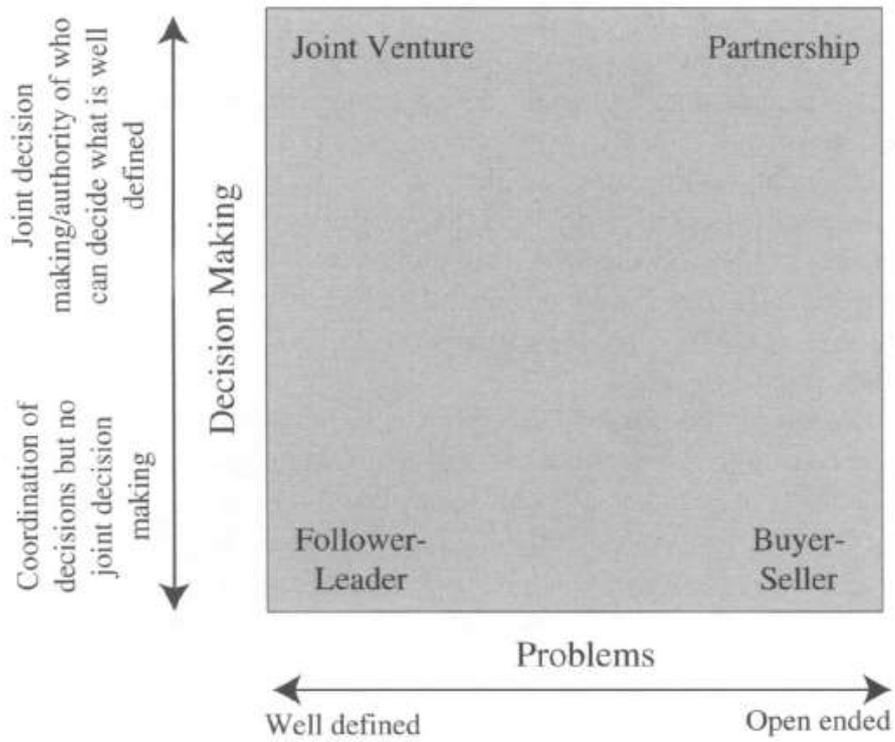


Figure 18: Forms of public-private cooperation, table developed by Schaeffer and Loveridge, 2002:182.

Moving from understanding the types of outsourcing, we can illustrate their relationship to outsourcing mechanisms in a three-dimensional model:

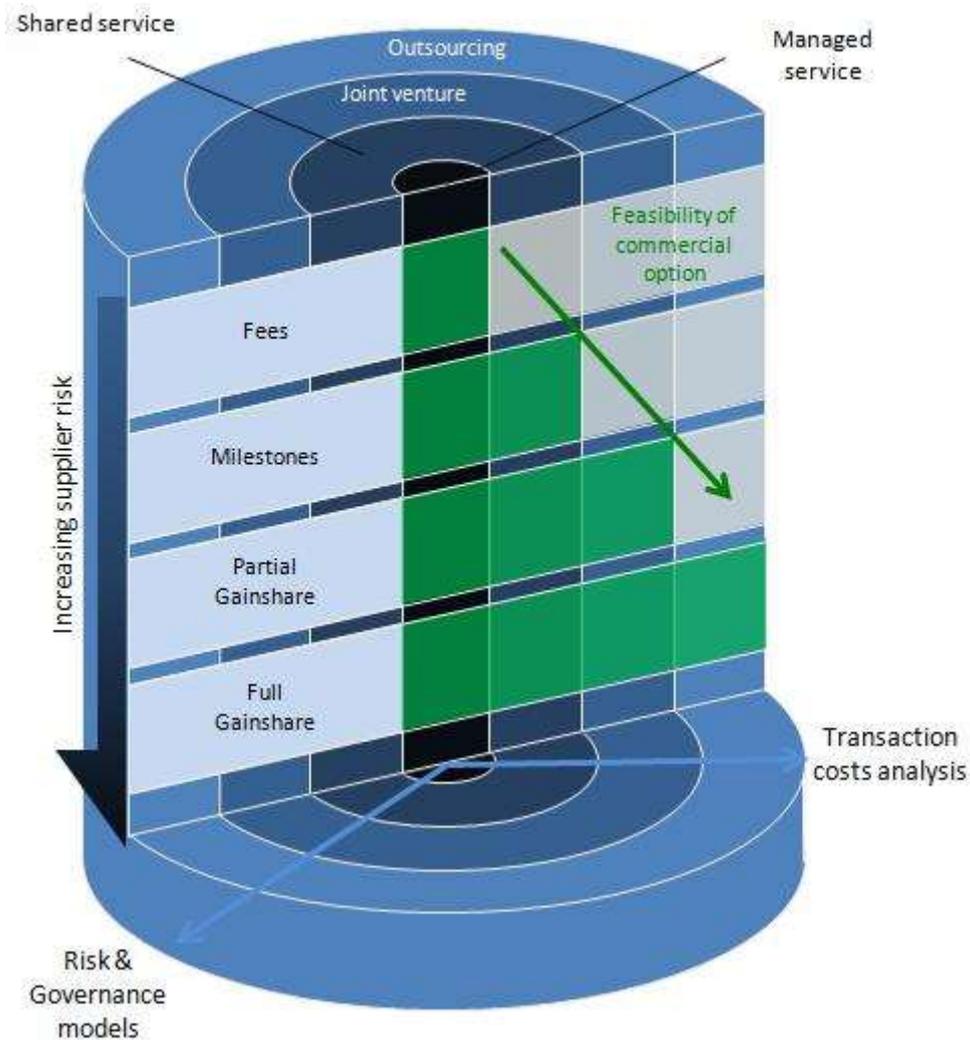


Figure 19: Own Diagram - Public services practices in new service delivery models

Based on the above-explained gradual transfer of responsibilities of outsourcing, this diagram stresses the importance of the degree to which the contracted supplier is included in sharing the achievement of outcome from the outsourced functions. While a “fees-based” structure allows the public manager to retain a high degree of operational control, its focus on Output-delivery keeps the risk of the supplier low but also lowers its incentive to deliver an outcome. The incentive is increased by moving from milestones payments based on results to a partial or full gain share of the benefits of the outsourced functions, the supplier having to focus on outcomes incurs more risks while the public manager wins a more comprehensive solution for the outsourced function in exchange for losing operational authority.

In other words this diagram highlights that the higher the risk a public manager takes by loosening control, the higher the potential return in terms of results delivery.

The feasibility of the commercial option thus increases with the move from managed service to full outsourcing if the incentives of both actors are aligned in focusing on the value and outcome of the function.

According to Beauregard in an “ideal-typical partnership” then (“full gain share”) all partners share decision-making, rewards and “assume full responsibility for the risks of their joint activities” (Schaeffer en Loveridge , 2002: 180) .

The above stated “alignment of both parties interests” is a key subject of the insights gained from the governance literature on this question.

1.2.2. Typology of Governance structure

Having outlined basic concepts and approaches to outsourcing, this section is interested in taking stock of the various practical choices facing a public manager when taking a decision not to exclusively manage a task in-house:

A first section is to provide a taxonomy of activity for outsourcing by first delineating outsourcing from other forms of delegation of tasks and exploring various types of outsourcing choices a public manager is faced with. It will then consider the broader governance challenges implicit in it.

A second section will then empirically survey the functions chosen to be outsourced by individual public services providers.

The governance literature stresses, that a key factor to effective risk management lies in the relationship between the public actor and its private counterpart. It analyses this relationship through a simplified model, called the “Principal-Agent model” (PAM) as illustrated by the following diagram:

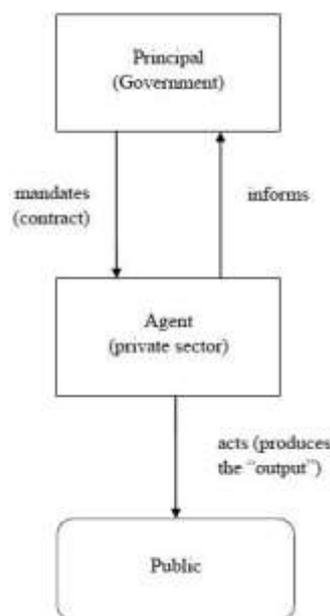


Figure 20: De Palma, André, Leruth Luc and Prunier, Guillaume, “Towards a Principal-Agent Based Typology of Risks in Public-Private Partnerships”, IMF Working Paper, WP/09/177, 2009, p.13.

The PAM describes this relationship by addressing a basic dichotomy of incentives between Principal and Agent.

While the agent produces the “output” to the public, a problem arises if and when principal and agent have differing or opposing motives and are driven by the achievement of their individual targets, i.e. if their preferences are not aligned.

Moreover, an information failure arises as outsourcing providers possess a knowledge of the processes they manage and an expertise that the buyer does not. This makes the issue of the principal agent problem markedly more difficult to avoid.

To address the challenges identified by the Principal-Agent model, the governance literature has provided us with the type of control mechanisms the public sector chooses for the varying degrees of outsourcing. In her “Four governance model framework” Considine (Considine, 2001) has elaborated four types of control mechanisms, as illustrated in the following table

<i>Model</i>	<i>Source of rationality</i>	<i>Form of control</i>	<i>Primary virtue</i>	<i>Service delivery focus</i>
Procedural governance	Law	Rules	Reliability	Universal treatments
Corporate governance	Management	Plans	Goal-driven	Targets
Market governance	Competition	Contracts	Cost-driven	Prices
Network governance	Relationships	Co-production	Flexibility	Brokerage

Source: Considine (2001).

Figure 21: “Four Governance Model Framework” based on Considine 2001, Table by Farneti and Young, 2008: 91.

First, procedural governance is governed by law and rigid rules that ensure reliability. Moving from rules to plans, corporate governance focuses on delivering outputs and defines targets for the provider. Market governance of outsourcing contractually defines expected performance and creates “quasi markets” (English et al. 2005: 29) to tap on a private company’s innovative potential to reduce costs. Within network governance the public role has shifted from a control of service delivery to managing a network of best suppliers with which a long-term contact is maintained. (Farneti and Young, 2008, 91-93).

Policy fields, Levels and functions subject to outsourcing

Based on these theoretical insights, we can define the practical types and features of outsourcing undertaken in key policy areas. This will be done through a survey of the empirical studies undertaken in the literature before providing an overview of the areas in which public sector outsourcing is practiced.

Three key dimensions need to be highlighted in this regard:

Country-specificity

As a previous section highlighted in greater detail, the large scope of the below functional cross-section of public service outsourcing is explained mostly by its inclusion of various countries and public-administrative cultures whose differences are well-established in the literature:

The “Anglo-Saxon countries with a pragmatic ‘public interest’ administrative culture“(Angerer & Hammerschmid, 2005: 130) in particular Australia, the United States, UK and Ireland show the largest and widest record of outsourcing strategies with different attitude towards outsourcing than the continental European countries with a “stronger public law tradition”. (Angerer & Hammerschmid, 2005: 133)

This pragmatic approach translated into concrete actions where for instance the Duncan Hunter National Defense Authorization Act (NDAA) approved by the US Congress, required the administration of President Barack Obama to produce a single consistent definition of inherently governmental functions that can be applied governmentwide. Pointing out that the distinction between inherently governmental activities that should not be outsourced and commercial activities that may be subject to private sector competition was to be compiled into the U.S. General Services Administration catalogue (Burman, 2010)

Level of public entity

Outsourcing occurs at all levels of government with varying risks attached to its practice:

Describing the case of the HERAKLES-project by the Austrian federal government, Angerer and Hammerschmid illustrate how the project “to set up an Austrian-wide harmonized bug-proof security radio network (...) for police, fire brigade, ambulance, army (Angerer & Hammerschmid, 2005: 140) services failed to deliver due to the complexity of the outsourced tasks, “ conflicting interests of the partners, principal agency problems, insufficient contractual agreements and organizational and procedural deficits.” (Angerer & Hammerschmid, 2005: 144)

Studying risk management decisions at the level of municipalities, Farnetti and Young find that “municipality’s managers must be especially careful not to outsource a service unless they have the capability to manage the requisite governance model.” (Farnetti and Young, 2008: 89).

In evaluating different modes of service provision, US researchers furthermore point to unique factors shaping decisions by sub-federal governments lying in ‘balanced budget requirements’ which could make cost-effectiveness a paramount concern to “keep expenditures in line with revenues”, ‘interjurisdictional competition’ to attract or retain potentially mobile goods, services, and residents, and market size, i.e. “the availability of high number of providers.” (Gerber, et al., 2004: 9-10).

In light of our initial conceptual observations we can argue, that despite higher institutional capacities the federal level shoulders more regaliam functions non-amenable to outsourcing, while the municipal level faces the opposite constellation.

Type of outsourced function

The picture of the functions that are outsourced is far-spanning, with an emerging consensus merely for areas that are deemed not to be amenable to outsourcing:

In a study that seeks to benchmark the back office, the UK government identifies the areas of finance, human resources, IT, procurement and estates (HM Government, 2009: 45) as classical back-office functions that are amenable to outsourcing.

Empirically, the practical interpretation of the concept of regalian functions is reflected in statistics on outsourced services: A study based on survey data provided by the International City/County Management Association comparing outsourced services between 1982 and 1997 found that “more than 50 percent of local governments contracted out” commercial services considered non-regalian such as “commercial solid waste collection” while services considered a traditional bastion of the state such as “crime prevention, police/fire communications” (Gerber et al. ,2004: 3) eighty seven were contracted out by less than 5 % of surveyed local governments.

Evidence, however, also suggests to be aware of a margin of cultural appreciation working within legally codified concepts of core state functions: In Germany, for instance, a working group came to the conclusion that 40 % of the functions of a prison were amenable to outsourcing as they did not infringe upon the German constitutional provisions reserving enforcement of sentences to the public domain. (Cossalter, 2007:11.)

In Europe “a long tradition of public-private cooperation” particularly in the field of health care and education (Kuhnle and Selle, 1992) dates back to the 16th Century (Schaeffer and Loveridge, 2002: 182).

Characterizing it as a shortcoming of current PPP, observers in Germany advice to amplify the scope of application of PPPs to further public sectors beyond the public construction sector to policy fields such as health care, social and cultural policies, education and R&D particularly in the university sector. (Wissenschaftlichen Beirats der Gesellschaft für öffentliche Wirtschaft, 2004:413).

In the defense sector, outsourcing provision of training resources is a common practice: In France, military pilots are trained using non-publically owned helicopters following a twenty-two year lasting 400 million € contract with DCI-Proteus delivering considerable cost savings from increasing the fleet from 17 to 32 by 2011. (Ruello, 2010). This development is particularly noteworthy providing evidence that even in a government sector considered “regalian”, cost efficiency motives can 'rightsource' certain aspects outside the nucleus of government provision.

In the case of the UK gas registration scheme, the GasSafe register took over from the federal government. “The new Gas Safe Register has a renewed focus on gas safety. Its sole purpose is to carry out the registration and inspection of gas engineers and to raise awareness of gas safety risks” promising “[h]igh levels of gas safety awareness among consumers aligned to the powerful new gas safety brand, promising in addition to high quality and cost-efficient service, “[a] transparent, open and consultative approach” and a “a commitment to working with other industry bodies”.

Overall, a synthesis of several studies “concluded that the private sector is more efficient in refuse collection, fire protection, cleaning services, and capital-intensive wastewater treatment, while results are less conclusive for water supply and railways” (Tang 1997).

In the case of South Africa, Schönteich surveys Public Private Partnerships transactions which are originally financed by the private sector before which also assumes operational risks and operational responsibility in sectors as diverse as transportation (toll roads) and public security (two high security prisons) as well as tourism projects. (Schönteich, 2004:16). Similarly, in the health care sector, South Africa has acquired high investments by the private sector “in return for concession rights to operate hospital facilities within the public hospitals over the period.”. (Schönteich, 2004:17).

In terms of operations management, a joint venture between Birmingham City Council and the private firm Capita successfully outsourced ICT services, “including a £2m investment in a new server estate” saving £350,000 each year. (Business Services Association: 2)

Illustration of outsourcing in the Public Sector	
Policy Area	Illustration
Health	Grimshaw, Damian, Vincent, Steve and Willmott, Hugh, “Going privately: partnership and outsourcing in UK public services”, Paper revised for re-submission to Public Administration, 2002.
Human Services	Warner, Mildred, and Amir Hefetz. 2001. “Privatization and the Market Role of Local Government: Small Growth in Contracting Underscores Dominance of Service Provision by Public Employees.” Economic Policy Institute Briefing Paper. Available online at www.cce.cornell.edu/restructuring/warner/papers.asp .
Public Utilities	Hirsch, Warner Z. 1965. “Cost Functions of an Urban Government Service: Refuse Collection.” Review of Economics and Statistics 47 (February): 87-92 Stevens, Barbara J. 1977. “Scale, Market Structure, and the Cost of Refuse Collection.” Review of Economics and Statistics 60 (March): 438-448. Kemper, Peter, and John M. Quigley. 1976. The Economics of Refuse Collection. Cambridge, MA: Ballinger Publishing. Savas, E. S. 1977. “Policy Analysis for Local Government: Public vs. Private Refuse Collection.” Policy Analysis 3 (Winter): 54-55.
Operational Services	Daum, Ralf, “Die Rolle öffentlicher Unternehmen im Application Service Providing“ [The role of public

	enterprises in application service providing], Journal for Public and Nonprofit Services, Bd. 25, H. 3 (2002), pp. 263-276.
Local vs. federal level Outsourcing	Stein, Robert. 1990. Urban Alternatives: Public and Private Markets in the Provision of Local Services. Pittsburgh: University of Pittsburgh Press.

Figure 22: Illustration of outsourcing in the Public Sector

Having examined these case studies, the following table provides a broad overview of the area of public sector outsourcing activity

Example of defining the Regalian scope

In the United States of America, the GSA Competitive Sourcing Team develops the GSA FAIR Act Inventory annually.

The team is led by the Office of Acquisition Policy (OAP), and consists of representatives of all areas and business lines within GSA. Those team members, in turn, assemble the necessary resources within their respective organizations to develop ground-up component inventories. Those component inventories reflect their unique business lines in a manner consistent with the overarching guidelines of the FAIR Act Inventory, OAP and GSA management. The resulting component inventories are reviewed, reconciled and consolidated into a GSA FAIR Act Inventory. Although some turnover is inevitable, the core of this working group has remained virtually unchanged during the most recent FAIR Act Inventory cycles.

After review by GSA’s most senior management and staff, GSA’s Administrator is briefed on the process and results of the FAIR Act Inventory. The Administrator is the final level of review, performed in consultation with senior executive representatives from the various business lines and staff office at GSA before submission to OMB

Extract of the table listing each service that can be outsourced within Federal law (See Appendix 1 for full table)

There are over 5,000 services defined in the GSA, making this the most comprehensive attempt to defining the scope of what public function may be outsourced

Function Code	
S210	Building Management
S733	Building Services
Y510	Budget and Financial Program Management
Z992	Minor Construction, Maintenance and Repair

	of Buildings and Structures Other than Family Housing
Z110	Management of Major Construction of Real Property
Z120	Real Estate/Real Property Acquisition
D501	Customer Services

Figure 23: Extract of the GSA index

Having reviewed the various taxonomies for defining the scope of services to be outsourced, the following table is derived to introduce a summarized view of the primary policy scope

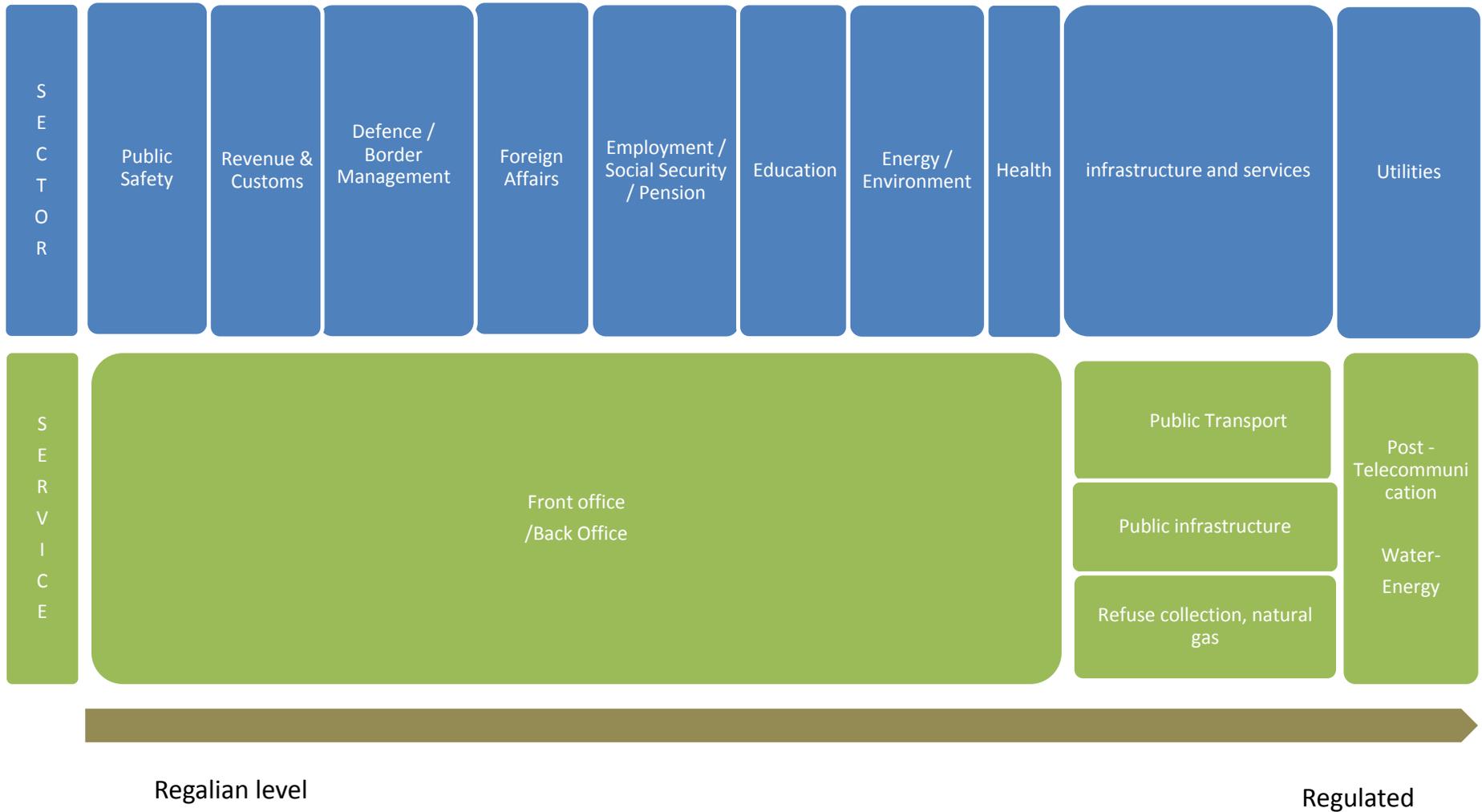


Figure 24: Own Table - Whole of the Government service scope classified by Regalian to Regulated services

1.3 Definition of key concepts

1.3.1 Outsourcing

The simple definition is the action of “obtaining (goods or a service) from an outside supplier, in place of an internal source” (Google dictionary). But what is behind this simple definition is a more complex web of consequences.

Defined by Bryce and Useem as an “outside company’s provision of the products or services associated with a major function or activity of a user organization” (Bryce, 1998), the key difference here is the fact that it refers to ‘a major function’; the importance of that distinction is that it makes the decision of outsourcing a *strategic* decision for the management of an organisation.

And there are many more specialised definitions. E.g. with a specific function in mind: “outsourcing - obtaining IS services through external organisations that own some or all the necessary resources and where control and management of the resources and activities , reside”. (Hirschheim 2007: 107)

It is often defined by suppliers as a way to cut costs: “Outsourcing occurs when a company purchases products or services from an outside supplier, rather than performing the same work within its own facilities, in order to cut costs. The decision to outsource is a major strategic one for most companies, since it involves weighing the potential cost savings against the consequences of a loss in control over the product or service”.²¹

The classic definition brings outsourcing to a typical principal–agent problem (Eisenhardt 1989, Peter 1998). This definition brings a key element as it underlines the tension associated with such a strategic decision. This tension - coming from the fact that two parties have different interests and asymmetric information (the agent having more information), such that the principal cannot directly ensure that the agent is always acting in the principal's best interests – demonstrate why the DMP is critical in the concept of outsourcing.

For instance, a fundamental insight into management coming from the Principal-Agent (P-A) definition is the importance of performance incentives in driving managements’ decisions (Callen 2008). This puts the manager itself at the heart of the Decision Making Process.

Similarly a less classic definition of outsourcing is the one equating it to a game (Larquier and Batifoulier 2005). When considering convention theory, a ‘convention solution’ has meaning only when players seek to resolve a problem through coordination, if they have a

²¹<http://www.referenceforbusiness.com/small/Op-Qu/Outsourcing.html#ixzz39dPQglso>

common interest to reach a given result (at equilibrium or not). In that case, what type of game does outsourcing fit in: 'Prisoner', 'Meeting agreement', 'Dear hunting'

If we define outsourcing as a game, we need to look at what type of classic game, outsourcing would be akin to.

A game expects a result to be achieved; in the case of outsourcing it is the provision of a service, with two values, i.e. the service is delivered internally or it is outsourced.

The question of outsourcing a service may result in 4 outcomes:

	Outcome positive to both parties	Outcome negative to at least one party
Decision to outsource	Service outsourced - Positive contract	Service outsourced – Sub-optimal contract
Decision to keep internally	Service internal and positive	Service internal but issues associated with delivery

Figure 25: Outsourcing outcomes in Game Theory

So there are two outcomes that are to be avoided, one pareto-optimal and the other risk dominant. And there are two Nash equilibrium.

With this definition of outsourcing as a game, this is akin to the Dear hunter game that predicts a 'frequent cautious behaviour' (i.e. hunting the rabbit rather than the dear, leading to the death of both hunters) as a convention.

With outsourcing defined as a game, the importance of the 'players' in this case the decision makers becomes critical and more importantly their behaviour in the decision making process to maximise their utility curve is a key aspect to be tested.

1.3.2 Decision Making Process

The decision to outsource public or private services is a strategic decision in and of itself.

One key aspect to understand is the context of decision making and how the industry and local context is important, heralded in the well-known Porter five forces model (Porter, 1998).

The private sector has developed different models of strategic decision-making. Such models try to take into account factors of the environment when taking strategic management decisions. Likewise, public outsourcing needs an understanding of the national and local context and of the (external) context in which it occurs.

One of the most well-known models is the so-called PEST analysis which is concerned with the Political, Economic, Social and Technological environment. Additional options proposed by analysts include Legal, Environmental, Ethics and Demography. More concretely, the model analyses:

- Political factors, i.e. potential government interference. This includes taxes, fiscal policies, tariffs, but also general circumstances determined by public policies, such as health or education systems.
- Economic factors, such as the inflation rate, interest rates, foreign exchange rates, foreign direct investment or economic growth.
- Social factors take into account cultural specificities, demographic trends and population analysis.
- Technological factors refer to innovations in technology which may have an effect on the respective industry. Examples include automation or research and development (R&D).
- Legal factors means a) legislation in the respective jurisdiction which may influence business decisions (for instance, consumer laws, safety standards or labour laws); and b) internal company policies.
- Environmental considerations take into account factors such as climate and climate changes, weather or geography. This category is particularly crucial for industries such as tourism or agriculture etc.

Although developed for business environments, the elements of the PESTLE model are also relevant for public sector strategic decisions, including outsourcing. A public authority may decide to (not) outsource its IT department precisely for the same economic or legal reasons as a private business. On the other hand, the specificities of the public sector must be borne in mind when applying the model. Some factors may be more important for public institutions than for the private sector (such as political, legal and economic factors). Also, non-economic reasons and political pressures may be more vital for public-sector management decisions, even if outsourcing could be an economically sensible management decision.

Pfeffer and Salancik, 1978:4 argue that “if you wanted to understand organisational choices and actions, one place to begin this inquiry was to focus less on internal dynamics and the values and beliefs of leaders and more on the situations in which organisations were located and the pressures and constraints that emanated from those situations”

Pettigrew and Whipp (1991) similarly highlight 3 dimensions of strategic management:

1. the what, content
2. the how, process
3. the where, > context

1.3.3 Public managers

First, one would assume that establishing a definition for a public manager would be simple, however a definition is not forthcoming. Simply put “The work of public managers is to manage the public goods they are charged with” (Russell 1983).

However this definition does not convey the 2 sides of the Public manager role as practitioners themselves tend to view their roles in terms of the traditional model based on dichotomy of *policy* and *administration* (Svara 1985). Academics, on the other hand, having rejected this model, see extensive overlap and have difficulty recognizing limits of the policy-making role of the public manager. Svara argues that *Policy* and *Administration* which fall between mission and management are viewed as the shared responsibility of elected officials and public manager, with each having a legitimate role in both functions.

Further to that Jacobsen 2007, argued that the role of the public manager must be analysed along at least two dimensions:

- the relationship between politicians and bureaucrats, i.e. the possible conflict between political loyalty and autonomy.
- the relationship between citizens and bureaucracy, i.e. the possible conflict between openness towards citizens and bureaucratic closedness.

But with the thinking in New Public Management, this distinction is visible with politician increasingly focused on politicising and public managers in administrating.

So in this research, the term 'Public Manager' refers to the individuals within Public organisations that operate the service – by contrast to the politician and policy makers that define and design the services (Cohen 2008).

1.4 The theoretical frameworks mobilised for this research – How can the Decision Making Process for Outsourcing be explained

1.4.1 Economic Theories

Among the most prolific widely used concepts in the debate on these issues are the theories of "Transaction cost economics" (TCE) and the "Resource-based view" (RBV). We will proceed by discussing these theories in turn.

1.4.1.1 Transaction cost economics (TCE)

Managers both in public and private functions face the choice of which type of governance they are to employ to manage their resources (Williamson 2010: 1-3) : The market, hierarchies (Williamson 2010: 6) or alliances. (Williamson 2010: 47)

The contribution of “Transaction Costs Economics” represents a central mainstream view of the literature of motivational backgrounds for outsourcing decisions. It argues that the central variable lies in “the costs associated with arranging to have work done rather than the cost of doing the work itself“. (Aron, 2005: 40)

In other words, a TCE view sees the key variable determining whether the market should be chosen for a particular task is given by the costs that an outsourcing transaction will have: According to the TCE causal chain, a firm will outsource if this will save costs and keep the task in-house if outsourcing is subject to high transaction-costs: A key transaction cost of outsourcing is given by the contracting partner deliberately breaking the conditions under which the good was outsourced. This cost is captured by the concept of “opportunism” which is defined by Vining and Globerman as “any behavior by a party to a transaction designed to change the agreed terms of a transaction to be more in its favor (...)” (Vining, 1999: 646) while acting in “bad faith” (Vining, 1999: 646).

Transaction costs rise with the level of asset-specificity involved in the task to be outsourced. An asset is ‘specific’ if it makes a necessary contribution to the production of a good and it has much lower value in alternative uses (Klein et al., 1978). There are various kinds of specificity including physical asset specificity, location specificity, human asset specificity, dedicated assets (Williamson, 1985, p. 55) and temporal specificity (Masten et al., 1991, p. 9; Pirrong, 1993). The higher the asset-specificity of a task, the higher the potential for opportunistic behavior by the contracting partner, the lower the likelihood of outsourcing according to TCE: The costs associated with outsourcing are higher, the larger the asset-specificity of the good is.

To illustrate, Jensen & Rothwell examine outsourcing in nuclear power plants and conclude that “[h]igher transaction costs appear to reduce the relative value of contractors” while “production-critical tasks are also less likely to be outsourced.“ (Vining, 1999: 378)

1.4.1.2 Risk Management in Outsourcing

In line with aspects of the TCE, Risk management can also take the question of outsourcing from a scientific to a practical application, literature either explicitly or implicitly links the outsourcing decision to the concept of “risk”. As Aron, Clemons and Reddi argue, “proper outsourcing is about achieving the very best long-term risk-adjusted rate of return.” (Aron et al, 2005: 38)

The authors then offer a taxonomy of risks involved in the outsourcing decision (Aron et al, 2005: 38):

First and foremost, “strategic risk” allows us to conceptualize the opportunism costs of TCE in the terms of minimizing “intentionally exploitive behavior” by vendors.

The latter can take the shape of “shirking” (deliberate underperformance) poaching (misappropriation of resources to purposes other than contractually negotiated) and opportunistic renegotiation or “vendor holdup”(a loss of bargaining power by the client due to the loss of competitors for the outsourced service forcing it to accept the price-setting by the vendor). (Aron et al, 2005: 42)

Operational risks denote the impact of “geographic separation between client and vendor, the cultural gap between the environments of the client and the vendor, or the limitations of the communications and transmission systems between the two” leading to a failure of the vendor.

Similarly, the outsourcing entity may lose human capital involved in the outsourced functions. Moreover, geographical and political risks can be created due to the location of an outsourced product. (Aron et al, 2005: 41)

The Context

Given the increasing pressure on EU governments to stabilize their budgets without sacrificing value, the outsourcing of processes is becoming increasingly risky, as more complex front and middle office functions are outsourced to the private sector.

Cost can also be argued to be an important theme in the Market. There has been a trend towards outsourcing deals in the market (Butler, 2011), and away from transformation based projects, as decision makers now look to cut costs directly and as soon as possible. This is especially notable in the UK, as the current coalition government looks to trim the budget deficit and squeeze every area of public finances. However this does not mean that cost is considered more crucial than value in the value for money trade off.

It can be argued that the Compulsory Competitive Tendering Act in the UK found various contrasts between outsourcing in the public sector and private sector.

Risk is a reoccurring theme in the outsourcing Market. Moreover, recently vendors are becoming increasingly risk averse, perhaps as a consequence of the late 2000s financial crises and sovereign debt crises. It can be therefore argued that effective risk management and transfer has become something of a prerequisite for effective outsourcing in the 21st century. (Hood and Miller, 2009). While a majority of this risk may be managed internally, the remainder could be addressed via orthodox risk management processes.

It can be argued that the most prominent difference between public and private sector outsourcing is that in public sector outsourcing there is greater consideration paid to the efficiency-equity trade-off, due to the nature of public service, as shall be explained below, after considering various definitions of risk in public service.

A definition of risk in the context of outsourcing

There are various academic definitions of risk. Hill defines risk as ‘the probability an event in the future, either good or bad, will occur.’ (Hill, 2001: 3) Sullivan and Ngwenyama ‘prefers a broader concept of risk, that includes factors, which if not addressed properly, may lead to any type of negative outcome.’ (Sullivan and Ngwenyama, 2005: 73) Their analysis will be discussed in greater detail later this section.

Hood and Miller go further to highlight the risks that are of particular significance in public service, explaining that these depend on the way in which public service is defined. It could be argued that public services are designed to reduce risks in society, for example, risks of under-provision, as would be the case with education and healthcare, where the social benefit of providing the service is far greater than the private benefit. However in the provision of these services, Public service is defined in three different ways, resulting in three categories of risk. Collectively consumed services, such as the provision of a water supply, suffer from systemic risks. Services that involve use of the state's powers of compulsion over tort and contract law, such as protection of children from child abuse, result in risk of sovereign failure. Lastly, services in which politics overrides markets, such as those involving public sector banks, create reputational risks. (Hood and Miller, 2009:2)

Systemic risks affect an entire population or industry, for example, the drawbacks of a capitalist market system. Such risks are often neglected or underestimated, and are crucial to public service provision (Hood and Miller, 2009:2). Risk of sovereign failure arises in various degrees, underpinned by the concept of risk transfer. Public services often involve risk transfer from one body to another, for example, social care services. Private sector institutions are also often faced with similar decisions, however, as Hood and Miller explain, 'the setting in which they take place is institutionally and legally different.' (Hood and Miller, 2009:2) There is a risk of sovereign failure in that there may be a misallocation of risk between parties, resulting in harm to individuals or groups. Finally, Hood and Miller explain the occurrence of reputational risks. This is the risk to politicians and legislators if a public service were to fail. These will be of significance to most politicians due to competition for votes. Therefore rather than risk regarding financial cost, according to Hood and Miller, the 'dominant currency' in which risk is gauged is political reputation. (Hood and Miller, 2009:2)

Sullivan and Ngwenyama divide risk in outsourcing into seven categories:

1. The outsourcer's lack of experience
2. Opportunistic behaviour by the vendor
3. Vendor's lack of experience
4. Vendor financial instability
5. Vendor performance monitoring
6. Contract horizon and technological discontinuity
7. Loss of core competencies and proprietary information

This takes the categorization a step further from the type of risk and which party it is associated with, to more specific risks to the outsourcing process. (Sullivan and Ngwenyama 2005)

Discussing outsourcing options with the concept of risks (and not costs) also allow us to classify states as risk-averse or less risk-averse according to their willingness to outsource within the cited sectors.

Hood and Miller sum up their classification of risk in the following table.

	Definition of 'public service'	Example	Key risks
(a)	Services whose consumption is inherently collective in some way	Water supply	Systemic risk (of collective failure)
(b)	Services that involve use of the state's powers of compulsion over and above tort or contract law	Protection of children from parental abuse	Risks of sovereign failure
(c)	Services in which politics overrides markets	Publicly run banks	Political credit risks (of damage to political standing)

Figure 26: Risks distinctive to Public Services, Hood and Miller, 2009:2

Chunkification and Quality Assurance

There are, however, ways to counteract these risks.

The majority of solutions address risks from the side of the buyer of outsourcing. These are discussed in length by *Aron, Clemons and Reddi*. The article *Just Right Outsourcing: Understanding and Managing Risk* considers risk in public service outsourcing differently, however addresses almost all seven risks defined above.

Strategic Chunkification is separating a process to be outsourced into fragments that can be outsourced separately. In doing so, strategic risks are minimized. Redesigning processes to be outsourced in this way has proven successful. An example from the private sector is that of a monoline credit card issuer, which despite being a new entrant to the market, became the third largest credit card issuer in the USA.

Chunkification can be categorized into Horizontal and Vertical Chunkification. As explained by *Aron et al.* once the risks in outsourcing an area of business have been identified, a strategy can be built that incorporates these. Successful implementation of the strategy will minimize the identified risks. Implementation should be split into processes, and identifiable activities. From the point of view of a firm, these processes can now be outsourced. However there are further risks that may result from outsourcing them.

As can be seen from the above, the majority of risks in public service outsourcing can actually be internally managed, by the buyer. Nonetheless, implementations of effective risk management processes by the vendor are crucial to the stability of outsourcing of any process.

For the public sector the need for effective risk management translates into a need for effective governance and a tailor-made response. The following section outlines the taxonomy of outsourcing and provides a glimpse into the models available to a public manager.

1.4.1.3 Resource based view (RBV)

According to the resource-based view, the key variable for a firm to outsource is given by its search not for cost-saving but its orientation to achieve a superior position, in the case of the public sector, superior delivery. This means focusing on core competencies.

A core competency is a concept in management theory originally advocated by two business authors, C. K. Prahalad and Gary Hamel (Prahalad and Hamel, 1990). A simple definition to a core competency is that it is a specific factor that a business sees as central to the way the company or its employees operate. It fulfills three key criteria:

1. It is not easy for competitors (or in the public sector – actors in the market) to imitate.
2. It can be reused widely for many products and markets.
3. It must contribute to the end consumer's experienced benefits and the value of the product or service to its customers.

A core competency can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. It may also include product development or culture, such as employee dedication, best Human Resource Management (HRM), good market coverage, etc.

Core competencies are particular strengths relative to other organizations in the industry/market, which provide the fundamental basis for the provision of added value. Core competencies reflect the collective learning of an organization and involve coordinating diverse production skills and integrating multiple streams of technologies. It includes communication, involvement and a deep commitment to working across organizational boundaries. An organisation will only have a few core competencies and focusing on non-core activities will distract the organisation and lower its superior position for a given service.

This superior position is linked to its internal capability and resources i.e Outsourcing will thus not occur in cases where the organisation possesses "superior performance achieved in organizational activities relative to Competitors" (McIvor, 2009: 46) - or in the case of public services other actors in the market e.g. private vs public health. If the organisation views a potential to develop and sustain a superior resource position compared to other actors in the market it should not outsource. To illustrate, a public prosecutor could outsource certain crime investigative methods such as DNA testing to a specialized laboratory, since this service is not considered a core element of the public service portfolio and other actors may perform a higher quality at a lesser price.

This view is in line with the idea that in case a company has developed a "best-in-world core competency" (Quinn, 1999: 12), it should keep this superior position in-house.

One could argue that a public sector organisation should 'know' what its core competency is – where it has a superior resource position - and then easily decide what to outsource. But as presented above when considering regalia vs non-core, there is no agreement of a definitive set of activities or services. Every country, government layer, local public services operate in such a local context (based on its employees, local area, population, vendor market...) that the reality is always too specific to apply a broad top down rule.

1.4.2 Non Economic Theories: Beyond efficiency and Better capabilities, Public Manager's alternative motivations

As we have seen in the definition of outsourcing, the individual is seen has taking centre stage in the Decision Making Process. But the individual from an economic theory differs to other views such as the Taylor-Bourdieu scheme which opposes "individual = its representation" vs the "individual = itself + its representation" for Taylor-Bourdieu. This distinction in social sciences has led to richer and more realistic explanations of world processes (Favereau, 2001).

The previous section argued for economic rationale, the TCE and the RBV for explaining public sector outsourcing. But in this context in addition to a theoretical contradictions between an economic view and a social sciences view, practical case studies on the impact of outsourcing have concluded that contracting out services have fallen short of expectations of gained wealth sometimes not matching "wrenching organizational costs" associated with it. (Bryce, 1998:639)

One reason for this explanatory gap may lie in differing restraints a public manager is faced with. To illustrate, in addition to market-based calculations, public managers also act within a legal framework codifying the focus on results delivery as the central objective of private service providers: For instance, the French general code of the territorial collectivities provides that throughout a delegation of public services, "remuneration is substantially linked to results of service delivery". (French general code of the territorial collectivities, 2001: article L1411-1).

Moving from the private to the public sector, the rationales offered by the TCE and RBV are faced with a number of competing theories attempting to mend the explanatory gap.

This section attempts to go beyond the standing view of cost-saving and focusing on core activities to reveal motivations of public managers when making a decision to outsource.

Pooling a number of alternative rationales range we can identify "service quality, (...) equity/access, (...) employment effects and political feasibility" (Gerber, et al., 2004:9) as well as "management reform and modernization, synergetic outcomes through a pooling of capacities, attracting private finance, increasing value for money, public legitimacy, risk shifting, downsizing the public sector or power sharing"(Angerer and Hammerschmid,2005:133) as possible motives for public managers in making the outsourcing decision.

To complete our understanding of public managers' motivational profiles, this section seeks to systematize principal alternative motivational rationales:

First, an important strand of literature calls for a relaxation of rational choice assumptions when explaining a public manager's outsourcing decision. Rather than their behavior being determined by a calculation of expected utility in managing a scarcity of resources, and problems of opportunism", these contributions focus on the "institutional or societal context" (Angerer and Hammerschmid,2005 :135) of their actions.

Basing their assessment of verbal accounts by public managers rationalizing their management decisions, the authors use the case of the continental-European state of Austria to generically contrast public from private sector institutional logics lying at the heart of decision-making:

Table 1: Public and private sector institutional logics

	public sector institutional logic	private sector institutional logic
Identity	sovereign state backed by the power of coercive sanctions and full responsibility for 'state tasks'	business organization within a competitive environment
legitimacy	based on democratic representation, public interest and legality logic of appropriateness	based on market and business success logic of consequentiality
authority structure	unitary and hierarchical system of authority based on a comprehensive and broad political-administrative accountability and a tight hierarchy of rulings	contractual system based on managerial autonomy under authority of CEO and company owners
focus of attention	primacy of politics and balancing conflicting interests	primacy of private good and monetary criteria such as profits or efficiency
governance mode	governance based on inputs, procedural rules, bureaucracy and professionalism	governance based on results and performance measurement
Strategy	strategy focused on stability and continuity	strategy focused on growth and expansion
investment logic	strongly procedural logic of investments	market return as primary logic of investments

Figure 27: "Public and private sector institutional logics", (Angerer and Hammerschmid,2005:139)

Notably, we see the above-cited notion of legitimacy derived from a logic of appropriateness in contrast to a logic of consequentiality. Legitimacy thus evades the focus of both mainstream economic theories (TCE and RBV). Rather, we must thus consider motivational factors constructed in social interactions or perceptions of appropriate behavior. From this angle, politics, alongside personal considerations take center stage in the choice public managers adopt

1.4.2.0 Review of literature to confirm Economic Theory and non-economic Theory importance in studied process.

The following table catalogues the review of academic articles that confirmed the importance of economic theories in the understanding of the Outsourcing Decision Making Process.

The table also highlights how when searching for articles quoting outsourcing decision, there are key other theoretical current that needs to be taken into account. The following sections will describe with more details which theories and in what way they are important for the understanding of the studied process.

Figure 28: Own Table - Literature review to confirm Economic Theory and non-economic Theory importance in studied process

Article #	Article/Book Name	ROV				TCE					Risk	Contraction	Organizational politics	Political Agenda / Politics	Innovation			
		Value	Rarity	Inimitability	Substitutability	Resource constraints	Sector specificity	Opportunism	Asset specificity	Measurability	Uncertainty	Delivery risk	Governance	Mimeticism	Personal politics	Service Delivery (Quality, Access, Control)	Alignment to Political Ideology	Cross-Fertilization for Public Administration
1	Marshall, D., et al. Influences and outcomes of outsourcing: Insights from the telecommunications industry. <i>Journal of Purchasing and Supply Management</i> (2007), doi:10.1016/j.pursup.2007.07.001	Y	Y	Y	Y	Y		Y	Y	Y	Y							
2	Roman Mclvor. What is the right outsourcing strategy for your process?, 2007 Elsevier Ltd. All rights reserved. <i>European Management Journal</i> (2008) 25, 24–34. doi:10.1016/j.emj.2007.08.008	Y	Y	Y	Y	Y		Y	Y									
3	Mark F. Thoun, et al. IT outsourcing and firm-level performance: A transaction cost perspective. <i>Information & Management</i> 45 (2009) 463–469							Y	Y	Y	Y							
4	Williamson, Oliver E. Transaction Cost Economics: The Next Progression. <i>Journal of Retailing</i> (2000, 2010). doi:10.1016/j.jretail.2010.07.005				Y	Y						Y						
5	Farneti & Young. A contingency approach to managing outsourcing risk. Vol. 10 Issue 1 2008 85 – 99. <i>Public Management Review</i> ISSN 1471-9937 print/ISSN 1471-9045 online											Y	Y					
6	Yuwei Shi. The Business Process Outsourcing Risk Management Puzzle. <i>CALIFORNIA MANAGEMENT REVIEW</i> VOL. 49, NO. 3 SPRING 2007											Y	Y					
7	Ravi Aron et al. Just Right Outsourcing: Understanding and Managing Risk. <i>Journal of Management Information Systems</i> (Fall 2005, Vol. 22, No. 2, pp. 37-55)								Y			Y	Y					
8	Michel Tremblay et al. Human resources outsourcing in Canadian organizations: An empirical analysis of the role of organizational characteristics, transaction costs and risks. <i>The International Journal of Human Resource Management</i> , Vol. 15, No. 4, April 2008, 683-715																	
9	F. Yli-Eti et al. An outsourcing decision model for sustaining long-term performance. <i>International Journal of Production Research</i> , Vol. 43, No. 12, 15 June 2005, 2513-2535	Y										Y						Yes a survey of risks in the UK public services
10	Risk and Public Services. LSE, Christopher Hood and Peter Miller					Y												
11	A Background Document for CCMD's Action-Research Roundtable on Risk Management. Stephen Hill University of Calgary								Y				Y					
12	B.A. Aubert et al. / <i>Information & Management</i> 41 (2004) 521–532 A transaction cost model of IT outsourcing								Y		Y							
13	R. Mekeel / Changes in transaction costs over time in the case of franchised. <i>Research in Transportation Economics</i> 29 (2010) 526-59								Y	Y	Y		Y					
14	S. Saussier / Transaction costs and contractual incompleteness: the case of Electricité de France. <i>J. of Economic Behavior & Org.</i> 42 (2005) 189–206								Y	Y	Y							
15	V. Gowri, M.K. Mahotra / Transaction cost framework in operations and supply chain management research: theory and measurement. <i>Journal of Operations Management</i> 21 (2003) 457–473					Y	Y	Y	Y	Y	Y							

Article #	Article/Book Name	RIV					ICE					Risk	Convention	Organizational politics	Political Agenda / Politics		
		Value	Rarity	Imitability	Substitutability	Resource constraints	Sector specificity	Opportunities	Asset specificity	Measurability	Uncertainty	Delivery Risk	Governance	Mimeticism	Personal politics	Service Delivery (Quality, Access, Control)	Alignment to Political Ideology
16	Isings, R. C. and Werle, M. J. (2000) Linking outsourcing to business strategy. <i>Academy of Management Executive</i> 14(4), 58-70																
17	Guerr, J. B. (1999) Strategic outsourcing: Leveraging knowledge capabilities. <i>Sloan Management Review</i> 40(4), 9-21						Y										
18	Venkatesan, R. (1992) Strategic sourcing: To make or not to make. <i>Harvard Business Review</i> 70(6), 98-107.								Y								
19	Vining, A. and Globerman, S. (1999) A Conceptual framework for understanding the outsourcing decision. <i>European Management Journal</i> 17(6), 545-554								Y	Y	Y	Y	Y				
20	Global Services Outsourcing - Ronan McIvor, University of Ulster - Hardback	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y				
21	Rouleau, Linda. "Studying strategizing through narratives of practice". Forthcoming in the <i>Cambridge Handbook of Strategy-as-Practice</i> (eds. Damon Goloborsh, Linda Rouleau, David Seidl, Eero Vaara)								Y								
22	Toward a model of strategic outsourcing. Tim R. Holcomb, Michael A. Hitt. <i>Journal of Operations Management</i> 25 (2007) 464-481	Y							Y								
23	Transaction costs, regulation, and subcontracting at nuclear power plants. J. Bradford Jensen*, Geoffrey S. Rothwell. <i>Journal of Economic Behavior & Organization</i> Vol. 36 (1998) 369-381									Y			Y				
24	The Impact of Corporate Outsourcing on Company Value. DAVID J. BRYCE. <i>European Management Journal</i> Vol. 16, No. 6, pp. 635-643, 1998					Y									Y		
25	R&D outsourcing and contractual governance: An empirical study of commercial R&D projects. Svein Utvei, <i>Journal of Economic Behavior & Organization</i> Vol. 30 (1996) 63-82								Y				Y				
										Y, vertical integration preferred to counter-act market failures							

Article #	Article/Book Name	ROV				TCI						Risk	Convention	Organisational politics	Political Agenda / Politics		Innovation	
		Value	Rarity	Imitability	Substitutability	Resource constraints	Sector specificity	Opportunism	Asset specificity	Measurability	Uncertainty	Delivery Risk	Governance	Mimetic	Personal politics	Service Delivery (Quality, Access, Control)	Alignment to Political Ideology	Cross-Fertilization for Public Administration
26	The optimal organization of research: evidence from eight case studies of pharmaceutical firms, Francis Tapon, Charles Brian Cadeby, Journal of Economic Behavior & Organization Vol. 31 (1996) 381-399						Y	Y	Y	Y	Y		Y					
27	Specific investment, economies of scale, and the make-or-buy decision: A test of transaction cost theory, Bruce R. Lyons, Journal of Economic Behavior and Organization Vol. 25 (1995) 431-443						Y	Y	Y	Y	Y							
28	Outsourcing Opportunities for Financial Services, David Jennings, Long Range Planning, Vol. 29, No. 3, pp. 393 to 404, 1996								Y									
29	Outsourcing and its impact on operational objectives and performance: a study of hotels in the Canary Islands, Tomas F. Espino-Rodriguez, Victor Padron-Robaina, Hospitality Management 23 (2004) 287-306					Y												
30	Federica Farneti and David W. Young, "Approach to managing outsourcing risk in municipalities", Public Management Review, Vol. 10 Issue 1 2008 85 - 99											Y	Y					
31	Yuwei Shi, "The business process of outsourcing risk management puzzle", California Management Review Vol. 49, No.3, 2007												Y					
32	Outsourcing: Risks and Benefits / Martin Schorsteich						Y		Y	Y				Y				
33	McIvor, Ronan, How the transaction cost and resource-based theories of the firm inform outsourcing evolution, Journal of Operations Management 27 (2009) 45-63													Y		Y		
34	Porte, Stefano, "Quality Conventions and the Governance of Global Value Chains", Danish Institute for International Studies, Paper under review for publication - do not quote or reproduce without permission from the author.												Y	Y				
35	Fredrik Andersson, "Outsourcing Public Services: Ownership, Competition, Quality and Contracting", 2011.												Y					
36	Grimshaw, Damian, Vincent, Steve and Wilmet, Hugh, "Going privately: partnership and outsourcing in UK public services", Paper revised for re-submission to Public Administration, 2002.												Y					
37	Methodological aspects of implementation of business process outsourcing - Issues of business and law April 2010 - Darius Klimas and Juozas Ruzevicius												Y					
38	Vigoda, Eran, "Organizational Politics, Job Attitudes, and Work Outcomes: Exploration and Implications for the Public Sector", Journal of Vocational Behavior 57, 326-347 (2000), doi:10.1006/jvbe.1999.1742														Y			

Article #	Article/Book Name	RDV				TCE					Risk		Convention	Organizational politics	Political Agenda / Politics		Innovation	
		Value	Rarity	Imitability	Substitutability	Resource constraints	Sector specificity	Opportunism	Asset specificity	Measurability	Uncertainty	Delivery Risk	Governance	Mimicry	Personal politics	Service Delivery (Quality, Access, Control)	Alignment to Political Ideology	Cross-Fertilization for Public Administration
43	Schaeffer, Peter V. and Lovendge, Scott, "Toward an Understanding of Types of Public-Private Cooperation", <i>Public Performance & Management Review</i> , Vol. 26, No. 2, 2002, pp. 169-189 p 182							Y										
44	Geisling, Paul, "The rise of the public services industry", <i>UNISON</i> , positively public, 2008										Y							
45	Auzel, Emmanuelle and Picard, Pierre M, "Government outsourcing: Public Contracting with private monopoly", <i>The Economic Journal</i> , 119 (October), 1464-1491					Y					Y					Y		
46	Darm, Ralf, "Die Rolle öffentlicher Unternehmen im Application Service Providing [The role of public enterprises in application service providing]", <i>Journal für Public and Nonprofit Services</i> , Bd. 25, H. 3 (2002), pp. 263-276						Y								Y			
47	Pelied, Aïon, "The politics of outsourcing: bureaucrats, vendors, and public information technology (IT) projects", <i>Information Infrastructure and Policy</i> , Vol. 8, No. 4, 2000, pp. 209-225														Y			
48	Pelied, Aïon, "Outsourcing and Political Power: Bureaucrats, Consultants, Vendors and Public Information", <i>Public Personnel Management</i> , Vol. 30, No. 4, 2001														Y			
49	Cordella, Antonio, Willcocks, Leslie, "Outsourcing, bureaucracy and public value: Reappraising the notion of the 'contract state'", <i>Government Information Quarterly</i> 2009											Y						
50	Dacin M T, Oliver C, Roy J-P, "The legitimacy of strategic alliance: An institutional perspective", <i>Strategic Management Journal</i> , Vol. 28, pp 163-187, 2007							Y										
51	Graudin, Arno, "Le notion de service public", <i>Memoire d'étude / janvier, école nationale supérieure des sciences de l'information et des bibliothèques</i> , 2010																Y	
52	Chambat, Pierre, "Service public et mélibriisme", in <i>Annales. Economies, Sociétés, Civilisations</i> , 45e année, N. 3, 1990, pp. 615-647															Y		Y
53	Chenellier, Jacques, "Essai sur la notion juridique de service public", <i>Professeur à l'Université d'Amiens</i> , pp 137-161						Y											
54	"Modernisation de l'Etat, qualité des services publics et indicateurs", <i>Rapport de Monsieur François Comat-Gentile, député de Haute-Marne, parlementaire en mission auprès de Monsieur Eric Woerth, Ministre du budget, des comptes publics, de la fonction publique et de la réforme de l'Etat</i> , 2010															Y		
55	Ecole nationale d'Administration Promotion 2007-2009 "Willy BRANDT" - "Les organismes privés chargés d'une mission de service public : Quels équilibres ?" "Options d'approfondissement" - Direction des études, Groupe n° 10, Février 2009															Y		

1.4.2.1 Convention theory

The first institutional context hinted at by non-rational choice theory is provided by Convention theory. As a contemporary contribution to the (neo-) institutionalist school of thought, it attempts to understand how individuals faced with uncertainty take decisions building up to a certain convergence of behavioural choices.

This school departs from the observation that “Institutions create powerful pressures for organizations to seek legitimacy and strive for social conformity through the adoption of legitimized templates of structure and action.” (DiMaggio Powell, 1991)

It is important to note that “Convention theory” is not based on classical Rational-Choice assumptions as it posits that policy initiatives are based upon a “broad group of mutual expectations (...)”, i.e. conventions which “may also arise from a shared set of regularities that are unintentional” and “emerge in the process of actions aimed at solving problems of coordination”. (Ponte, 2006: 6).

In other words, rather than the result of weighing costs and benefits of a particular decision (such as outsourcing) with independent and objectifiable standards such as cost-reduction or efficiency, Convention theory sees government policies as based on a second logic of action, with conventions constituting and constructing appropriate behavior.

As defined by Hawley (1968) and adopted by DiMaggio and Powell, Isomorphism is a constraining process that drives managers to copy other managers face with a similar context. Within organisations that means over time, their characteristics are modified in a compatible way to their context.

A specific industry (say Health or Transport in Public services) may adopt forms isomorphic to its environment (DiMaggio Powell, 1991)

DiMaggio and Powell argue that there are two types of isomorphisms: Competitive and Institutional (1991);

In the case of the Public Sector, the later is prevalent.

And DiMaggio and Powell also argue that there are three mechanisms through which institutional isomorphic change occurs:

(1) Coercive isomorphism that stems from political influence and the problem of legitimacy (when organization is compelled to adopt structures or rules),

(2) Mimetic isomorphism resulting from standard responses to uncertainty (when one organization copies another, often because of uncertainty); and

(3) Normative isomorphism, associated with professionalism (when the organization adopts forms because professionals in the organization claim they are superior)

In outsourcing, a public manager may thus follow a reference group constituted either by other public sector actors (another ministry, e.g.) or private sector actors.

So a public manager may be coerced by the Politician to outsource or not. But he may also copy by mimetism what others do. (Batifoulier, 2001). In some ways in this case, the Public Manager without thinking decides to outsource because others in the same circumstances do around him. This decision is not based on the rational neo-classical economist view but instead on 'signs', internal signs such as (speeches, internal memos or company policies...) or external signs (other people's behaviours, timings...). (Boltanski et Thévenot 1991, Favereau 1995, Bessy and Favereau 2003, Levy-Tadjine 2007)

In the private sector, Dacin et al. find "mimetic isomorphism and historical norms" (Dacin et al., 2007:178) to "influence entry-mode choices" in strategic alliance building.

The institutional context can provide a "script" (Goodman and Jinks, 2008:727) of action to be adopted here, as "general conviction of a superior performance of private sector compared to [the] public [sector]." (Angerer and Hammerschmid, 2005:136)

Angerer and Hammerschmid thus understand PPPs as "a legitimized template of structure and action demonstrating these strongly institutionalized values and increasingly disseminating through isomorphic pressures." (Angerer and Hammerschmid, 2005:136)

A study analyzing the impact of strong fiscal restraints of municipalities on privatization decisions finds that "municipalities and counties in "bad" fiscal health (...) are significantly less likely to privatize their services than are municipalities and counties in "good" health". (Gerber, et al, 2004:8)

1.4.2.2 Political agenda

1.4.2.2.1 Political Agenda: Service Delivery (Quality, Access and Choice)

As an alternative theory, we can identify motivations originating at the level of the political agenda of a public actor, seeking to outsource to secure political goals. This agenda can span the need to secure legitimacy with the electorate through higher efficiency, better control and access by the public.

Using data from the "Municipal Yearbook, and County and City Data Books", existing research in the US argues that "Governments usually opt to directly provide developmental services because these services tend to be politically popular. By contrast, governments usually contract out redistributive and allocational services because these services tend to be politically unpopular." (Gerber, et al., 2004:6)

We can broadly map out a political agenda as motivational basis for outsourcing as consisting of objectives to improve service delivery in terms of quality, access and control.

1.4.2.2.1.1 The Quality argument

Public dissatisfaction with government service provision has provided the basis for the case for outsourcing lying in higher quality: This is seen to work through to minimum performance standards (Schönteich, 2004: 19) whose compliance is ensured through the profit seeking incentives working within a market mechanism (Delivery zones (Shah, 2005:130)) that drives out "underperforming firms".

While some quality assessments of outsourced public services are mixed (Winston, et al., 2002:17), there is empirical evidence to support a possible gain in quality: A World bank study of local public services delivery quotes that in cases where US “municipal government employees competed with private service” providers over responsibility of service delivery, “considerable cost savings and efficiency gains have followed—along with enhanced service levels”. (Shah, 2005:129)

Service delivery is also connected to the availability of suppliers, i.e. the market conditions surrounding the public manager informs the outsourcing decisions: A small market size may thus constrain the ability of small cities and rural governments “to engage in alternative forms of service delivery” (Warner, Hefetz 2001:7) as they either fear a lack of competence or efficiency due to limited competition. This may lead to small cities to contract to other public service providers such as county governments “due to limited availability of private sector contractor options” (Stein, 1990:57)

1.4.2.2.1.2 Public Choice

Connected to the function of producing higher quality stands the intention to give the people increased choice: The UK government professes to “open public services because [it believes] that giving people more control over the public services they receive, and opening up the delivery of those services to new providers, will lead to better public services for all.” (GB Open Public Services White Paper, 2011: 6) As Schönteich argues, this provides a value-added to a status quo in which the public actor rarely can sanction performance failures as swiftly. (Schönteich, 2004:19)

Two studies focusing on prison management and highway construction lay out how quality government entities can ensure “non-traditional privatized services (...) two high-risk service areas” (Gerber, 2004:6): Quality and public accountability are seen to lead states to preferring the “privatization of less coercive prison services (boot camps, substance abuse treatment, medical facilities, reception centres, etc.) for low risk (minimum-security) inmates” (Gerber, 2004:6).

1.4.2.2.1.3 Public Access

In its white paper the UK government argues that its goal is “to make sure that everyone has access to the best public services, and that the best becomes better still (...)” (GB Open Public Services White Paper, 2011: 6). It is thus a professed motivation by public actors that in outsourcing they can assure their citizens continue to have access to outsourced goods.

In this broader sense, the reason for “access” considerations on the political agenda of public managers is given by a dual objective:

Besides enabling citizens to have an equally fair access to public services, it also intends to create an environment in which public bidding is rendered accessible, i.e. through so-called “Contracts Finder system”, centralizing “all government contracts and tender documents over £10,000” (GB Open Public Services White Paper, 2011: 35) .

1.4.2.2.1.4 Innovation and Cross fertilization

One of the reasons that productivity growth in the public service sector has been weaker than in the private sector is a divergent gradient of innovation: Rogoff compares the level of innovation in private sector industries such as finance and information technologies over the past century with the level of innovation in the public sector to find a major innovation gap in the public sector. (Rogoff, 2013) He cites the example that “it takes about the same amount of time for a teacher to grade a paper as it did 100 years ago”. (Rogoff, 2013).

Pressured by increasing cuts to government spending, there is evidence that public managers recognize involvement of the private sector as one option to bridge this gap in the public services.

Working on this alternative rationale, outsourcing, as argued by a white paper proposed the government of the United Kingdom, is pursued with the intention to “stimulate innovation” (GB Open Public Services White Paper, 2011: 6) in administrating and coordinating public sector tasks: At first glance, this political motive contrasts with private-sector experience as a majority of US managers in a survey on outsourcing point to a lack of “commitment and dedication” by vendor’s employees as a key cost of outsourcing. To illustrate, Bryce cites a Silicon Valley manager’s metaphor: “[A] ‘mercenary may shoot a gun the same as a soldier, but he will not create a revolution, build a new society, or die for the homeland”” (Bryce, 1998: 639).

A closer look at the literature could save this criterion when arguing that freed-up resources gained from cost-savings could be rechanneled to programs promoting organizational innovation.

Analyzing the case of knowledge based-services, Quinn points to the potential of outsourcing to “leverage internal innovation capabilities by hundreds or thousands of times through effective personal, IT and motivational links to outside knowledge sources” (Quinn, 1999:11) as it enables them to “stay current and to innovate by interacting with ‘best in the world’ knowledge sources.” (Quinn, 1999:9) Similarly, a German expert group advising the Association of Public Economics quotes the innovative potential of private practices cross-fertilizing the public sector as a key value added of Public Private Partnerships (PPP). (Wissenschaftlichen Beirats der Gesellschaft für öffentliche Wirtschaft, 2004:412) An example may be the project “Digital Citizen” in which external service providers allow governments to grant citizens up-to-date services they could not have produced “in house”.

We could interpret a political reference to the “innovation” benefits of outsourcing thus as a motivation to provide citizens with ‘best-in-world’ services and service practices which facilitate and stimulate changes in the provision of public services of other sectors. Beyond a “pressure for efficiency” there may be a similarly strong incentive to innovate within the public sector.

In a list of recommendations to the French defense ministry, the “Institut Esprit Service” argues that in future outsourcing decisions, a central focus of performance provisions is to seize the innovative potential of private service providers seen to enhance quality beyond a publically provided service. (French Ministry of Defense Institut Esprit Service, 2007)

1.4.2.2 Alignment to political Ideology

Another influencing factor may lie in the ideological configuration of public managers when considering an option to outsource public services: This argument re-introduces cultural differences as a key variable to our theoretical survey: States with a traditional pro-state bias (e.g. France) may thus produce public managers less inclined to consider delegating tasks to a private contractor, compared to more corporatist states like Germany. (Warner and Hebdon, 2001:2).

While the above discussed political benefits are seen to be a major driving factor, so do political risks weigh on a public manager's decision to outsource a certain task. Angerer and Hammerschmid list "political risks" they view in the loss of electoral support and "democratic risks" as the "erosion (...) on political primacy" (Angerer and Hammerschmid, 2005:134) as the key potential political costs emanating from a decision to outsource.

Studies including this explanatory variable have shown that the above mentioned "fiscal (...) pressures are especially influential on local services outside the U.S while interest groups exert strong influence on governments' decision "particularly for governments in small towns." (Warner and Hebdon, 2001:2) However, they conclude that "the ideological attitudes of policy-makers do not seem to influence the service delivery choices of local governments in a systematic way." (Warner and Hebdon, 2001:2)

Empirical studies found that broadly "[t]he debate over privatization is moving from ideology to pragmatism—not a quest for a better administration philosophy, but for better functioning public organizations" (Warner and Hebdon, 2001:2). This is seen to promote "more balanced approaches to public service delivery." (Hefetz and Warner, 2011:3)

This observation matches the predictions of the Downsian model which views "policy convergence" gravitating towards the "median voter". Its plausible assumption states that- in times of public spending cuts, lower wages and growth, the median voter will demand more cost-efficient public spending leading public managers to outsourcing. (Elinder and Jordahl 2012).

Cumulating the observation that outsourcing occurs at various levels of government, and the insights that institutional configurations impact the outsourcing decision, we can thus derive that outsourcing strategies need to adjust to the institutional framework in which they occur. (Angerer and Hammerschmid, 2005:151)

1.4.2.3 Organizational Politics and Personal Politics

In investigating alternative motivations of public managers capable of explaining a "political rather than a market-based choice" (Marshall et al, 2007:12), we will relax a core assumption held by both TCE and RBV of equating the motivations of public managers with those of their institution. In other words, in their outsourcing decisions, public managers may be pursuing rationales different and distinct from their institution (McIvor, 2009:60): Organizational Politics (OP) provides a theoretical frame for this line of argument.

Commonly defined as involving "the strategies that individuals employ to obtain and use power to influence organizational goals to further their own interests and ambitions" (McIvor

et al, 2009: 11), OP reasons that these “intentional acts of influence to enhance or protect the self-interest (...)”(Allen et al., 1979:77) “contradict [...] the collective organizational goals or the interests of other individuals.” (Vigoda, 2000:327)

There is an empirical basis to support an impact of OP on public manager’s outsourcing decision.

Studying the case of a privatized utility company, Mclvor finds that “[a] key reason for selecting the spin-off configuration was that it was less likely to lead to employee resistance than if employees were transferred to an independent service provider.” (Mclvor, 2009:61) In this example we find neither cost-savings nor efficiency considerations in the name of the company to be the primary driver of decisions but rather the “political context of an organization in the outsourcing decision.” (Mclvor, 2009:60)

One of the advantages for politicians to keep services in public hands is listed by the Patronage model. By controlling in-house- services, politicians – viewed as rent-seeking – reap “support from public employee unions, the ability to use local government employees on political projects, as well as the ability to control unemployment and to hire relatives”.(Lopez-de-Silanes, Shleifer, and Vishny 1997). During competitive election the patronage incentive is counterbalanced by a need to accommodate voter interests. (Elinder and Jordahl 2012)

Contrary to the assumptions that governments base decisions solely on cost and efficiency considerations (underlying the TCE and RBV), a study on US cities and localities finds that “[p]olitical considerations, such as the desire to use public sector employment as a form of political patronage, may influence whether governments opt to provide services in-house or to contract them out to private providers.” (Gerber, et al, 2004:8). Moreover it finds evidence that public managers “tend to contract out the service areas that traditionally have the least political support.” Conversely, based on their case studies, they posit that “the political benefits of public sector employment might discourage the use of privatization by local government entities.” (Gerber, et al, 2004:9)

As a testament to the detrimental effect of this motivation, Dean and Sharfman have shown that success occurred within an outsourcing programme characterized by high rationality and low political behaviour, while failure occurred within a programme characterized by high political behaviour and low rationality (Marshall, 2007:14).

1.5. Review of the rationale for public managers to decide to outsource

1.5.1. Mainstream Arguments: Mclvor: Efficiency (TCE) and Better capabilities (RBV).

Having sketched the basic anatomy of public sector outsourcing, this section asks what essentially motivates public managers to take a decision to outsource.

This section departs from scrutinizing research insights from the RBV and TCE into private manager calculations before exploring what alternative/complementary theories could explain why public managers take a decision to outsource.

Before an informed discussion can take place about the type of outsourcing motivation and strategies public managers employ when making an outsourcing decision, it is important to

examine the calculation by private managers about the “boundary of the firm” (McIvor, 2009: 47) in more detail

1.5.2 Mc Ivor framework: Complimentarity or Contradiction?

In McIvor neither TCE nor RBV is exclusively capable of explaining an outsourcing decision by private actors: Both the TCE and the RBV offer partial explanations: Citing a study of 55 major American companies, Bryce and Useem conclude that cost-saving motives explain outsourcing by high cost producers while “a search for improved capabilities” explains outsourcing by inefficient companies. (Bryce, 1998: 636)

Analysing the case of UK public service outsourcing, Grimshaw, Vincent and Willmott caution that the ultimate result of efficiency gains or cost savings also “depends on the precise form of market structure and the accompanying nature of regulation.” (Grimshaw, Vincent and Willmott, 2002, p.5.)

In 2011, Cox et al conducted an analysis of IT Outsourcing in the Public Sector. Using Local Government as their proxy, they examined the outsourcing decision to include an explanation of motivations, and the notions underpinning successful outsourcing from the point of view of the buyer. Cox et al explain that one of the most prominent advantages of outsourcing is to attain a specialized workforce; the private sector pays higher wages and is likely to attract the best skills. However due to staff transfer, this may not make a difference at all. Therefore the most cited advantage of outsourcing is that ‘the provider specializes in the activity and can devote more resources to it.’(Cox et al, 2011: 196)

Cox et al argue that ‘cost savings can only be achieved if the provider has access to economies of scale or can achieve increased efficiency through specialization.’ (Cox et al, 2011: 195)

Conducting a number of case studies, McIvor concludes “that both TCE and the RBV are required to understand the complexities of the outsourcing decision”. (McIvor, 2009: 59)

This is the case since both theories offer complementary and contradictory explanations of when an outsourcing decision should take place.

McIvor illustrates this by testing the theories in real-world cases in which the strength of the model’s key variables ‘A company’s resource position’ (RBV) and ‘potential for opportunism’ (TCE) diverge: In these cases, the theoretical prescription becomes contradictory: Faced with a high resource position and low level of opportunism, TCE recommends outsourcing, while RBV advises to keep the superior resource position in-house: Conversely, in case of high levels of opportunism but a weak resource position, RBV would recommend outsourcing, while the TCE advises to keep the product in-house. (McIvor, 2009: 61)

In cases where the strength of the models’ key variables is aligned, the models do offer complementary recommendations.

Interestingly, in empirical surveys of private companies, the gap between expected and realized gains in cost reduction was larger than the same gap for concentration on core competences. (Deloitte & Touche, 2002:11)

Resource Position	Superior Resource Position	<p><i>Contradictory</i></p> <p>RBV - Perform Internally (P1a)</p> <p>TCE - Outsource (P1b)</p>	<p><i>Complementary</i></p> <p>RBV & TCE - Perform Internally (P3)</p>
	Weaker Resource Position	<p><i>Complementary</i></p> <p>RBV & TCE - Outsource (P4)</p>	<p><i>Contradictory</i></p> <p>RBV - Outsource (P2a)</p> <p>TCE - Perform Internally (P2b)</p>
		Lower	Higher
		Potential for Opportunism	

.Figure 29: Prescriptions of the RBV and TCE in outsourcing decisions based on McIvor, Ronan, 'How the transaction cost and resource-based theories of the firm inform outsourcing evaluation', Journal of Operations Management 27 (2009) 45-63, p61

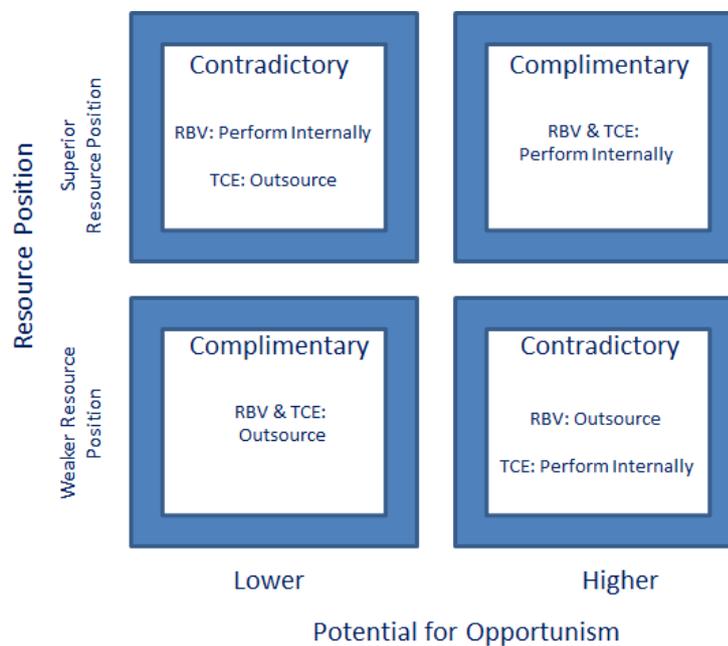


Figure 30: Prescriptions of the RBV and TCE in outsourcing decisions - Complimentary and Contradictory prescriptions

1.6. Establishing the theoretical framework to evaluate the research question

The research set out to look at criteria explaining the decision making process for outsourcing in the public service. The review set out above provided a series of theory and furthermore hypothesis that could be tested in the field.

The theoretical review highlighted the variables presented below (and set out in more detail in Appendix 2: Evaluation Grid - Reference Tree of Literature)

Theoretical axis	Criteria
Resource Based View	Value, Rarity, Imitability, Substitutability. Resource constraints
Transaction Cost Theory	Opportunism, Asset specificity, Measurability, Uncertainty
Risk	Delivery Risk, Governance
Convention	Mimetic, coercive, normative
Organizational politics	Personal politics
Political Agenda / Politics	Service Delivery (Quality, Access, Control), Alignment to Political Ideology
Innovation	Cross-Fertilization for Public Administration

Figure 31: Criteria identified via literature review – full version

	Variable		Variable		
Resource Based View	Rarity	Convention	Mimetic		
	Imitability		Organizational politics	Personal politics	
	Substitutability			Political Agenda / Politics	Service Delivery (Quality, Access, Control), Alignment to Political Ideology
	Value				
	Resource constraints				
Transaction Cost Theory	Opportunism				
	Asset specificity				
	Measurability				
	Uncertainty				
• Risk	Delivery Risk				
	Governance				

Figure 32: Criteria identified via literature review

The definition is based on the original variables identified by Pr Mclvor and the associated definition and completed by the variables identified during the literature review.

Some of the variables identified by Pr Mclvor during the private sector analysis are kept but the hypothesis is that some will not be applicable from a Public Service standpoint.

Each of those criteria are defined in the table set out below.

Theoretical axis	Criteria	Definition
Resource Based View	Value	<p>This criterion denotes the fact that the specific value of a resource to a sourcing entity is relevant. Resources and capabilities are considered valuable if they allow an organization to seize and profit from opportunities and respond to threats in its business environment. (McIvor, 2009).</p> <p>The intrinsic value of a service in Public Services is obviously not about profit making but for instance in a regional hospital, its medical imaging department is a service with significant Value to its patients and one that could be offered for profit by the private sector.</p>
	Rarity	<p>The rarity criterion is related to the number of market actors that possess a valuable resource. As this number increases, the chance of this resource to deliver superior resource position decreases. This in turn makes it more likely to be outsourced. (Encyclopaedic Dictionary of Strategic Management, 2007, 2). As per the medical imaging example above, competition between regional health suppliers may provide choice to patients and the provision of a Rare service maybe important in the sector.</p>
	Imitability	<p>Analyses employing the imitability criterion are concerned with considering the ease with which other market actors can replicate a valuable resource possessed by an organization. In other words, this criterion assesses the sustainability of the superior position for the resource. (McIvor, 2009).</p>
	Substitutability	<p>Within the resource-based view, a resource is considered substitutable if it is not easily replaced if given up. Conversely, a non-substitutable resource should not be outsourced. In other words, a public manager should not outsource a strategically equivalent valuable resource. (Barney, 1991)</p>
	Resource constraints	<p>All organizations face constraints on resources: It is crucial to understand how allocating resource through internal sourcing strategies allows an organization to improve performance and develop capabilities. This criterion posits that the presence of resource constraints will induce an actor to focus on those areas considered crucial to a superior resource position with other resources amenable to outsourcing. (McIvor, 2009)</p>
Transaction Cost Theory	Opportunism	<p>Opportunism as a behavioural assumption refers to decision makers acting with guile, as well as out of self-interest. (Williamson, 1979) A supplier might thus try to actively bend the relationship with the sourcing organization to its advantage: The necessity to defend against opportunism might be</p>

		manageable (competitive market, contracting) or non-manageable (situations with high degree of uncertainty and a small number of suppliers or complex monitoring) (McIvor, 2009). In general terms, this criterion assumes that the larger the risk of opportunistic behavior, the less likely an outsourcing decision is taken.
	Asset specificity	Asset specificity refers to the extent to which assets can be redeployed to alternative uses or users. (Prasad, Green, Murinde, 2001). Highly asset-specific investments represent costs that have little or no value outside the transaction. The costs can be in the form of physical asset specificity (level of product or service customization), human asset specificity (level of specialized knowledge involved in the transaction) or site specificity (location). Asset specificity can be non-specific (highly standardized), idiosyncratic (highly customized to the organization) or mixed (incorporating standardized and customized elements in the transaction). As a highly asset-specific investment may lock in the sourcing company as it loses alternatives options, the risk for opportunistic behavior by the supplier (i.e. to renegotiate the contract) increases (so-called “hold-up problem”). Based on this rationale, TCE asserts that the higher the asset-specificity of a transaction, the less likely an outsourcing decision is taken.
	Measurability	This criterion denotes the need of objective means of measurement of the value of an individual asset. The more precisely the value-added of an outsourced function or service can be measured the clearer the choice and the lower the uncertainty in taking the outsourcing decision. (Williamson, 1979)
	Uncertainty	In taking an outsourcing decision, public managers have to deal with situations of imperfect information. Examples include a changing business environment, as well as an internal lack of definition of the desired outcome of the outsourced tasks. This criterion posits that transaction difficulties and associated costs increase with the resulting uncertainty. (Williamson, 1979)
Convention	Mimetic	Derived from organizational theory, this criterion posits that collective beliefs or shared templates for interpreting situations induce mimetic processes. When faced with a choice to outsource, public managers are compelled to follow thus constituted norms and imitate legitimated behavior. A decision will thus not follow a rational-choice line of reasoning but can rather be explained by a propensity to follow a script of action as written by other (private or public) market participants. (Biggart and Beamish 2003, 444) Literature on imitative and mimetic behavior in managerial strategy has focused on how firms learn from their own experiences and/or those of leading competitors. (DiMaggio and Powell 1983)

Risk	Delivery Risk	This criterion denotes the specific risk of under- or non-performance by the external service provider (Sullivan and Ngwenyama, 2005), i.e. the uncertainty that the external service provider will deliver: Risk of failure, bankruptcy, but also “shirking” – the (deliberate) avoidance of responsibility will drive costs of outsourcing up making the choice less likely. (Aron et al, 2005)
	Governance	The outsourcing decision is determined by the way in which risk is managed. This is done through various types of control mechanisms the sourcing firm employs to reduce risk: The entirety of the resulting governance mechanisms determine the degree to which risks and gains are transferred to the service provider. (Eisenhardt 1989)
Organizational politics	Personal politics	Rather than at the structural or objective level, motivations for an outsourcing decision may also be explained at the individual level, with public managers making decisions based on rent-seeking rationales or bureaucratic interests. (Allen et al., 1979, Vigoda, 2000)
Political Agenda / Politics	Service Delivery (Quality, Access, Control),	Outsourcing may be motivated by its function to help public decision makers fulfill a political agenda beyond efficiency and cost-saving : This agenda relates closely to service delivery in term of a higher quality of service, better access to services for a wider number of consumers (voters), and improved control mechanisms for the electorate. (Schönteich, 2004; Shah, 2005)
	Alignment to Political Ideology	Outsourcing may also be pursued as decision makers seek to promote a distinct (favorable or unfavorable) political view about outsourcing. These ideological lenses will shape the way in which a public manager approaches a decision to outsource. Ideological considerations can be attribute to party-politics (Citizen-Candidate model) as well as diverging cultural conception of the role of state in society in general. As an opposing view the Downsian model views political decision-makers gradually moving towards the median-voter regardless – or - in spite of ideological differences. (Elinder and Jordahl 2012; Warner and Hebdon, 2001; Angerer and Hammerschmid, 2005; Warner and Hebdon, 2001)
Innovation	Cross-Fertilization for Public Administration	A distinct benefit, public managers may expect from outsourcing lies in the externality generated for the sourcing administration: For example, external service providers can introduce new working methods or bring innovation (process based or technological) developed in other markets (Bryce, 1998; Rogoff, 2013)

Figure 33: Criteria definition

1.7 Defining the research question

1.7.1 Research Question

The research question guiding the following research is:

What motivates Public Managers to outsource in the Public Sector?

The classic explanation coming from economic theories would be challenged but more importantly the framework established by Mc Ivor would be tested in the context of the Public sector.

Furthermore as highlighted in the literature review, the research would seek to test whether other reasons exist beyond:

- 1) financial rationale in a TCE manner;
- 2) core vs. non-core capabilities in a RBV manner.

As mentioned further above, alternative motivations to be tested include: individual's ambitions - internal politics (Marshall et al. 2007; Gerber et al. 2004; Angerer and Hammerschmid 2005; Robert 1979) or the conventions effect (Levy-Tadjine, 2007; Bessy and Favereau, 2003; Batifoulrier, 2001; Levy 2002).

Also as part of a strategic decision making process, one would want to understand the importance of the context and more specifically if there are country-specific differences in outsourcing processes and rationales in the Public Sector.

1.7.2 Setting up the research projects

The academic review translated into the following more detailed projects to be tested during the research:

Project 1: Testing McIvor model in the Public Sector context

Project 2: Identifying other factors explaining the DMP in Public Services

Project 3: Understanding the influence of the local Public Sector context

Under each of those projects, the Researcher identified associated questions:

P1	Testing McIvor model in the Public Sector context	
	Theoretical axis	Questions
Q1	Resource Based View	Does the DMP take into account Value, Rarity, Imitability, Substitutability and Resource constraints as criteria to the decision?
Q2	Transaction Cost Theory	Does the DMP take into account Opportunism, Asset specificity, Measurability and Uncertainty as criteria to the

		decision?
Q3	Risk	Is delivery risk a factor influencing the DMP? Is governance risk in an Agency theory context a factor explaining the DMP?

Figure 34: Research Projects and sub-questions - P1

P2	Identifying other factors explaining the DMP in Public Services	
	Theoretical axis	Questions
Q1	Convention	Is mimetism a mechanism explaining the DMP?
Q2	Organisational politics	Do organisational politics influence the DMP?
Q3	Political Agenda / Politics	Does the DMP depend on the Political ideology? Does service quality to the user influence the DMP?
Q4	Innovation	Is the opportunity to innovate a factor influencing the DMP?

Figure 35: Research Projects and sub-questions - P2

P3	Understanding the influence of the local Public Sector context	
	Theoretical axis	Questions
Q1	Public Management	Are there commonalities explaining the DMP?
Q2	Public Management	Are there differences explaining the DMP?

Figure 36: Research Projects and sub-questions - P3

Part 2: Research Methodology: the research design and process

2.0 Research Methodology: Summary/Introduction

After having explored the research topic and theoretical context, the following part presents an overview of the methodology and presents in more detail the different and often interrelated methodological choices that were made.

For Projects 1 and 2, the researcher, having a thorough experience in the field, decided to take a case study approach framed by a number of hypotheses (Kohlbacher 2006, Yin 2013) for two main reasons:

- It was important to use a tried and tested methodology and one that would allow a rich data collection to gain an in-depth understanding of the phenomenon in question.
- The overall aim was to base the work on previous studies on the same phenomenon - outsourcing - but with a different focus and concerning a somewhat different field: public services. (Fenneteau 2007, Flyvbjerg 2006).

The approach was tested for validity and reliability (Yin 2003).

Then before starting with the case studies themselves for each country, the researcher tailored the semi-directive questionnaire that was used by Mclvor (2009) to add the new variables to be tested (Stake 2005). They were used for interviews with two expert practitioners (Bogner et al. 2009) in order to test and refine the questions as well as the variables framework.

With the development of the variables framework, the analytical grid for case studies was derived as well as the N-Vivo model designed to test the interview transcripts.

		Variable		
Resource Based View		Rarity	Convention	
		Imitability	Mimetic	
		Substitutability	Organizational politics	
		Resource constraints	Political Agenda / Politics	
Transaction Cost Theory		Opportunism	Service Delivery (Quality, Access, Control),	Alignment to Political Ideology
		Asset specificity		
		Measurability		
		Uncertainty		
	• Risk	Delivery Risk		
		Governance		

Figure 37: Research variables - own visualisation

Furthermore as stated above, outsourcing is seen as highly dependent on the local historical public sector context, so it was decided to focus on three countries with differing public services traditions: UK, France and Germany (Haensch/Holtmann 2008). This would allow testing for regional characteristics. First a methodology of historical analysis was employed.

The following figure summarises the overall methodology approach, design and process:

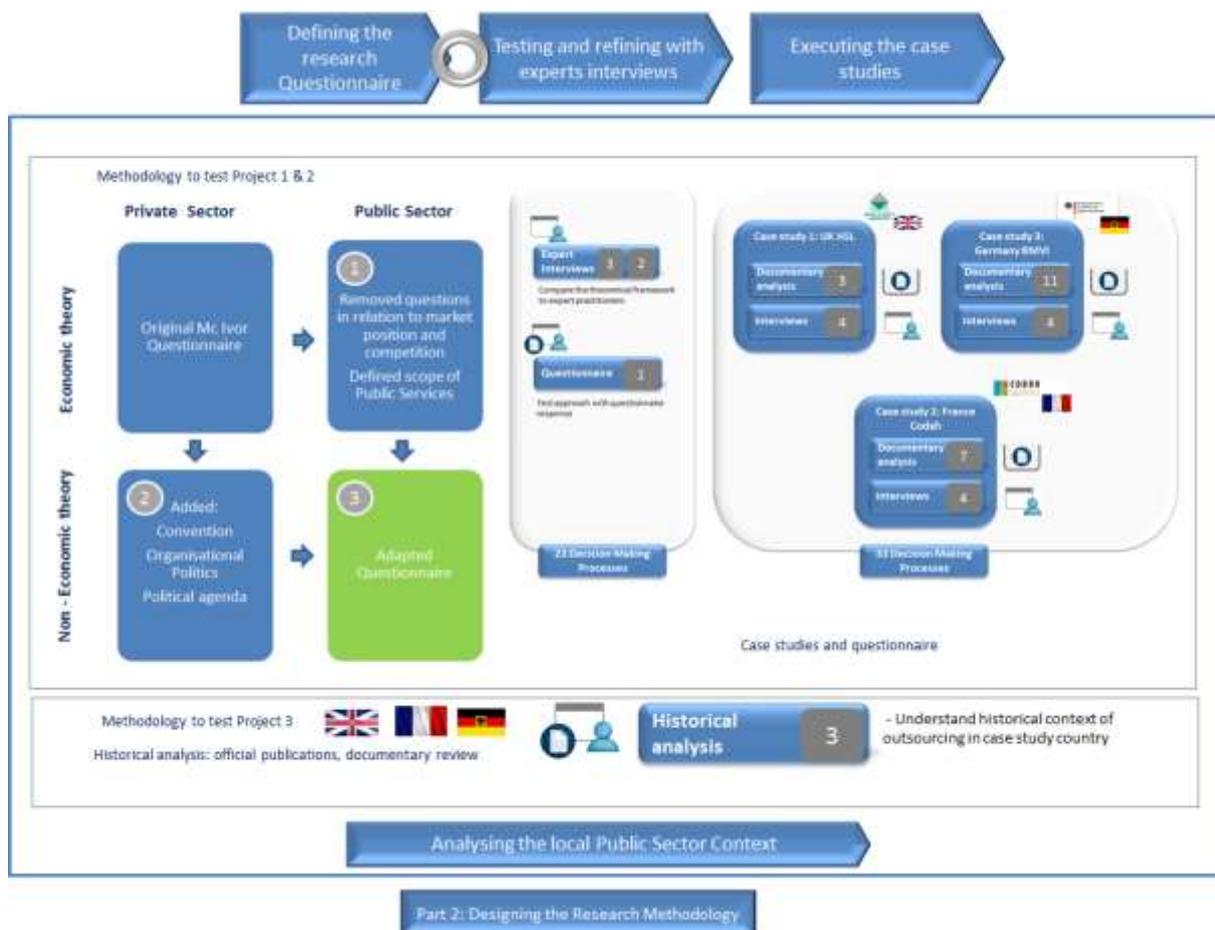


Figure 38: Part 2: Research design and process

The following part will present in more detail the methodology and explain the rationale for and interrelated methodological choices that the present research required, namely:

- the underlying epistemological posture;
- reasons for a qualitative approach;
- rationale and selection of case studies;
- design and testing of the framework with expert interviews.
 - Establishing the questionnaire based on adapting Mc Ivor original questionnaire
- design of the country specific historical analysis

2.1 Research design

2.1.1 Epistemological posture

Knowledge is socially constructed

At the heart of the research undertaken lies an interpretivist understanding of knowledge according to which knowledge is socially constructed and susceptible to change depending on the circumstances (Golafshani 2003²²). Interpretivism, as the name implies, involves researchers to interpret elements of the study.

As with interpretivist studies this research focuses on meaning and employs multiple methods in order to understand different aspects of the outsourcing phenomenon. The research relies on naturalistic methods: interviewing and analysis of existing texts. It felt that these methods ensured the needed dialog between the researcher and those studied in order to collaboratively construct a meaningful view. Whilst the researcher does not dismiss positivist views altogether, it feels that clearly for this research about understanding and not explaining, this position was adequate.

In line with Douglass North (2006), it seeks to understand an economic phenomenon: outsourcing. North criticises the rational economics approach to choice, claiming that “the discipline neglects to explore the context within which choice occurs.” Therefore, alternative disciplines seem to offer more convincing explanations for human behaviour. As North puts it: “The rationality assumption is not wrong, but such an acceptance forecloses a deeper understanding of the decision-making process in confronting the uncertainties of the complex world we have created. The way we perceive the world and construct our explanations about that world requires that we delve into how the mind and brain work – the subject matter of cognitive science.”

²² <http://www.nova.edu/ssss/QR/QR8-4/golafshani.pdf>

A non-rational decision model

According to neoclassical decision-making models, the *homo economicus* (Smith, Adam²³) is faced with a number of given and defined alternatives. There are known probability distributions for all potential outcomes, and the individual aims at maximising the utility of his decision. The concept of bounded human rationality contradicts these assumptions. It was introduced by Herbert Simon in the 1950s and has been widely discussed in economics, but also social sciences (see for example Hoffrage and Reimer 2004²⁴, Ellison 2006²⁵, Bomfim and Diebold 2012²⁶). Bounded rationality means “rational choice that takes into account the cognitive limitations of the decisions maker” (Simon 1997: 291)²⁷. Instead, human rationality is affected by limited information and limited time. Simon himself linked bounded rationality to management, indicating that management decisions involve “consideration of possible permutations and combinations of a substantial number of elements”.²⁸ Heiner (1983) points to the source of institutional innovation in what he calls the C-D gap, a gap between the agent’s competence and the difficulty of the decision problem. When facing such a gap, the human agent will construct rules to restrict the flexibility of choices in such situations. By channeling choices into a smaller set of actions, institutions can improve the ability of the agent to control the environment (although there is no implication that the agent’s perceptions are correct).

The prior hypothesis bias

Researchers have identified a simplification process which may lead decision-makers to ignore or misinterpret information. They search information consistent with their hypotheses rather than disconfirming information. Jervis (1976:143-181) provided numerous examples of decision-makers' tendency to accept information which conforms to existing expectations and beliefs. Levine (1971) and Wason (1960) showed that individuals who formed erroneous beliefs or hypotheses about the relationship between variables tended to make decisions on the basis of these beliefs despite abundant evidence over numerous trials that they were wrong. Tversky and Kahneman (1974) discussed the anchoring process whereby individuals must often make initial judgements about values of variables critical in particular decisions. Adjustments to new information are typically insufficient, and final estimates of values are biased toward the initial values (see also Steinbrunner 1974:119). Likewise, Koziellecki (1981:241-242) showed that decision-makers overestimate the value of information which confirms their hypotheses and undervalue disconfirming information. Individuals tend to overlook the fact that their predictions are based on a small data sample, feeling that these data are representative of the population as a whole. Tversky and Kahneman call this a belief in the “law of small numbers” (1974:1125).

Further research proves the irrationality of decision making. The feeling of personal responsibility for the project apparently induces decision-makers to remain with their chosen project in spite of evidence that it is not paying off (Staw 1981). Fox and Staw (1979) found that escalating commitment was most likely to occur when decision-makers were facing layoff and when there was strong organisational resistance to the chosen course of action. Steinbruner (1974) identified this process in his review of decision research in cognitive

²³ “On the Division of Labour,” *The Wealth of Nations*, Books I-III. New York: Penguin Classics, 1986, page 119 <http://economics.mit.edu/files/904>.

²⁴ http://web.ics.purdue.edu/~treimer/hoffrage_reimer.pdf.

²⁵ <http://economics.mit.edu/files/904>. Accessed 5th May 2014

²⁶ <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0297.1997.tb00052.x/abstract>.

²⁷ Simon, *Models of Bounded Rationality*, vol. 3., p. 291.

²⁸ Simon (1972), *Theories of Bounded Rationality*, p. 173.

psychology and called it reasoning by analogy. Also, repeated use of one problem-solving strategy makes it more difficult to develop alternative strategies (Anderson and Johnson, 1966:851²⁹).

Other scholars criticise the attempt to document simplification processes through the use of data on actual organisational decisions collected after the decisions have been made. These data are typically collected through interviews with key decision-makers and examination of organisational documents and records related to the decision. As Kinder and Weiss (1978) state, “such documents may reveal more about the politics of the decision setting than about individual decision processes” (1978:726-727).

In sum, no decision for or against outsourcing analysed in the case studies is assumed to be made in a purely rational way, which has also to be borne in mind when making use of interviews. The research undertaken is precisely interested in the unspoken and “hidden” reasons for certain economic decisions. While doing this, the pitfalls that were just demonstrated need of course to be taken into account as well. Apart from interviews, the research will be backed up with a document analysis to enhance its reliability.

2.2 Research Design for Project 1 and 2



Figure 39: Adaptation of the research questionnaire to be used in expert interviews, as a questionnaire and in semi directive interviews as part of case studies

2.2.1 The qualitative approach

As a context, and contrary to quantitative approaches, “qualitative research involves any research that uses data that do not indicate ordinal values” (Kwi, Nyamongo and Ryan 2001: 1). Quantitative and qualitative research have often been regarded as mutually exclusive dichotomies, although the emergence of mixed methods and triangulation seem to prove a certain weakening of this strict separation (see Kohlbacher 2006³⁰).

²⁹ <https://archive.org/stream/cognitivesimplif947schw#page/30/mode/2up>

³⁰ <http://www.qualitative-research.net/index.php/fqs/article/%20view/75/153January%202006>.

While definitions vary, Snape and Spencer (2003: 5³¹, quoted after Moriarty 2011) identify a set of core characteristics of qualitative research:

- Aims: in-depth and interpreted understanding of a given issue;
- Small samples (contrary to quantitative research);
- Specific data collection methods;
- Specific data (in-depth, extensive);
- Analysis open to emergent concepts;
- Outputs tending to focus on interpretations of social meaning by mapping the social world of participants.³²

The above criteria fitted well with the aim and scope of the research as explained in the table below:

Characteristics of qualitative research	Appropriateness to this research
Aims: in-depth and interpreted understanding of a given issue;	Precisely the aim of this research – understanding the in depth rationale of outsourcing beyond the obvious motivations
Small samples (contrary to quantitative research);	Targeting in depth interviews in small numbers in preference to a lot of superficial interviews that would only show overall well known rationale of cost and core competence.
Specific data collection methods;	Applying interviews in case studies
Specific data (in-depth, extensive);	Data collected is in depth and complex
Analysis open to emergent concepts;	Associated analysis is to understand emergent explanations
Outputs tending to focus on interpretations of social meaning by mapping the social world of participants	Interpreting social meaning both intra each case study in one country but also inter case studies amongst the three selected countries

Figure 40: Characteristics of qualitative approach

As with every method, several advantages and disadvantages exist (see Johnson³³). On the one hand, qualitative research methods are especially well suited to

³¹ See Ritchie & Lewis (eds.) (2003), *Qualitative Research Practice. A Guide for Social Science Students and Researchers*, SAGE.

³² Possible alternative definition: From Kohlbacher 2006:

"a focus on interpretation rather than quantification; an emphasis on subjectivity rather than objectivity; flexibility in the process of conducting research; an orientation towards process rather than outcome; a concern with context—regarding behaviour and situation as inextricably linked in forming experience; and finally, an explicit recognition of the impact of the research process on the research situation" (p.7). [1]

³³ http://www.southalabama.edu/coe/bset/johnson/oh_master/Ch14/Tab14-02.pdf.

- study a limited number of cases in more detail, especially complex ones;
- conduct cross-case comparisons;
- provide personal/insider viewpoints;
- identify contextual factors as they relate to the phenomenon of interest;
- study dynamic processes/change;
- determine how participants themselves interpret categories and constructs;
- analyse local situations and stakeholders' attitudes;
- respond to changes that occur during the research;
- answer "how" and "why" questions.

On the other hand, researchers have to take into account that, among others,

- the results of qualitative research might not be generally applicable to different persons or circumstances;
- it is difficult to make quantitative predictions;
- qualitative methods sometimes enjoy lower credibility due to them being perceived as soft science;
- the results may be impacted by the researcher's personal bias.

The possible limitations of qualitative approaches should be taken into account, namely a cautious stance towards the generalisation of findings and results as well as the possibility that results may not be impartial. Nevertheless, there were several reasons to opt for such an approach. First, no reliable quantitative data are available on the issue. Second, the type and nature of quantitative data, for example the mere number of outsourcing cases in specific countries, sectors or bodies, tells us nothing about individuals' eventual motives to outsource.

On the other hand, qualitative approaches offered a significant number of advantages for our particular research question. In order to explore circumstances, causal relationships and human behaviour, it was necessary to conduct in-depth, explorative and social analysis, all of which can only be done through qualitative research. Naturally, and especially for practical reasons, this analysis will have to be confined to a relatively small sample.

The overall approach can be summarized based on the below diagram. The research was developed through the combination of 3 methods. Expert interviews that provided the most insight – the questionnaire was not a well-adapted tool to the research question. An historical analysis was also carried out in order to fully understand the context within which the case studies were taking place.

Three case studies were undertaken, combining the analysis of documentation provided by the organization providing a detailed context. The most insight was gained through a series of interviews with senior stakeholders involved in the Decision Making Process. Each of the individuals interviewed were selected due to their experience in outsourcing. The four interviews in each case study considered an average of two to three outsourcing experience each. The total number of outsourcing decision making processes were as such of 33 overall processes.



Figure 41: The initial set up of the framework was derived from 23 decision making processes applied. The case study analysis covered overall 33 DMPs

2.2.2 Case studies

There are a multitude of qualitative methods researchers may use according to their research objectives (see Moriarty 2011³⁴), among them grounded theory, case studies, conversation analysis, ethnography, and life history and narrative approaches. One may also think about an experimental design, as well as about descriptive studies (Merriam³⁵). However, not all of these methods are well suited for the envisaged research as “the merits of a particular design are inherently related to the rationale for selecting it” (Merriam). Experiments, for instance, allow for predictability of results, while descriptive studies provide information about given characteristics of a specific area of interest. Neither of these methods, however, is suited to an in-depth analysis of human rationale; also, the present research lacks the tightly controlled conditions, random sampling, and use of statistical probabilities which characterise experiments.

For our purposes, the case study seemed to be the best-suited qualitative method. The reasons for this decision are summarised by Merriam:

³⁴ http://eprints.lse.ac.uk/41199/1/SSCR_Methods_Review_1-1.pdf

³⁵ Qualitative Case Study Research in the book *Qualitative Research: A Guide to Design and Implementation* by Sharan B. Merriam.

The case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon. Anchored in real-life situations, the case study results in a rich and holistic account of a phenomenon. It offers insights and illuminates meanings that expand its readers' experiences. These insights can be construed as tentative hypotheses that help structure future research; hence, a case study approach plays an important role in advancing a field's knowledge base. Because of its strengths, case study is a particularly appealing design for applied fields of study such as education, social work, administration, health, and so on.

Flyvberg (2006³⁶) furthermore argues that there are several misunderstandings about case studies (Figure 39). By countering these misunderstandings, he presents at the same time valuable reasons for the use of case studies in our research.

Misunderstanding	Counterargument
General, theoretical (context-independent) knowledge is more valuable than concrete, practical (context-dependent) knowledge.	Universals can't be found in the study of human affairs. Context-dependent knowledge is more valuable.
One cannot generalize on the basis of an individual case; therefore, the case study cannot contribute to scientific development.	Formal generalization is overvalued as a source of scientific development; the force of a single example is underestimated.
The case study is most useful for generating hypotheses; that is, in the first stage of a total research process, while other methods are more suitable for hypotheses testing and theory building.	The case study is useful for both generating and testing of hypotheses but is not limited to these activities.
The case study contains a bias toward verification, that is, a tendency to confirm the researcher's preconceived notions.	There is no greater bias in case study toward confirming preconceived notions than in other forms of research.
It is often difficult to summarize and develop general projects and theories on the basis of specific case studies.	Difficulty in summarizing case studies is due to properties of the reality studied, not the research method.

Figure 42: Misunderstanding from case study research

There exist several types of case studies. CAPAM (2010³⁷) lists the following:

- traditional approach (illustrative, exploratory or explanatory case study);
- business school approach (e.g. field study);
- learning history approach;
- best practice approach: implementation, success or failure case study.

The choice of the appropriate method depends on the research rationale. For example, it was not the goal of the undertaken research to identify failures or best practices, and neither to collectively reflect on the same event, as is done in the learning history approach. The most suited case study type seemed to be the exploratory case study which systematically assembles empirical data. "Emphasis is on ensuring that the research evidence is accurate and unbiased. As a result much of the case study report is spent describing and justifying the

³⁶ <http://arxiv.org/ftp/arxiv/papers/1304/1304.1186.pdf>.

³⁷ http://www.capam.org/_documents/reportoncasestudymethodologies.pdf.

specific methodological decisions made and elaborating on detailed findings. It involves accurate observation and rigorous collection of evidence.” (CAPAM 2010)

Kohlbacher (2006) addresses the importance of the quality of research design. This concerns above all its validity and reliability. Both concepts are rooted in quantitative research, but are by no means restricted to it, although the exact degree of applicability is the subject of academic debate (see Golafshani 2003³⁸). While reliability addresses the measuring instrument’s accuracy, validity is concerned with the congruence between research intentions and actual measuring outcomes. In order to enhance the validity of qualitative research, researchers may choose to use triangulation which has become a common tool. Guion, Diehl and McDonald (2006³⁹) describe triangulation as a method to analyse a question “from multiple perspectives”. Advantages of triangulation are that it “increas[es] confidence in research data, creat[es] innovative ways of understanding a phenomenon, reveal[s] unique findings, challeng[es] or integrating theories, and provid[es] a clearer understanding of the problem” (Thurmond, 2001, p. 254). Several types of triangulation exist. For our research, use was made of data triangulation which “involves using different sources of information” (Guion, Diehl and McDonald 2006). In each of the case studies, three types of interviewees (cf. Torset) were selected in order to triangulate the information; e.g. CEO, COO and Director of the area in question. Here, the focus was put on individuals that were assumed to be key figures in outsourcing decisions. The interviews were combined with participant observations and document analysis (minutes of investment committees, boards, contracts, etc.; cf. Barthélemy, Jerome).

Validity ⁴⁰	<ul style="list-style-type: none"> – Internal validity: scientific approach to the issue of outsourcing in the public sector; justified methodological choices; choice to measure public officials’ motives to outsource across several countries – External validity: generalisation is to be treated with caution due to the qualitative nature of the research. Transferability may be possible. – Triangulation: each case study is based on interviews with several persons from different, but comparable roles across all case studies (CEO, COO, etc.).
Reliability	<ul style="list-style-type: none"> – Use of the same questionnaire for all interviewees; development of the questionnaire using explorative interviews, test runs with practitioners. – Internal consistency: interviewees were asked questions about the research focus, i.e. outsourcing.

Figure 43: an overview of the quality aspects of our research design

The research focus was centered on small organisations (up to 5,000 employees) for two reasons:

1. It reduces overall complexity as in large organisations, the decision making process can be spread across a very high number of stakeholders.

³⁸ <http://www.nova.edu/ssss/QR/QR8-4/golafshani.pdf>.

³⁹ <http://edis.ifas.ufl.edu/pdffiles/FY/FY39400.pdf>.

⁴⁰ See also Cho and Trent (2006), Validity in Qualitative Research revisited, <http://www.sagepub.com/drewstudy/pdf/Cho.pdf>

2. It allows a better insight into how the decision was taken as it is easier to meet all parties involved.

Furthermore, the organisation had to be not too small/one-dimensional, and to fulfil external tasks:

- with a very narrow operational focus, outsourcing decision may be straightforward and would offer limited opportunity to triangulate across multiple decision makers.
- Access to documentation in an internally focused organization may be limited and make the analysis unnecessarily more complex.

Finally, the goal was to examine recent outsourcing decisions and processes, as well as the internal debates accompanying these decisions, instead of “cold cases” where the outsourcing process has already been terminated with no remaining actual decision makers available for interviews.

2.2.3 Defining the N-Vivo model and the coding process

The research variables (see section 1.6) had to be translated into a model to be used for analysis of interviews. The challenge was how to design a process of analysis, and identify which words were to be used for terms such as value, imitability⁴¹. Certain scientific standards such as reliability and validity had to be ensured. “Face validity refers to the correspondence between investigators’ definitions of concepts and their definitions of the categories that measured them [, and a] category should appear to measure the construct it is intended to measure” (Weber, 1990).

The coding was undertaken in a standard approach (Saldana 2009), as represented in the diagram below.

⁴¹ <http://edis.ifas.ufl.edu/pdffiles/FY/FY39400.pdf>.

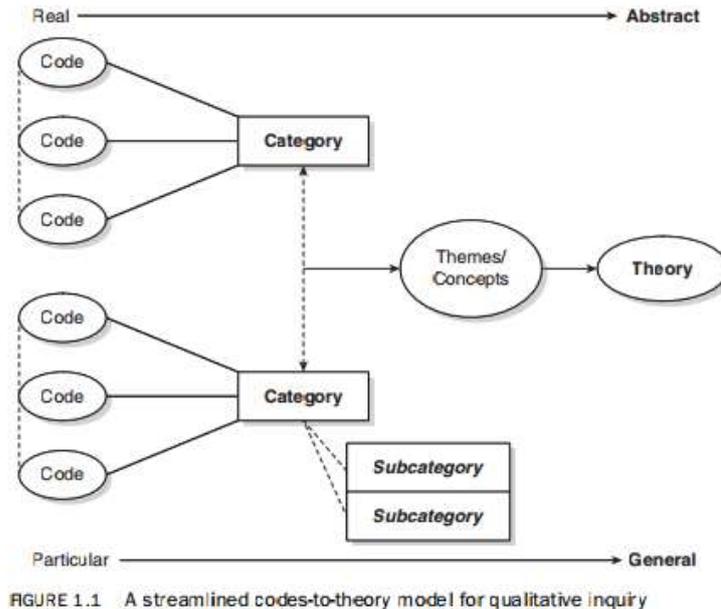


Figure 44: Coding Process, source Saldana 2009

Hence the analysis was done with NVivo, a programme designed for qualitative text analysis. Coding was calibrated through a double coding test by two researchers who individually assigned sentences to specific nodes which correspond to the criteria listed in section 1.6, as well as to the definitions that were applied for these criteria (resource-based view, convention, organisational politics, risk, etc.).

The researcher wanted to ensure by this double coding test on the first two interviews that he could do the full coding (Burant et al., 2007; Strauss, 1987).

Some principles for this double coding test were applied:

- Coding reliability and stability was ensured by only accepting items that were identically coded (double coding).
- One item could be coded under several nodes.
- Since the coded concepts are highly qualitative and can generally not be summed up in simple buzzwords, sentences had to be coded (entirely or partly) at the discretion of the researchers, and subsequently had to be compared.

In this case the comparison was done on the two initial expert interviews. The coders compared and discussed their disagreements in order to improve the reliability of the researcher's coding of future interviews⁴²

The researcher followed the recommendation from Auerbach & Silverstein (2003,p.44) of keeping a copy of the research variables, definition and research question during the coding.

Given the number of nodes (16), the coefficient of reliability attained of 73% confirmed the feasibility of coding interviews with the variables identified in section 1.6.

⁴² http://www.sagepub.com/upm-data/24614_01_Saldana_Ch_01.pdf

One would note that the probability of achieving the same coding by chance was of 6.25%.

The coding analysis was performed using an interpretative approach which allowed the researcher to go deeper than a literal approach in order to gain rich insights into the responses (Mason, 2002, p.56).

The following presents the analysis performed on the two initial interviews.

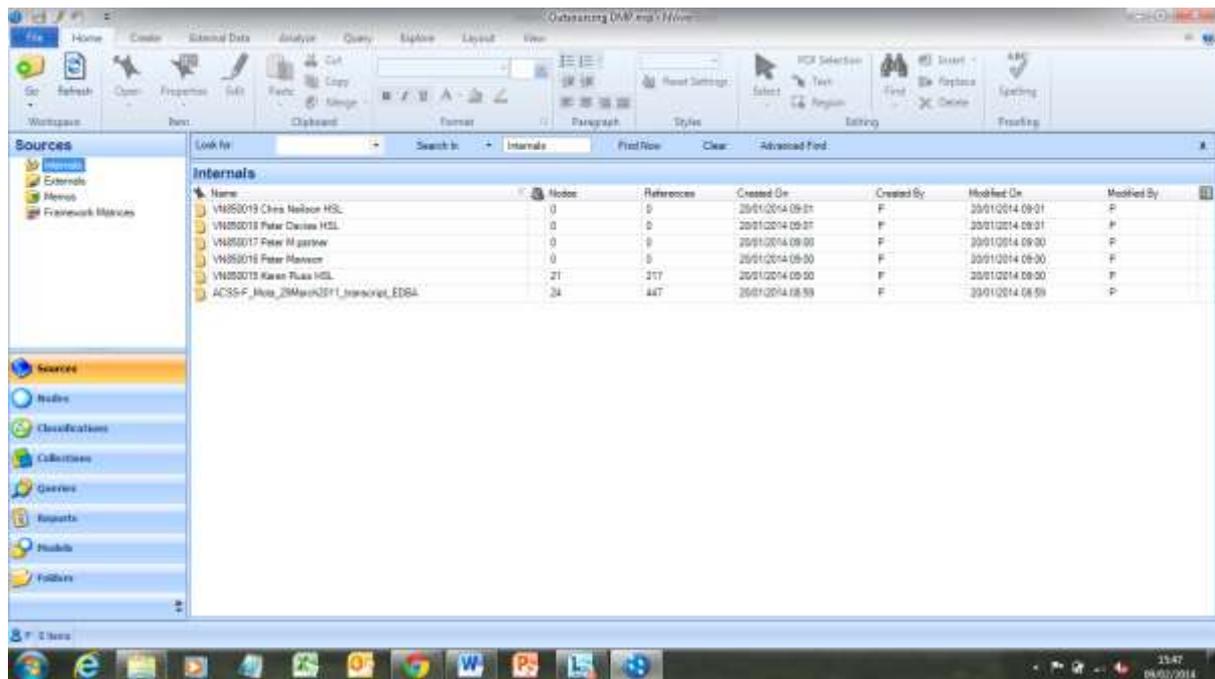


Figure 45: Nvivo desktop with interview transcripts uploaded

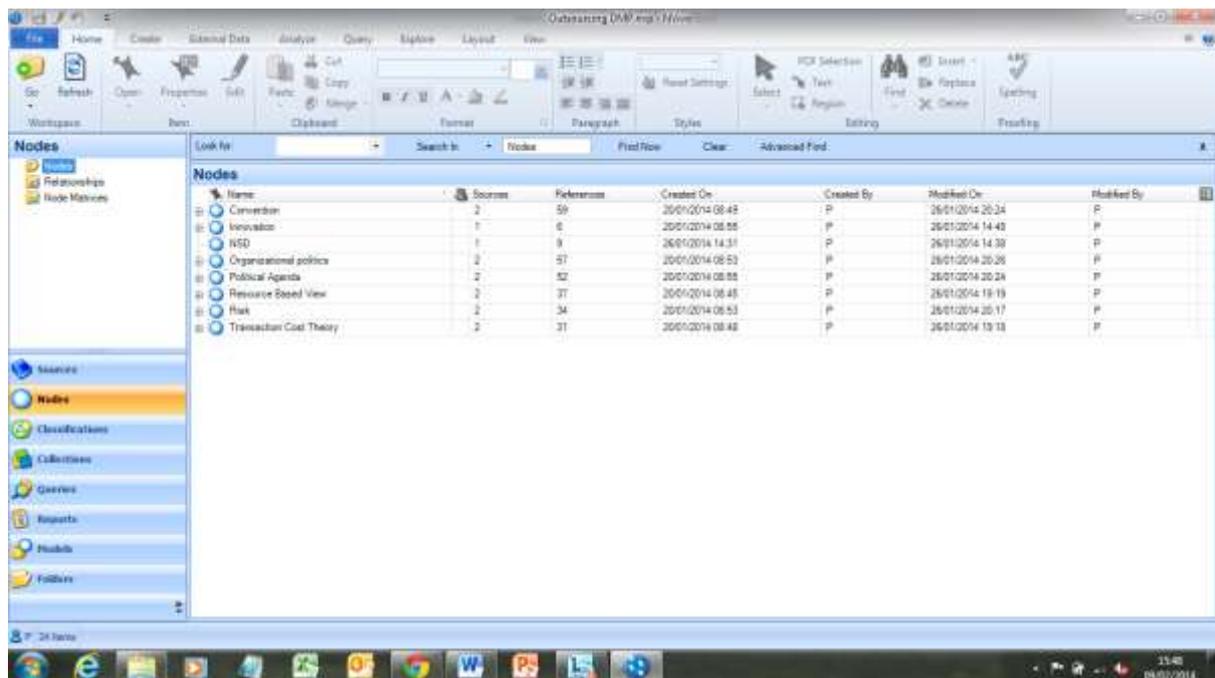


Figure 46: Nvivo nodes model

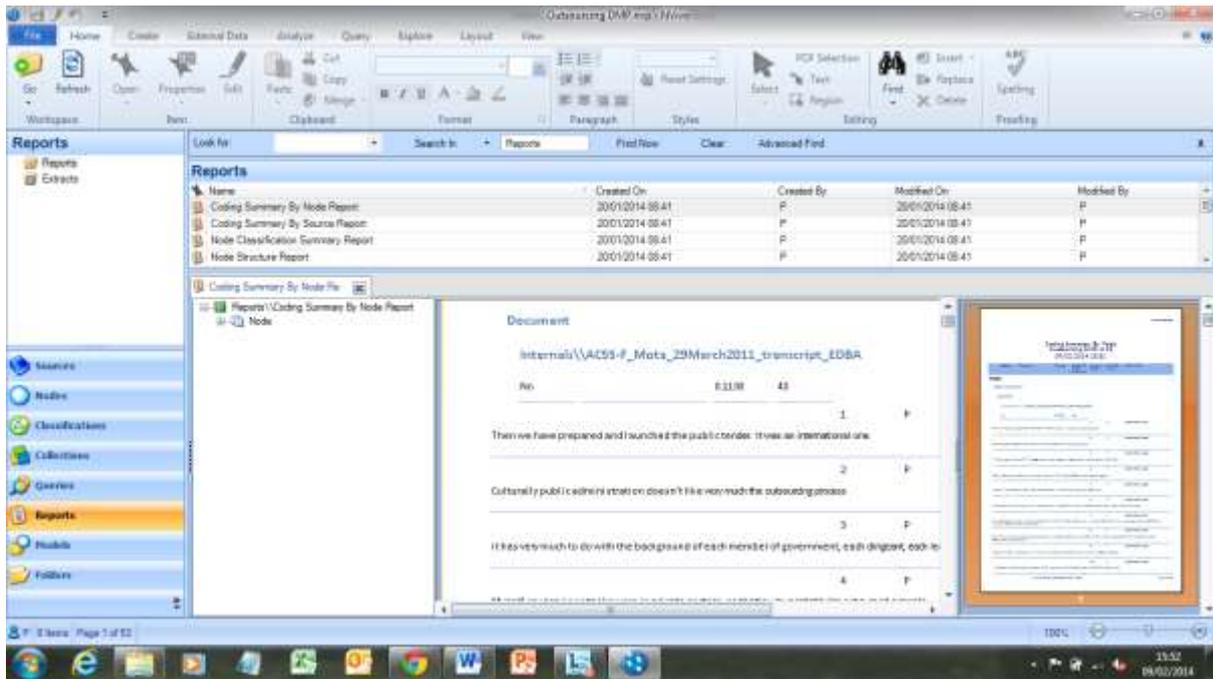


Figure 47: Report for node coverage

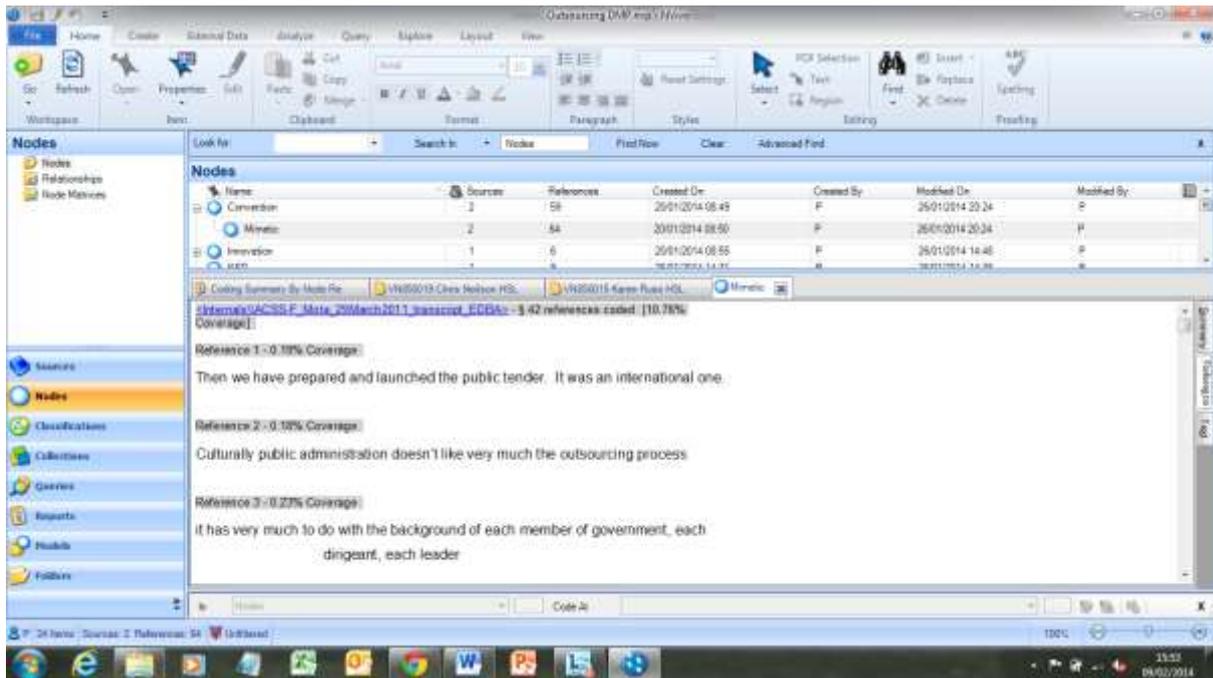


Figure 48: Nodes coverage per interview – Example: Mota / mimetic

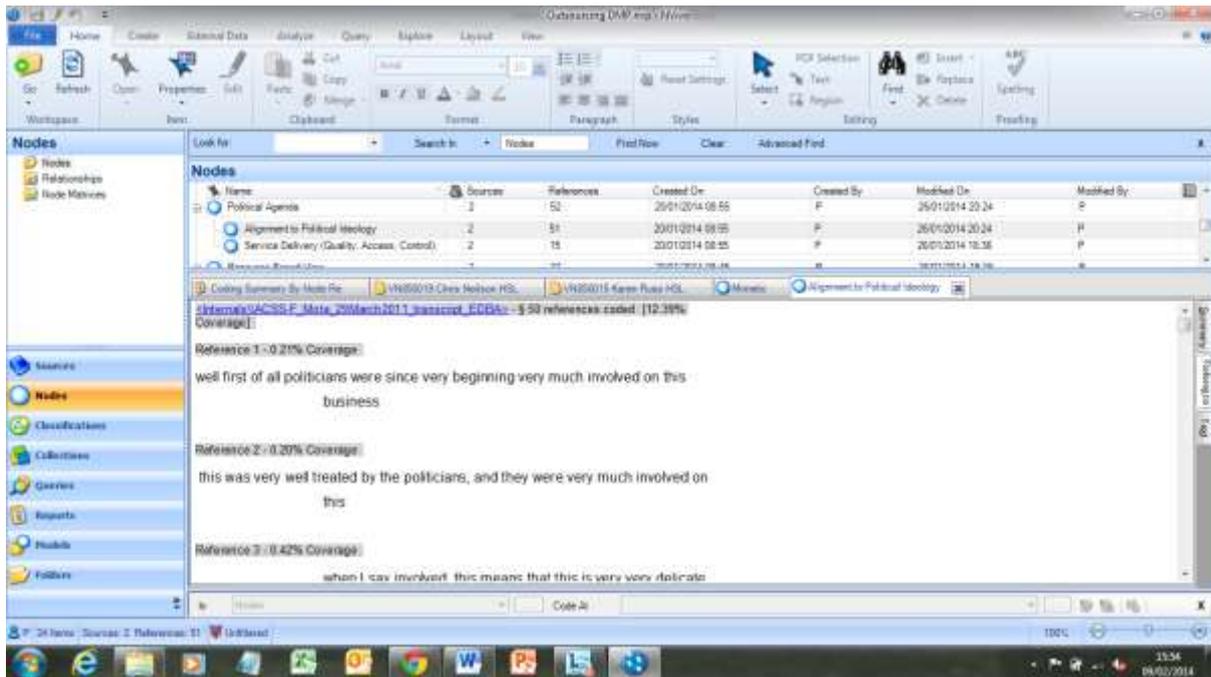


Figure 49: Nodes coverage per interview – example: Mota / political agenda

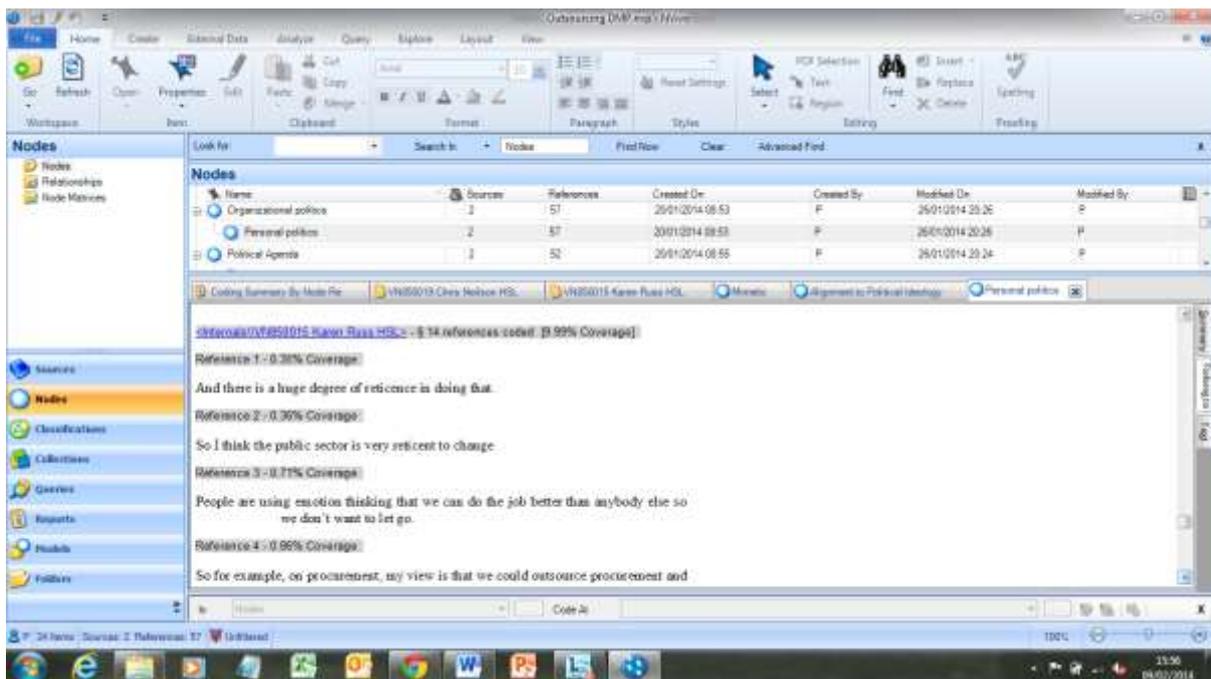


Figure 50: Nodes coverage per interview – example: Russ / internal politics

2.2.4 Research Process

2.2.4.1 The expert interviews

The research undertaken in the field of outsourcing in the public sector concerns not only the subject per se, but also the concrete actions and motivations of the parties involved, making

them experts both in term of subject and process knowledge.⁴³ The so-called expert interview seemed an ideal tool to gain the knowledge in questions, also because the focus was on short-term changes and recent decisions (cf. Auffenberg and Marcinkiewicz 2013).⁴⁴ In order to avoid confusion, a distinction will be made between two types of experts: outsourcing practitioners who are currently following, organising and coordinating the respective processes, and experts of outsourcing in terms of subject knowledge. However, both groups are considered experts in the sense that

[a]n expert has technical, process and interpretative knowledge that refers to a specific field of action, by virtue of the fact that the expert acts in a relevant way (for example, in a particular organizational field or the expert's own professional area). In this respect, expert knowledge consists not only of systematized, reflexively accessible knowledge relating to a specialized subject or field, but also has to a considerable extent the character of practical or action knowledge, which incorporates a range of quite disparate maxims for action, individual rules of decision, collective orientations and patterns of social interpretation. (Bogner u.a. 2009: 54)

Knowledge about “inspection of and acquisition of information about sequences of actions, interaction routines, organizational constellations, and past or current events”⁴⁵ is of particular importance for the research undertaken. The interviews seemed also necessary as the expert information the interviewees could provide is often not made public or, in some cases, only publicly available in a biased and sensationalised form resulting from its processing by the media.

When conducting interviews, one must be aware of the fact that an interview constitutes a social situation whose influences cannot be ignored while evaluating the outcomes.⁴⁶ Interviewer and interviewee assume certain roles (the interviewer may be perceived as co-expert; layperson; potential critic; etc.) and establish sometimes unintended hierarchies. In our case, the conversations with the experts, while remaining social interactions with a certain role distribution, did not suffer from any detrimental effects which would have impaired their informational value. During the interviews, the researcher minimised his interventions in order to let the interviewees express themselves freely. It was furthermore tried to analyse finished interviews and to eliminate possible effects in the next round, and a final re-examination for undesirable effects was conducted at the end.

The interview process was organised in three steps: first, several explorative interviews were conducted with general public services experts at United Kingdom National Audit Office and HM Treasury in order to gain insight on the general issue of outsourcing. Second, the questionnaire which is based on a combination of the analysis from academic research and the results of the first interview round was tested with three outsourcing practitioners in the United Kingdom (Peter M), in Portugal (Fernando M) and in France (Jacques S), with the aim of evaluating the interview grid's utility. Finally, the grid was used for the semi-directed case study interviews (see below).

⁴³ Derived from the definition of an expert given in A. Bogner, B. Littig & W. Menzel (eds.), *Interviewing Experts*, London, Palgrave Macmillan, 2009, pp. 54-55.

⁴⁴ <http://www.sfb597.uni-bremen.de/pages/pubApBeschreibung.php?SPRACHE=en&ID=211>

⁴⁵ A. Bogner, B. Littig & W. Menzel (eds.), *Interviewing Experts*, London, Palgrave Macmillan, 2009, p. 52.

⁴⁶ Bogner, Littig & Menzel, *op. cit.*, p. 56.

2.2.4.2 Testing and establishing the evaluation framework via unstructured interviews with experts and practitioners

It is important to take into account the limited extent of the phenomenon in the field in question. Whilst outsourcing is a well-known concept, it is still comparatively rare in public services environments.

During the research design, the researcher quickly understood that interviewees had all a similar way of rationalising their thoughts. We all live without really seeking deeper explanations, we only seek to get to an explanation that we are comfortable with. The researcher is there to structure the thinking to help surface what the interviewee really thinks but does not immediately articulate to him-herself. For instance, during one of the interview, an interviewee said: “Now that you ask me this way, I would say [outsourcing] is all about the person.”

The research design included a series of case studies with semi-directive interviews and was heavily based on addressing practical concerns in the field studied. It aimed to review in depth the knowledge from the academic world and directly confront it with real-life examples. It was clear from the outset that it would be key to both take into account the rich source of literature – even though it was rich in the private sector and much poorer in the public sector area –and couple it with early and continuous testing in the field.

To provide a starting point to the research in the field, the researcher worked with Ronan Mclvor from University of Ulster and received an initial questionnaire (See Appendix 3). Field testing was done using the network associated with Accenture, and three explorative interviews were conducted with Peter Mawson, CEO - Chief Executive at West Northamptonshire Development Corporation, Fernando Mota, Director General of ACSS (Portuguese outsourced medication reimbursement agency) and Jacques Sabatier. Secrétaire général Service d'information du gouvernement.

However, it became clear that despite presenting the research as personal, interviewees would refer back to Accenture.

For instance, Fernando Mota, the Head of Process outsourcing at ACSS, took the opportunity to re-enforce the argument that the programme had been made to save cost (P2):

“I think we have good experiences that we can share. As we have different shapes on how to outsource. You know, the case study we have, which involves Accenture, it's a very good example because there was a previous study that identified all the benefits we could have and all the economies we could have.”

One key dimension the researcher needed to tackle was to establish the research contract outside of his management role in an organisation that provides outsourcing services.

The main answer is that the researcher work in the management consulting part of the organisation and that he does not work for the outsourcing division, leaving a certain distance with the topic

Furthermore the researcher work in the strategy division that seeks to understand the best strategy for an organisation and is not for or against outsourcing.

In terms of objectives, the researcher managed expectations so that neither Accenture nor studied organisations expected a specific answer from the research. It was positioned as an academic review of the interesting context of public services today. The public services sector has a notion of public interest which ensured that organisations were interested to take part for the benefits of the wider sector without being too egoistical about the objectives.

This initial phase of testing in the field helped confirm the criteria initially derived from academic literature and which were later to be used in the semi-directive interviews. These early interviews also helped the researcher to learn how to engage the conversation and the phrasing.

For reference, the initial criteria to be tested during the interviews coming from the academic review are summarised in the table below:

Theoretical axis	Criteria
Resource Based View	Value, Rarity, Imitability, Substitutability. Resource constraints
Transaction Cost Theory	Opportunism, Asset specificity, Measurability, Uncertainty
Convention	Mimetic
Risk	Delivery Risk, Governance
Organizational politics	Personal politics
Political Agenda / Politics	Service Delivery (Quality, Access, Control), Alignment to Political Ideology
Innovation	Cross-Fertilization for Public Administration

Figure 51: Evolution of criteria

Three interviews were conducted:

The first was with a European leader – Fernando Mota – who has well known practical outsourcing expertise (Director general for Acss - administração Central De Sistemas De Saúde Ip, <http://www.acss.min-saude.pt>)

The full analysis in nvivo is in the appendix transcript: ACSS-F_Mota_29March2011_transcript_EDBA Nvivo Analysis coding by source report

The following provides some example quotes and importantly the percentage coverage from each node

Interview	Criteria	% coverage	Quote
Fernando Mota			
Resource Based View 6.44%	Value	1.56%	<p>there was also an economic rationale where things have been quite deeply analysed</p> <p>well the benefits were much more higher than the risks that we have identified</p> <p>this was a long process decision, a long, because this thing, this began I think it was</p>

			<p>five years ago were the first studies to identify the need and to analyse the benefits and risks</p> <p>economic case</p>
	Rarity	2.23%	<p>the government initiated a very interesting period where there were studies about what is our core business, the public administration core business well we see what are the trends but I think it should be, somehow it should be, there is a leverage on defining our core business.</p>
	Imitability	2.15%	<p>what are our core business, what is not our core business</p> <p>Because I don't have the team</p> <p>I don't have the knowledge, the experience needed to run these particular businesses</p>
	Substitutability	2.55%	<p>What is core business of Minister for Health?</p> <p>As you know, I'm running the IT so I have two, the infrastructure for me is something that I don't want to deal internally</p> <p>Our job is to build the information system for health</p>
	Resource constraints	2.17%	<p>we are not able to increase the efficiency behind some levels</p> <p>doesn't have the resources</p> <p>we are very much limited acquiring new competencies and new people to work with us</p> <p>So it was a reducing thing, you know, reducing working force</p> <p>reduce costs</p> <p>The constraints I've, the crisis, the environment compels you now</p>
Transaction Cost Theory	Opportunism	0.36%	<p>So all these things are, you know, instrumental, it's</p>

3.44%			something that we need but we don't have to work on Minister of Health, public administration to run these
	Asset specificity	0.87%	the number of civil servants is too large so we have to reduce our workforce from one side efficiency and, cost reducing and efficiency are the main drivers to look at the outsourcing process
	Measurability	1.68%	all the economies we could have you have now very good information they lowered the total amount of the invoice
	Uncertainty	0.86%	It is not quite clear that it could reduce costs immediately. This is the greatest risk because as institutions, as everybody tends to forget what will happen in three or four years
Convention 10.21%	Mimetic	10.21%	No it was rare, I would say that it is rare Culturally public administration doesn't like very much the outsourcing process Because health is really where, it's one of the most, health and finance I think it's common to Europe, it's because we have very well, people which is very well trained and very well educated from one side. From the other side there are several organisations and several different states of innovation Yes, so much mature. These outsourcings, no, the health

			centre, the call centre for health, it was implemented, I think it was one year or two years before this one
Risk 3.76%	Delivery Risk	3.76%	<p>the Minister for Health purely couldn't know what we spent in medication in the previous month</p> <p>Yes. Although it was a very contained, well the benefits were much more higher than the risks that we have identified. And the risks, the main risk we have was I would say a social impact of all the separation</p> <p>but to be honest it was a reduced risk</p> <p>And of course the risk, coming back to the crisis, the risk is that we outsource things that we should not.</p>
	Governance	1.26%	<p>Major risk that was identified was from the National Association of Pharmacies, which are the main stakeholders on this process</p> <p>because as institutions, as everybody tends to forget what will happen in three or four years</p>
Organizational politics 9.37%	Personal politics	9.37%	<p>So we have involved these five regions. The Minister, ACSS, which is this institution. And, well, both, we tend to mention one association of pharmacies, but to be honest there are two associations. One it's bigger than the other. Because one represents some 80% of all the pharmacies, but however they have been also involved</p> <p>It depends very much on people as always</p> <p>all the organisations are very much dependent on the way people act</p>

			these decisions are very much influenced by people
Political Agenda / Politics 12.8%	Service Delivery (Quality, Access, Control),	3.78%	<p>18 centres that were making this conference. So this means that we have months of delays in different regions, and of course we had different processes. As you know, when we spread all these things, everyone is one case. Everybody was not fulfilling all the rules, so there was not a full compatibility among all these methods of conference</p> <p>we were delaying all this information round 3, 4, 6 months</p> <p>Electronic prescription and electronic dispensation, they have a focus, aim, which is, when everything is electronic the compensation could be immediately</p>
	Alignment to Political Ideology	12.01%	<p>well first of all politicians were since very beginning very much involved on this business</p> <p>this was very well treated by the politicians, and they were very much involved on this</p> <p>when I say involved, this means that this is very very delicate, it's a delicate matter, where politicians were very much involved and we were working together, acting our different roles</p> <p>We as technicians and they as political decision makers</p> <p>the member of government which was by the way the Secretary of State</p> <p>this is a political issue</p> <p>if you don't have commitment of politician you are in a bad position</p> <p>And the thing is that every time</p>

			you have a member of government responsible for the decision
Innovation 1.74%	Cross-Fertilization for Public Administration	1.74%	Manual conference means that you have a prescription in paper and we have to digitalise it From the other side there are several organisations and several different states of innovation

The second was similarly with a well-known expert Peter Mawson who has deep expertise in Public Services outsourcing (Chief Executive at West Northamptonshire Development Corporation) (Full Nvivo transcript in Appendix B)

Interview P Mawson	Criteria	% coverage	Quote
Resource Based View 20.92%	Value	12.02%	if public service is going to be what it should be and to do what it should do, it needs to be able to operate within that space Price as well, But I think, you know, the idea that the marketplace can bring a competitive, therefore cost-reducing element into the provision of public services
	Rarity	6.93%	particular skill set outsourcing in our terms is about how one is bringing in professional or technical capacity, then I think you bring with that a need to assess the quality, however subjective that may be and however you might try to objectify that quality assessment
	Imitability	4.02%	I think there is a big difference between procuring a commoditized product and procuring a professional service, and outsourcing in my terms is about I come at this from the lead to outsource professional advisory work of some sort. I think a different issue of bulk buying, a – you

			know, the stationary or the travel or whatever, but it's outsourcing in our terms is about how one is bringing in professional or technical capacity, then I think you bring with that a need to assess the quality, however subjective that may be and however you might try to objectify that quality assessment
	Substitutability	3.45%	there is true quality of skill set and capacity and intellectual resources across all of these environments
	Resource constraints	12.54%	<p>It didn't have the, in my case, development skills within the organization, and therefore it had a need for advice, and therefore rather than build capacity internally for specialist one off projects, it would have outsourced that need to an advisory business such as mine</p> <p>I now have a blend of in house skills to the big regeneration project and the main development projects, but we have a particular need for specialist property and economic analysis needs, and we have a particular need for legal advice, both of which we would outsource, and we would outsource those through largely a framework agreement, so we go to the procurement of the companies to provide that service, testing fundamentally quality and capacity</p>
Transaction Cost Theory 14.57%	Opportunism	5.05%	<p>Very often one tends to forget that the outsourcing body has to have a level of client intellect, if you like, which can manage and obtain the best outcome from its outsourced purpose</p> <p>And then drawing those off from one or two providers on a project-by-project basis</p> <p>ut that brings with it a, if you like, a cost which is the whole</p>

			kind of procurement rigmarole and structure has become very weak, too
	Asset specificity	8.29%	I think there is a big difference between procuring a commoditized product and procuring a professional service, and outsourcing in my terms is about I come at this from the lead to outsource professional advisory work of some sort. I think a different issue of bulk buying, a – you know, the stationary or the travel or whatever, but it's outsourcing in our terms is about how one is bringing in professional or technical capacity, then I think you bring with that a need to assess the quality, however subjective that may be and however you might try to objectify that quality assessment
	Measurability	3.89%	I think there is a fundamental lack of understanding of kind of a structured terminology, language, you know, vocabulary, and, you know, methodology, So I definitely come from the view that one should not presume cost as a final arbiter. Cost clearly is an important consideration, but for cost read value for money, and that has to have a quality dynamic to it, I think
	Uncertainty		
Convention	Mimetic	5.48%	Well, there has to be a market operating within being a pioneer in this sort of area is quite challenging, But I think, you know, the idea that the marketplace can bring a competitive, therefore cost-reducing element into the provision of public services
Risk 5.96%	Delivery Risk	5.96%	without recognizing how risk profiles have shifted as a result,

			to moving things into the market without appreciating the implications.
	Governance	5.96%	<p>think you are more likely to outsource in a more brutal way and create a more difficult vehicle to manage, if it is the latter of those, whereas if you are doing it from a position of positivity, if you like, then you will create a more effective organizational blend between the in house and the out house</p> <p>What I'm meaning by that is there is a danger that outsourcing is seen to be an outsourcing of a problem function, a problem area, and the culture of an organization that does that tends to be to then create a remoteness or a distance between it and its outsource provider</p>
Organizational politics	Personal politics	16.23%	<p>If there is seen to be a personal advantage gained by a successful outsourcing and/or the building of (23:47) _____ advancement through that, then I think that could often be the driver for why one would want to take to outsource, and/or as a way of neutering opposition to personal advancement. That's a very cynical view. But if you were in an organization as, let's say, (24:12) _____ or senior director and you see a way of reducing the influence of other parts of the organization, that's what your – if that's what your wish is, by encouraging the outsourcing of that function or a significant part of that territory, then that undoubtedly will be a dynamic that will be in some people's minds</p> <p>that we deal with these different people</p> <p>the personalities involved</p>

	Service Delivery (Quality, Access, Control),	5.55%	<p>but in my terms, you know, quality and capacity are by far the most important</p> <p>I think you bring in a quality dynamic to the delivery of that outsource and advice</p> <p>So I definitely come from the view that one should not presume cost as a final arbiter. Cost clearly is an important consideration, but for cost read value for money, and that has to have a quality dynamic to it, I think</p>
Political Agenda / Politics 16.11%	Alignment to Political Ideology	11.43%	<p>I certainly think there has been a political draw in there toward outsourcing, because if you look at local governments, you know, there has been a big move in local authorities to outsource much more radically than what would have found in local authorities, for instance</p> <p>that market perspective has been overlaid across both political agendas, both labor and conservative</p> <p>actually the executives' response to a perceived political driver Then that allows the senior executive, the senior civil servants to say, okay, maybe this is the stimulus that we needed to actually reengineer</p>
Innovation	Cross- Fertilization for Public Administration	1.79%	<p>Then that allows the senior executive, the senior civil servants to say, okay, maybe this is the stimulus that we needed to actually reengineer, or we've not been able to reengineer in the past</p> <p>there's a natural wariness of innovation, and there is a presumption that the organizational life cycle is much longer than the political life cycle, and ergo there will be a</p>

		natural resistance to radical outsourcing (26:48) _____ at the capital P political level
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The third was similarly with a central government figure Jacques Sabatier who has deep expertise in Public Services (Secrétaire général Service d'information du gouvernement) (Full Nvivo transcript in appendix B)

Interview J Sabatier	Criteria	% coverage	Quote
Resource Based View 16.68%	Value	9.56%	le coût, si vous voulez la balance entre le coût d'une assistance et la conduite de la réforme va être très déséquilibré pour qu'on recoure à une société ultérieure tout ça on essaie de couper, euh... les seuls domaines où on va quand même encore garder dans le domaine administratif, ça va être éventuellement le recours à un avocat parce que ça en interne là pour le coût on ne s'aura pas le faire ok on aura besoin de quelqu'un
	Rarity	3.14%	Nous la finalité c'est quoi. C'est de faire la communication institutionnelle
	Imitability	3.98%	si vous regardez sur l'ensemble des services du premier ministre des forêts vous les interrogez ou que vous interrogez des grosses administrations comme le ministère régalien de la défense et là je suis certain qu'ils font recours à l'externalisation en organisation
	Substitutability	8.49%	Donc nous on veut se concentrer sur notre mission, sur notre corps de métier qui est la communication traditionnelle, c'est-à-dire faire de courtes campagnes, faire des études des sondages faire notre mission, d'accord
	Resource constraints	6.17%	Donc à partir du moment où il y a la réduction du budget depuis trois ans on cherche avant tout notre métier
Transaction Cost Theory	Opportunism		
	Asset specificity	8.51%	tout ça on essaie de couper,

8.51%			euh... les seuls domaines où on va quand même encore garder dans le domaine administratif, ça va être éventuellement le recours à un avocat parce que ça en interne là pour le coût on ne s'aura pas le faire ok on aura besoin de quelqu'un
	Measurability		
	Uncertainty		
Convention	Mimetic	4%	un marché d'externalisation là-dessus
Risk	Delivery Risk		
	Governance		
Organizational politics	Personal politics		
Political Agenda / Politics	Service Delivery (Quality, Access, Control),		
	Alignment to Political Ideology		
Innovation	Cross-Fertilization for Public Administration		

To analyse the outcome of the three exploratory interviews the researcher used the following table:

Nodes	Variables	% coverage			Average
		F Mota	P Mawson	J Sabatier	
RBV	Value	1.56%	12.02%	9.56%	8%
	Rarity	2.23%	6.93%	3.14%	4%
	Imitability	2.15%	4.02%	3.98%	3%
	Resource constraints	2.17%	12.54%	6.17%	7%
TCT	Opportunism	0.36%	5.05%		2%
	Asset specificity	0.87%	8.29%	8.51%	6%
	Measurability	1.68%	3.89%		2%
	Uncertainty	0.86%			0%
Convention	Mimetic	10.21%	5.48%	4%	7%
Risk	Delivery Risk	3.76%	5.96%		3%
	Governance	1.26%	5.96%		2%
Org politics	Personal politics	9.37%	16.23%		9%
Politics	Service Delivery (Quality, Access, Control),	3.78%	5.55%		3%
	Alignment to Political Ideology	12.01%	11.43%		8%
Innovation	Cross-Fertilization for Public Administration	1.74%	1.79%		1%

over 5% are highlighted / with yellow traditional / green to be proven

Figure 52: Node analysis for criteria matches in expert interviews

The above table shows the node coverage of the responses per variables. The cells highlighted in yellow are the ones that refers to the classic explanation of an outsourcing decision. It confirms that TCT and RBV help explain the rationale for the decision making process of outsourcing.

The cells highlighted in green show the proposed explanation and that have a significant percentage in these exploratory responses. Convention, organisation politics and Political ideology are strongly quoted.

Risk and Innovation were less quoted in these exploratory phase

From this analysis, the researcher decided to apply the same questionnaire during the interviews of the case studies as even with a smaller % of quote, interesting insight could be gained.

Questionnaire testing

As an alternative research tool to the case studies, a series of questionnaire were also sent to organisations having used outsourcing.

However this approach did not provide the insight sought by the researcher (only one was returned). And in fact, the questionnaire do only provide a low understanding of the actual DMP. This method was not pursued.

Extract of the questionnaire received from the respondent at the French Embassy in London.

- Questionnaire : Ambassade de France à Londres
- 1. Pourriez-vous débiter en me racontant votre expérience personnelle de l'externalisation -- pourquoi votre organisation a-t-elle initié une évaluation? Qui était engagé? Décrivez-moi le déroulement et les résultats de cette expérience.
 - a. La décision d'externaliser a été prise par les services de l'administration centrale en concertation avec le Consulat général de France.
- 2. Etant donnée la situation actuelle des services publics en France (...), quel est selon vous le rôle de l'externalisation?
 - a. Amélioration de l'accueil des usagers et recentrage des agents sur le cœur de leur métier (instruction des dossiers). .
- 3. Quels sont les facteurs déterminant le choix de l'externalisation au sein des services publics aujourd'hui?
 - a. Hausse de l'activité à effectifs constants ou en baisse. Maintien du coût de gestion.
- 4. Diriez-vous que votre organisation a une intégration verticale ou a-t-elle recours aux services du marché?
 - a. Système mixte.

5. Quelles parties de votre organisation avez-vous pensé à/décidé d'externaliser ces trois dernières années?
 - a. La collecte des demandes de visa et des données biométriques.
6. Pourriez-vous me dire si vous avez pris la décision d'externaliser par le passé?
 - a. Sans objet
7. Considérez-vous que cette externalisation fut réussie?
 - a. Oui
8. Pourquoi votre organisation a-t-elle envisagé d'externaliser cette partie de votre activité?
 - a. Cf. supra.
9. Quels bénéfices en attendiez-vous?
 - a. Amélioration des conditions d'accueil des demandeurs de visa et des conditions de travail des agents du service des visas.
10. Le risque d'une dégradation du service était-il un facteur déterminant dans le choix d'externaliser cette partie de votre activité?
 - a. Oui sur la question précise des délais d'attente pour l'obtention d'un rdv pour le dépôt d'un dossier de demande de visa.
11. Quel est l'impact de cette activité sur les coûts et les objectifs stratégiques de votre organisation?
 - a. Aucun impact sur les coûts du consulat. Le ministère de l'intérieur se charge de la fourniture et de la maintenance des équipements biométriques déployés chez notre prestataire.
12. Des politiques internes ont-elles influencé la décision d'externaliser?
 - a. Sans objet.
13. Le choix d'externaliser fait par des organisations équivalentes a-t-il déterminé/guidé votre décision ?
 - a. Sans objet.
14. La décision a-t-elle été perçue comme une décision individuelle/collective déterminée par des politiques internes?
 - a. Sans objet.
15. Avez-vous enquêté sur les pratiques d'autres services publics avant de prendre cette décision?
 - a. Sans objet.
16. Pensez-vous que des considérations politiques/idéologiques ont influencé cette décision?
 - a. Sans objet.

17. Lors de l'évaluation du processus d'externalisation, comment avez-vous comparé votre performance à celle de vos sous-traitants? Pourquoi?
 - a. L'externalisation a permis d'améliorer les conditions d'accueil des demandeurs de visa.
18. A quel point était-il difficile pour votre organisation de s'aligner sur la capacité supérieure d'une autre organisation à réaliser cette activité? Pourquoi?
 - a. Aucune difficulté pour la mise en œuvre de l'externalisation.
19. Combien de temps faudrait-il pour s'aligner sur le niveau de performance des 25% d'organisations les plus performantes pour cette activité? Plus ou moins de 2 ans?
 - a. Pas d'évaluation possible.
20. A quel point les contraintes en terme de ressources au sein de votre organisation ont-elles influencé la décision d'externaliser? Par exemple, l'obligation de réduire les dépenses vous a-t-elle empêché d'améliorer ou de développer votre capacité à réaliser cette activité en interne?
 - a. Parallèlement à l'amélioration de l'accueil des usagers, les contraintes de ressources humaines ont constitué un facteur déterminant dans la décision d'externaliser.
21. Avant d'envisager l'externalisation, à quel point votre façon de réaliser cette activité était-elle adaptée aux besoins de votre organisation? Pourquoi?
 - a. Adaptation moyenne.
22. Afin d'entreprendre cette activité, dans quelle mesure le sous-traitant sélectionné doit-il acquérir des connaissances spécifiques concernant les "procédures opérationnelles" de cette activité et votre organisation? Pourquoi?
 - a. Instauration de fiches de procédures.
23. Afin d'entreprendre cette activité, dans quelle mesure le sous-traitant sélectionné doit-il investir dans des équipements spécifiquement adaptés aux besoins de votre organisation? Pourquoi?
 - a. Certains équipements informatiques sont fournis par l'administration.
24. Avant d'envisager l'externalisation, combien de fournisseurs extérieurs étaient capables d'entreprendre cette activité?
 - a. Information inconnue.
25. Si le contrat devait être clos avec le sous-traitant, le changement de sous-traitant ou le retour de l'activité en interne entraînerait-il des coûts considérables?
 - a. Coût en augmentation pour un retour de l'activité en interne (ressources humaines, adaptation des locaux).
26. Dans quelle mesure le sous-traitant pourrait-il recourir à un processus standardisé pour entreprendre cette activité?

- a. Processus existant.
27. Dans quelle mesure a-t-il été possible d'établir des règles claires et des procédures pour permettre au sous-traitant de gérer et d'entreprendre cette activité? Pourquoi?
- a. Instauration d'un cahier des charges.
28. Dans quelle mesure a-t-il été possible de fixer des niveaux de performance précis pour cette activité, par exemple en terme de quantité, de qualité et de respect des délais? Pourquoi?
- a. Les indicateurs de performance sont inscrits au cahier des charges.
29. Dans quelle mesure a-t-il été possible de négocier un contrat qui spécifiait clairement des standards de performance et des moyens d'évaluation? Pourquoi?
- a. Cahier des charges fixe les conditions d'activité du prestataire.
30. Evaluer les difficultés qu'il y a à prédire les niveaux d'exigence actuels et futurs liés au processus. Pourquoi?
- a. L'activité visa externalisée est liée au nombre de ressortissants non communautaires qui résident au Royaume-Uni, facteur sur lequel le Consulat n'a pas de prise.
31. Dans le cas d'une activité externalisée, quelle fut la durée du contrat avec le sous-traitant?
- a. 2 ans.
32. Dans quelle mesure la relation avec le sous-traitant reposait-elle sur des mécanismes de collaboration, incluant la résolution commune des problèmes, la confiance, le partage de l'information, les échanges fréquents?
- a. La relation avec le prestataire, bonne au demeurant, est encadrée de façon très satisfaisante par le cahier des charges que le sous-traitant respecte au mieux.

2.2.4.3 Defining the semi-directive questionnaires

Building on the explorative interviews, the non-directive approach was taken in order to let the individuals express themselves freely and to explore an in-depth phenomenon (Ghiglione and Matalon 1998). In this case, the intention was a keen interest to understand personal risk attitude and political reasons in the outsourcing decision making process.

Several modifications to the questionnaire provided by Pr Mclvor were necessary in order to address both the specificity of public services versus the original private sector focus of Mclvor's research and also to address the areas for further research identified in his original paper.

The following diagram summarises the adaptation of the questionnaire:



Figure 53: Process of adaptation of the Mc Ivor research questionnaire to the scope of the research

1

First the researcher removed questions in relation to market position and competition as well as clearly tailor the questions to the defined scope of Public Services

2

Then the researcher added questions to test the non-economic motivators for the DMP

The following offers the detailed Tracking of modification of interview questions from Ronan Mc Ivor research for research semi directive interviews

Figure 54: Tracking of modification of interview questions from Ronan Mc Ivor research for research semi directive interviews

	Semi directive interview:	original McIvor Removed / added
Q#	<p data-bbox="349 430 524 462">Introduction</p> <p data-bbox="607 608 1850 707">Thank you again for accepting to take part in my research thesis for the University Paris Dauphine; over the next 3hrs we will work together to explore what criteria are used to decide to outsource organisational functions.</p> <p data-bbox="607 746 1872 981">The following interview will be replicated with 20 / 30 other senior civil servants and across two other case studies. The outcome of this research will be provided to you and your organisation as part of the University research publication. Your identity and the name of your organisation will remain confidential at all times. We will anonymise all documents and destroy recordings once transcripts have been captured. We tape record the interviews for our own research purposes but only we review the transcripts. To put your mind at ease, we will give you a copy of our confidentiality agreement.</p> <p data-bbox="607 1013 1872 1077">In this interview we use the word outsourcing in a broad sense, i.e. where an organisation utilises a third party organisation to carry out one of its functions.</p> <p data-bbox="607 1109 1839 1173">Please begin by telling me your outsourcing story--why did your company initiate an evaluation, who was involved, what process did you go through, what was the outcome?</p>	
	<p data-bbox="349 1201 461 1233">Themes</p> <p data-bbox="636 1201 898 1233">Opening question:</p>	

1	Given the current context of public services in the UK-TBC, what do you think is the role of outsourcing?	Added
	>> What are the key drivers for outsourcing in public services organisations today	
2	Would you say your organisation is vertically integrated in its environment or uses market delivery mechanism?	Added
3	What areas of your organisation have you considered / decided to outsource within the last 3 years?	Added
	Can you tell me if you have taken outsourcing decision in the past?	Added
	Did you think that this outsourcing was successful?	Added

Questions

4	Strat obj	Why did your organization consider outsourcing this area of the business?	As is
5	Strat obj	What were you expecting to gain?	As is
5b	Strat obj	Was risk of service degradation a factor in evaluating this area for outsourcing?	Added
6	Strat obj	How significantly does this activity impact upon the costs and strategic objectives of your organization?	Modified
6b	Strat obj	Were there organisational politics influencing the decision on outsourcing?	Added
6c	Strat obj	Was the decision made/supported based on equivalent organisations taking that decision?	Added
6d	Strat obj	Was the decision regarded as an individual/group personal decision driven by internal politics?	Added
6e	Strat obj	Did you investigate what other public services organisations were doing prior to taking that decision?	Added

6f	Strat obj	Did you think Political / Ideological considerations were influential in the decision?	Added
		To what extent does achieving superior performance levels in this activity enable your organization achieve a competitive advantage within your industry? Why?	Removed
7	Internal v Market	At the time of the outsourcing evaluation process, how did your performance in the activity compare with that of your suppliers? Why?	Modified
8	Internal v Market	To what extent was it difficult for your organization to replicate the superior capability of any organization in this activity? Why?	Modified
9	Internal v Market	How long would it take to replicate the superior performance levels of the top 25% benchmark in this activity, for example, more or less than 2 years?	Modified
10	Internal v Market	To what extent did resource constraints within your organization impact upon the sourcing decision, for example, reductions in capital expenditure prevented you from improving or developing a capability in this activity internally?	As is
11	Asset specific	Prior to considering outsourcing, to what extent was your approach to performing this activity highly customized to the needs of your organization. Why?	As is
12	Asset specific	In order to undertake the activity, to what extent would the chosen supplier have to acquire highly specific knowledge of the operating "procedures" of the activity and your organization? Why?	As is
13	Asset specific	In order to undertake the activity, to what extent would the chosen supplier have to invest in equipment that is highly specific to the needs of your organization? Why?	As is
14	Market	Prior to considering outsourcing, how many capable external suppliers were available that were in a position to provide the activity?	As is
15	Market	If the contract were to be terminated with the supplier, to what extent would there have been considerable costs incurred in switching to another supplier or bringing the activity back in-house?	As is
16	Process	To what extent could the supplier undertake standardized routines in relation to delivery of the activity?	As is
17	Process	To what extent was it possible to establish clear written rules and procedures to enable the	As is

	supplier to manage and deliver the activity? Why?	
18 Process	To what extent was it possible to establish clear performance levels for the activity, for example, in terms of quantity, quality, and timeliness of output? Why?	As is
19 Process	To what extent was it possible to negotiate a contract that clearly specified the standards of performance required and the means of evaluation? Why?	As is
20 Process	Assess the difficulties of predicting current and future demand levels associated with the process. Why?	As is
21 Contract type	In the case of an outsourced activity, what was the duration of the contract with the supplier?	As is
22 Contract type	To what extent did the relationship with the supplier rely upon collaborative mechanisms such as joint problem solving, trust, information sharing, frequent communication?	As is

Close of interview

23 Who would you suggest I go and speak with?

Original: 20, added/removed: 5 i.e. 20% new questions

In summary a thematic on context was added upfront to both capture the public sector context, its dynamics as well as the current structure of the case study organisation.

As part of the strategic objective theme, question (5b) on risk factors in considering the area to be evaluated for outsourcing was added. (“And of course the risk, coming back to the crisis, the risk is that we outsource things that we should not”)

Similarly Question (6b) was meant to capture the area for further research identified by Mclvor (2009).

Question (6c) tested whether there could be underlying convention (Levy-Tadjine, 2007; Bessy and Favereau, 2003; Batifoulrier, 2001; Levy 2002) as public services is a highly institutionalised context.

Finally, minor modifications to the existing questions were made in order to adapt them to a public sector context. For example, references to competitive advantage, competitors were removed (questions 6, 7, 8, 9).

The outcome of this exercise was the final variables table that was going to be tested during the semi-directive interviews of the case studies using the supporting questionnaire.

	Variable		Variable	
Resource Based View	Rarity	Convention	Mimetic	
	Imitability		Organizational politics	Personal politics
	Substitutability			Political Agenda / Politics
	Resource constraints			
Transaction Cost Theory	Opportunism			
	Asset specificity			
	Measurability			
	Uncertainty			
	Risk	Delivery Risk		
	Governance			

Figure 55: Criteria for the research

From the above analysis, the researcher concluded that out of the 15 variables identified during the literature review all were going to be tested during the case study research.

A mapping of the questions and how they tested various variables was conducted:

Figure 56: How the questions test the research variables - non-economic theory testing

		introduction	Semi-directive interview:	Risk		Convention		Politics		
				Delivery	Governance	Mimetic	Personal politics	Political agenda	Political ideology	
		Questions:								
4	Strat obj	Why did your organization consider outsourcing this area of the business?								
5	Strat obj	What were you expecting to gain?								
5b	Strat obj	Was risk of service degradation a factor in evaluating this area for outsourcing?			Y	Y			Y	
6	Strat obj	How significantly does this activity impact upon the costs and strategic objectives of your organization?			Y					
6b	Strat obj	Were there organisational politics influencing the decision on outsourcing?						Y		
6c	Strat obj	Was the decision made/supported based on equivalent organisations taking that decision?					Y			
6d	Strat obj	Was the decision regarded as an individual/group personal decision driven by internal politics?					Y	Y		
6e	Strat obj	Did you investigate what other public services organisations were doing prior to taking that decision?					Y			
6f	Strat obj	Did you think Political / Ideological considerations were influential in the decision?								Y

Figure 57: How the questions test the research variables - economic theory testing

Semi-structured interview		RBV		TCE					Risk			
Introduction		Core Competence										
		Value	Barriers	Imitability	Substitutability	Resource constraints	Opportunities	Asset specificity	Measurability	Uncertainty	Defence	Governance
Questions												
7. Internal v Market	At the time of the outsourcing evaluation process, how did your performance in the activity compare with that of your suppliers? Why?		Y									
8. Internal v Market	To what extent was it difficult for your organization to replicate the superior capability of any organization in this activity? Why?			Y								
9. Internal v Market	How long would it take to replicate the superior performance levels of the top 25% benchmark in this activity, for example, more or less than 2 years?			Y								
10. Internal v Market	To what extent did resource constraints within your organization impact upon the sourcing decision, for example, reductions in capital expenditure prevented you from improving or developing a capability in this activity internally?					Y						
11. Asset specific	Prior to considering outsourcing, to what extent was your approach to performing this activity highly customized to the needs of your organization. Why?				Y			Y				
12. Asset specific	In order to undertake the activity, to what extent would the chosen supplier have to acquire highly specific knowledge of the operating "procedures" of the activity and your organization? Why?							Y				
13. Asset specific	In order to undertake the activity, to what extent would the chosen supplier have to invest in equipment that is highly specific to the needs of your organization? Why?							Y				
14. Market	Prior to considering outsourcing, how many capable external suppliers were available that were in a position to provide the activity?						Y	Y				
15. Market	If the contract were to be terminated with the supplier, to what extent would there have been considerable costs incurred in switching to another supplier or bringing the activity back in-house?						Y	Y				
16. Process	To what extent could the supplier undertake standardized routines in relation to delivery of the activity?						Y		Y			
17. Process	To what extent was it possible to establish clear written rules and procedures to enable the supplier to manage and deliver the activity? Why?						Y		Y			
18. Process	To what extent was it possible to establish clear performance levels for the activity, for example, in terms of quantity, quality, and timeliness of output? Why?						Y		Y			
19. Process	To what extent was it possible to negotiate a contract that clearly specified the standards of performance required and the means of evaluation? Why?						Y		Y			
20. Process	Assess the difficulties of predicting current and future demand levels associated with the process. Why?									Y		Y
21. Contract type	In the case of an outsourced activity, what was the duration of the contract with the supplier?						Y					
22. Contract type	To what extent did the relationship with the supplier rely upon collaborative mechanisms such as joint problem solving, trust, information sharing, frequent communication?						Y					

2.2.4.4 Selecting and defining case studies

After the decision for case studies was made, the next question was how many case studies to conduct in order to achieve sufficient insight and validity. The researcher decided to compare three countries – the UK, France and Germany – where differences in administrative culture could help demonstrate the more universal aspect of decision making in the public service as well as local differences. With this, the aim was to explore whether the DMP is conceptually different based on cultural and historical context. By choosing an Anglo-Saxon country, a Latin country and a Germanic country, the research tries to explore whether there are similarities or divergences in three different models of public service structure and institutional and political attitudes.

The classification of national public administrations and the use of politico-administrative traditions as a pattern for explanation and theorisation⁴⁷ is in fact a firmly established tool in administration research, and to date far more persistent than assumptions about a European convergence process.⁴⁸ Generally, an administrative tradition can be defined as “a more or less enduring pattern in the style and substance of public administration in a particular country or group of countries”.⁴⁹ Relevant articles treat for example the Scandinavian model⁵⁰, but also national specificities such as the Italian model⁵¹ or the Swedish model⁵² as an important factor of explanation. However, other scholars also critically examine the role of legacies.⁵³

Scholars list several reasons for the importance of classification. First, it provides the ground for comparisons of different systems by “hold[ing] some variables constant and [...] highlight[ing] significant differences”⁵⁴. This makes it possible to, for example, examine administrative reform trajectories in the field of finance, personnel/recruitment, organisation or performance measurement.⁵⁵ Second, it helps to explain the “path dependency”⁵⁶ of reforms which are implemented differently in different systems (what Olsen calls the “logic of

⁴⁷ See for example D. Arellano-Gault & A. del Castillo-Vega, ‘Maturation of Public Administration in a Multicultural Environment: Lessons from the Anglo-American, Latin, and Scandinavian Political Traditions’, *International Journal of Public Administration*, vol. 27, no. 7, 2004, pp. 519-528.

⁴⁸ P. Haensch & E. Holtmann, ‘Die öffentliche Verwaltung der EU-Staaten’, in O. Gabriel & S. Kropp (eds.), *Die EU-Staaten im Vergleich. Strukturen, Prozesse, Politikinhalt. 3., aktualisierte und erweiterte Ausgabe*, Wiesbaden, VS, 2008, p. 612.

⁴⁹ M. Painter & G. Peters, ‘The Analysis of Administrative Traditions’, in M. Painter & G. Peters (eds.), *Tradition and Public Administration*, Basingstoke, Palgrave Macmillan, 2010, p. 6.

⁵⁰ M. Alestalo, S. Hort & S. Kuhnle, ‘The Nordic Model: Conditions, Origins, Outcomes, Lessons’, *Hertie School of Governance Working Papers*, no. 41, 2009, retrieved 4 April 2013, http://www.hertie-school.org/fileadmin/images/Downloads/working_papers/41.pdf.

⁵¹ G. Capano, ‘Administrative Traditions and Policy Change: When Policy Paradigms Matter. The Case of Italian Administrative Reform during the 1990s’, *Public Administration*, vol. 81, no. 4, 2003, pp. 781–801.

⁵² P. Levin, ‘The Swedish Model of Public Administration: Separation of Powers – The Swedish Style’, *JOAAG*, vol. 4, no. 1, 2009, pp. 38-46.

⁵³ J. Meyer-Sahling, ‘Varieties of legacies: a critical review of legacy explanations of public administration reform in East Central Europe’, *International Review of Administrative Sciences*, vol. 75, no. 3, 2009, pp. 509-528.

⁵⁴ Painter & Peters, ‘The Analysis of Administrative Traditions’, *op. cit.*, p. 11.

⁵⁵ C. Pollitt & G. Bouckaert, *Public Management Reform. A Comparative Analysis. Second Edition*, Oxford, OUP, 2004, p. 67.

⁵⁶ Pollitt & Bouckaert, *op. cit.*, p. 39.

appropriateness⁵⁷ and Pollitt/Bouckaert “the topography over which reforms must travel”⁵⁸). Third, it leads to a better understanding of a system’s capacity to manage and govern administrative issues.⁵⁹ Fourth, it facilitates new and different angles of system interpretation.⁶⁰

Depending on the focus of the respective study, there exist a multitude of possible categorisations of administrative systems, including a country’s geography, general political system, legal system, social system, or HR system. It is worth to note that the three chosen countries – the UK, France and Germany – almost always fall into different categories, which highlights the diversity of administrative traditions included in the case studies.

	Anglo-Saxon	Germanic	Napoleonic
Countries	UK	DE	FR
Legal basis of the state	No	Yes	Yes
Political organisation	Weak federalism ⁶¹	Federalism	‘Jacobin’, unitary
Organisation of government	Local government	Cooperative federalism	Regionalised central state
Civil service	Quite high status, unified, neutral, generalist, permanent	Very high status, permanent, legal training, upper ranks can be openly partisan	Very high status, permanent, elite training

Figure 58: Four administrative traditions. Source: Painter/Peters 2010, p. 20, and Cepiku 2006, p. 249/250.

There exist several Western traditions, among others Anglo-Saxon, Napoleonic and Germanic, in Western Europe (Fig. 1).⁶² These traditions combine geographic, historic and cultural elements⁶³, and imply many of the features mentioned below, especially the legal system.

Pollitt/Bouckaert distinguish between different state structures (level of centralisation and coordination), natures of executive central government, and relations between politicians and their high-level civil servants (the latter category does not appear in Fig. 2).⁶⁴ With regard to e.g. administrative reform, each system possesses different strengths: while federal

⁵⁷ C. Knill, ‘European Policies: The Impact of National Administrative Traditions’, *Journal of Public Policy*, vol. 18, no. 1, 1998, p. 3.

⁵⁸ Pollitt & Bouckaert, *op. cit.*, p. 39.

⁵⁹ Painter & Peters, ‘The Analysis of Administrative Traditions’, *op. cit.*, p. 12.

⁶⁰ *Ibid.*

⁶¹ The UK are also often considered to be centralised, see Fig. 2.

⁶² M. Painter & G. Peters, ‘Administrative Traditions in Comparative Perspective: Families, Groups and Hybrids’, in M. Painter & G. Peters (eds.), *Tradition and Public Administration*, Basingstoke, Palgrave Macmillan, 2010, p. 19. Since this paper concentrates on Europe, the latter traditions are not treated here.

⁶³ Painter & Peters, ‘Administrative Traditions in Comparative Perspective: Families, Groups and Hybrids’, *op. cit.*, p. 19.

⁶⁴ Pollitt & Bouckaert, *op. cit.*, p. 40.

(decentralised) states are sometimes seen as laboratories for innovation, unitary states manage to conduct more coherent and broader reforms.⁶⁵

Nature of executive government			
	Majoritarian	Intermediate	
State structure	Centralised (unitary)	UK ⁶⁶	FR
	Decentralised (federal)		DE

Figure 59: State structure and nature of executive government (selected states) Source: Pollitt/Bouckaert 2004, p. 47.

Concerning legal systems, scholars distinguish between two juridical traditions: the British Common law and the Continental Roman law, consisting among others of French and German varieties (Fig. 3).⁶⁷ While the Anglo-Saxon tradition aims at restricting public power, the Roman law is strongly codified⁶⁸ and promotes the power of the state, with differing elements in the French (rather centralised) and German (less centralised) form.

Law tradition	Countries	Judicial culture (approximation)
Anglo-Saxon	UK	“Public interest” model
Continental (European)		
<i>Roman-French</i>	FR	<i>Napoleonic</i>
<i>Roman-German</i>	DE	<i>Rechtsstaat</i> model

Figure 60: Legal traditions of European states. Source: Haensch/Holtmann 2008, p. 614, and Pollitt/Bouckaert 2004, p. 52-54; own visualisation.

This difference is echoed in the contrast between *Rechtsstaat* and Anglo-Saxon “public interest”.⁶⁹ As Knill states with regard to the *Rechtsstaat* model, “The binding of the administration to the law implies that, as a general rule, the scope and mode of administrative activity is specified by law.”⁷⁰ Law enforcement and preparation lie at the heart of the *Rechtsstaat*. Contrary to this concept, the “public interest” model regards state administration as a “necessary evil”⁷¹, civil servants not being more than citizens. This is

⁶⁵ *Ibid.*, p. 43.

⁶⁶ Contrary to Cepiku (Fig. 1), Pollitt/Bouckaert consider the country to be a centralised state.

⁶⁷ P. Haensch & E. Holtmann, *op. cit.*, p. 613.

⁶⁸ Painter & Peters, ‘Administrative Traditions in Comparative Perspective: Families, Groups and Hybrids’, *op. cit.*, p. 21.

⁶⁹ Pollitt & Bouckaert, *op. cit.*, p. 52.

⁷⁰ Knill, *op. cit.*, p. 12.

⁷¹ Pollitt & Bouckaert, *op. cit.*, p. 53.

nicely summed up in the UK being called a “society-led state”⁷² and e.g. France, a “state-led society”⁷³.

With regard to HR systems, Haensch distinguishes between career and position systems (Fig. 4).⁷⁴ The former emphasises the importance of continuity and coherence of the administration’s staff; entry into the system requires specific qualifications and staff is promoted according to the seniority principle. The latter system aims at finding the most experienced candidate, taking into account private-sector jobs and advocating professionalism and good management capacities.

Career-based	Position-based
DE, FR	UK

Figure 61: HR systems of European states. Source: Haensch/Holtmann 2008, p. 616.

It has been shown that the British, French and German administrative systems possess incremental differences with regard to several features. The question now will be whether these differences manifest themselves in measures concerning outsourcing. One could expect, for example, that officials in a society-led state such as the UK might be more willing to apply private-economy measures compared to a highly state-centered country such as France. Also, there could be differences between federal and centralised countries.

⁷² Knill, *op. cit.*, p. 6.

⁷³ *Ibid.*

⁷⁴ Haensch & Holtmann, *op. cit.*, p. 615.



Figure 62: scope of services covered in the case studies

2.2.4.5 Selecting interviewees for each case study

As explained in the section above, the research focus was centered on small organisations which allowed the researcher to contact senior decision makers in the organization. Each of these decision makers had over 20 years' experience in their field and at least 5 years of outsourcing experience. The analysis of the interviews was complemented by documentary analysis.

In each case study an initial interview with the contact person was undertaken during which the researcher asked who else to interview. The list provided by the interviewee was completed by one other interview to ensure that neither the researcher nor the interviewee bias in who to interview would have a disproportionate impact on the findings.

In the case of HSL, Karen Russ was the contact person and introduced Peter Davies and Chris Neilson as further interviewees. The researcher conducted another interview with Eddie Morland

UK: HSL	www.hsl.gov.uk
Interviewee	Position
Karen Russ	Deputy Chief Executive Officer and Project Delivery Director
Peter Davies	Chief Operating Officer and Corporate Information and

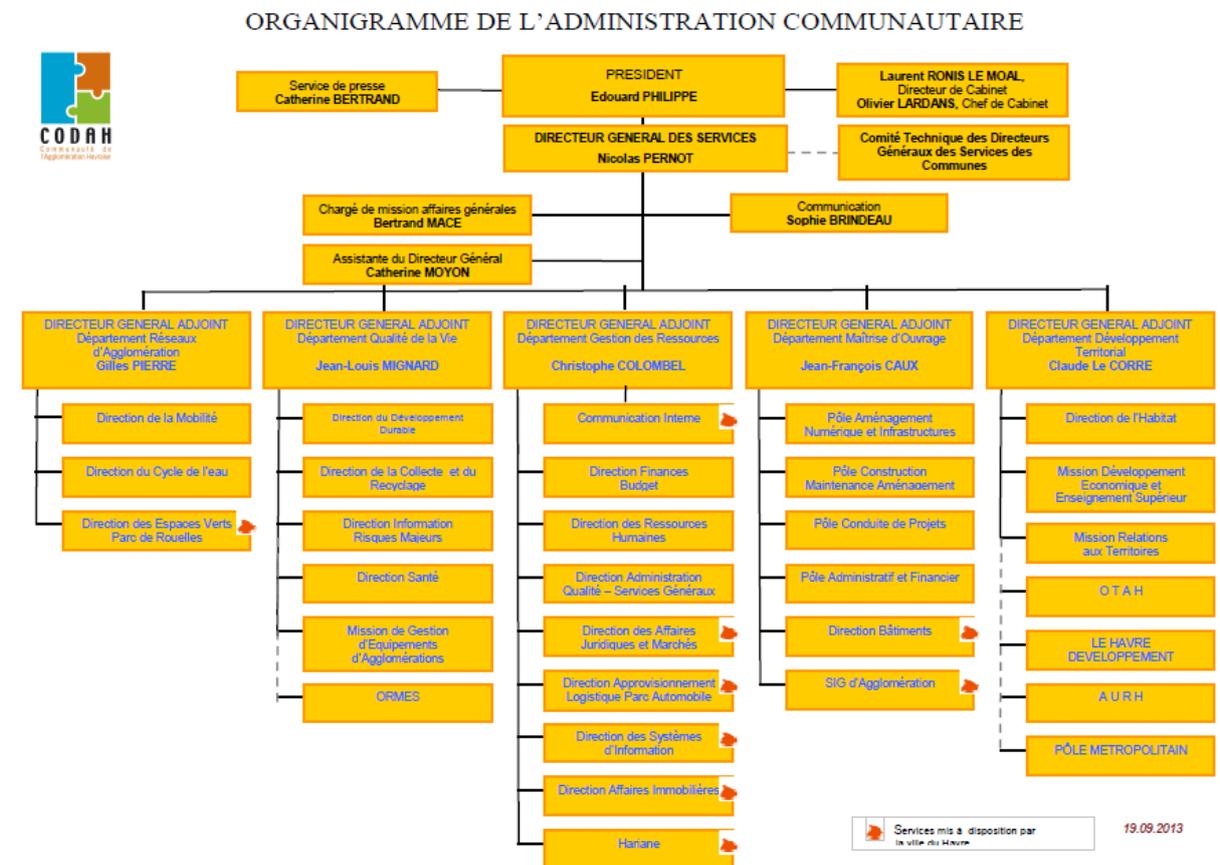
	Services Director
Chris Neilson	Chief Finance Officer and Finance Director
Eddie Morland	Chief Executive Officer

Figure 63: UK HSL case study

In the case of Codah, Jean-Sébastien Chaboche was the contact person and introduced Christophe Colombel and Daniel Fidelin as further interviewees. The researcher conducted another interview with Laurent Fonteneau

France: Codah	www.codah.fr
Interviewee	Position
Jean-Sébastien Chaboche	Directeur de la Mobilité
Christophe Colombel	Directeur Général adjoint Département Gestion des Ressources
Daniel Fidelin	Vice-président de la Codah en charge des transports
Laurent Fonteneau	Directeur du service mobilité et transport de la communauté d'agglomération de Poitiers

Figure 64: France Codah case study



In the case of BMVI, Prof. Dr Josef Kunz was the contact person and introduced Frau Tegtbauer and Dr Hellenschmidt as further interviewees.

DE: German Transport Bundesministerium für Verkehr und digitale Infrastruktur	www.bmvi.de/DE/Home/home_node.html
Interviewee	Position
Frau Tegtbauer	Director road construction BMVI
Prof. Dr Josef Kunz	MDir. - Head of Road Construction department
Dr Hellenschmidt	Director transport plan BMVI

Figure 65: Germany BMVI case study

2.3 Research Design for Project 3

2.3.1 Historical analysis

An historical analysis was performed across France, Germany and the United Kingdom to better understand today's public sector context within which the decision making process to outsource takes place.

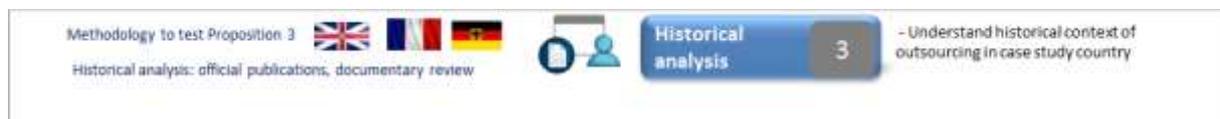


Figure 66: Historical analysis across France, Germany and the United Kingdom

A historical analysis is a method that seeks to make sense of the past through the disciplined analysis of documentary evidence. These documentary evidences are quite readily available in the Public Sector as the tradition of transparency ensures publication of records. Historical analysis is commonly used in social research as an introductory strategy for establishing a context or background against which a substantive contemporary study may be set. As in this research historical analysis is often combined with other methods to engage social research questions. (Gilbert 1946))

Key to such an analysis is the definition of the key terms to be search within the existing documentation as well as defining the approach to record keeping.

Indeed, this type of analysis requires to uncover the right version of the truth hence the need to look at trusted sources of information, in this case public records.

The following table highlights the key terms used in the analysis:

Terms used in the analysis	Outsourcing, public sector, legislation, strategy, government spending, private sector, PPPs, DSPs, procurement.
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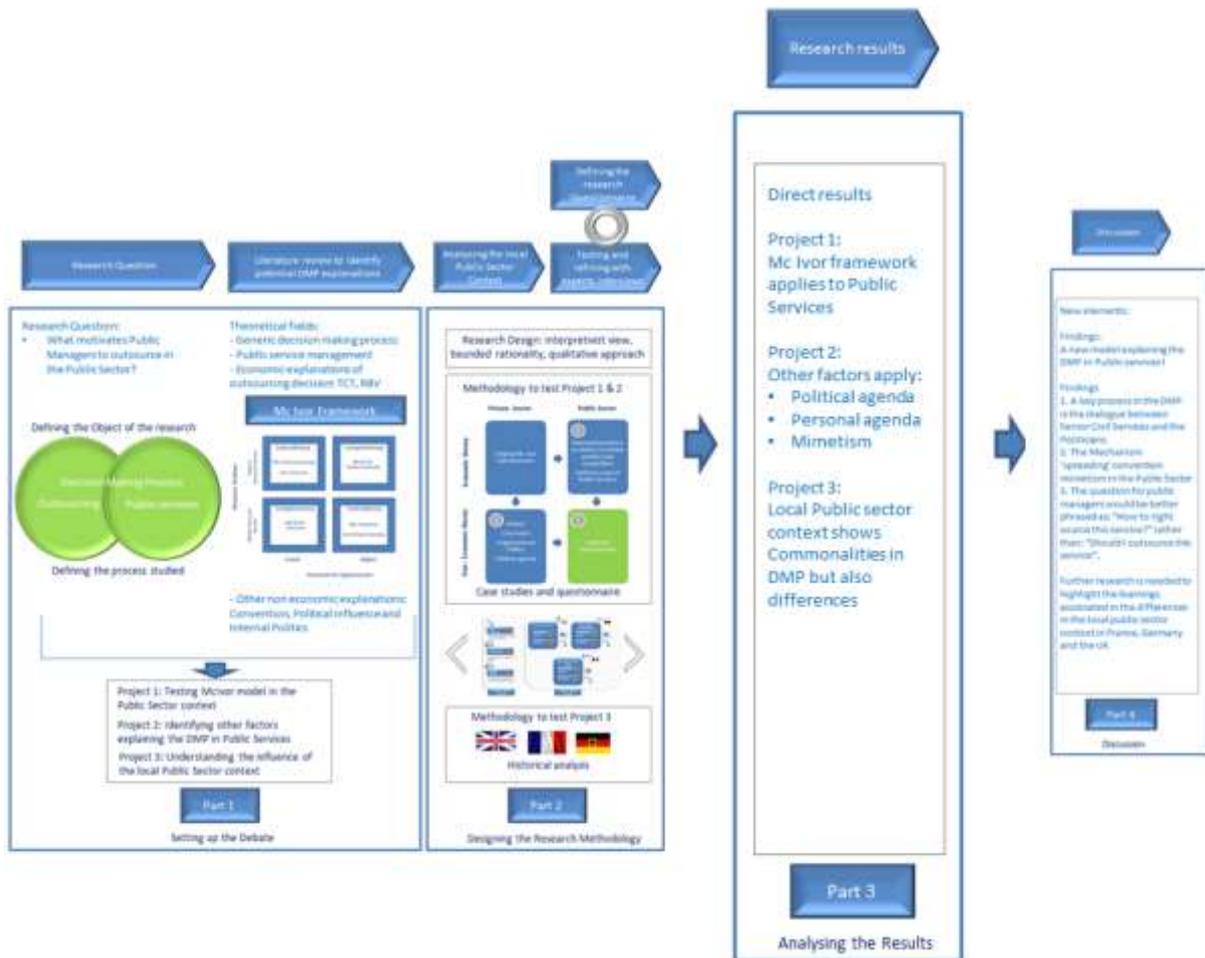
Figure 67: Analysis search terms

The following table highlights the key published sources used in the analysis:

	Official sources	Academic sources
France	Minefi DGME Journal officiel OECD	De Noix de Saint Marc 1996 Merrien 1999 Chevallier 2012 Chambat 1990 Danjou 2004 Rouban 2003
Germany	Länder Federal State Bundeswehr OECD	Gerstlberger and Schmittel 2004 Kuhlmann and Wollmann 2010 Hammerschmid and Angerer 2005 Buddäus 2003 Tummala 2005 Derling 1996
United Kingdom	National audit Office Cabinet Office Prime Minister Delivery Unit OECD	Butler 2003 Dowling and Glendinning 1989 Local Government Act 1988

Figure 68: Analysis sources

Part 3: Research results – building the framework for the outsourcing decision making process in public service



3.0 Analysing the results in relation to the three research projects

The three projects that we endeavoured to test for this research were:

- Project 1: Testing McIvor model in the Public Sector context
- Project 2: Identifying other factors explaining the DMP in Public Services
- Project 3: Understanding the influence of the local Public Sector context

In regards to project 1 and 2, the results come primarily from the analysis of the case studies including the results of the semi directives interviews.

The three case studies can be better understood in the context of the local Public Services in each country of France, Germany and the United Kingdom, so with this in mind, the results of the historical analysis are presented first in section 3.1

This is then followed by the presentation of the findings of the three case studies in section 3.2

And finally a summary of the results are presented in section 3.3

3.1 Understanding the historical context - Outsourcing in public services across Europe

3.1.1. The French context

France was relatively late to adopt legislative provisions to tackle public action reform. The fundamental act has been the LOLF (« loi organique relative aux lois de finances ») adopted in 2001 in substitution of a precedent framework dating 1959. The LOLF has set up a financial Constitution for public money management and launched the State modernisation process. This new budgetary law enshrined a new paradigm where a duty of performance of public management along with transparency of budgetary information must drive public action. Politically sensitive, this law has only been implemented in 2006.

Before that, only the Ministry of Defence committed itself to outsource blue-collar services. A first memorandum dated from 2000 allows the Ministry to outsource. For budgetary and staff number reasons, the Ministry of Defence has been the first to outsource non-operational functions. In 2002, the Ministry spent € 533 m. (17% of its operating budget) for outsourcing, which allowed the creation of 2 600 jobs in the private sector⁷⁵. Outsourced tasks were mostly cleaning and maintenance of buildings and gardens, transports, caretaking and catering .

In 2004, France created the public private partnership, allowing first the State to outsource construction and maintenance of buildings used by the police and hospitals. According to a recent evaluation, there has been 41 contracts signed of this nature, representing €5.6 bn and in 90% of projects, public body declare to be satisfied by construction and exploitation of projects⁷⁶.

3 years later, France implemented in 2007 the General Review of Public Policies (« Révision générale des politiques publiques » or RGPP) aiming at analysing and if necessary reducing costs of policies and implementing structural reforms. It was the first time France decided to dedicate a national programme for decreasing spending and restructuring public policies⁷⁷. In total, 503 measures have been adopted and a recent report evaluated impacts and efficiency

⁷⁵ Note from the Ministry of Economy, March 2003. Available at : http://www.industrie.gouv.fr/agora/manif/note_externalisation.htm

⁷⁶ Chaire EPPP, « La performance des contrats de partenariat en France », First evaluation with inclusion of exploitation phase, published in October 2012. Available at : http://chaire-eppp.org/files_chaire/contrat_de_partenariat_performance.pdf

⁷⁷ <http://www.modernisation.gouv.fr>

of this programme⁷⁸.

In December 2012, the French government has unveiled a project of delegating the data collection of biometric visas to private firms⁷⁹. Indeed, the French consulates abroad have been faced with an increase in visas applications while cuts in the diplomatic representations' budget and staff have fuelled the outsourcing of this activity. The ministry of the interior and the ministry of foreign affairs have added that the task of managing biometric visas and identification data implied a level of expertise that the consulates were less equipped to provide than specialised external agents⁸⁰. In doing so, France also hopes to be at the vanguard of Schengen area countries in matters of visa services outsourcing. In 2011, 2.2 millions of requests were dealt with by private companies, which were already in charge of receiving visa application files. For the French government, the further outsourcing of visa delivery services is fully in line with the European law and, in particular, the Community Code of Visas. However, the *Commission Nationale de l'Informatique et des Libertés* (CNIL), a governmental agency, has expressed some reserves as regards to the reliability of private operators and their capacity to properly ensure the protection of personal data⁸¹.

This concrete example sums up the main issues tied to public service outsourcing. Although the phenomenon is not new, for instance in the Roman Empire the signing of contracts for renting ports premises and infrastructure were commonplace⁸², it is nonetheless unique by its magnitude. Also, public service outsourcing is not a French specificity, as for around 30 to 40 years ago most OECD countries have liberalised their public sector.

The slowdown of western countries economies in the late 1970's and the recent crisis of the global financial and banking system cannot explain alone why these countries have widely resorted to outsourcing. In fact, several factors have underlined the public service outsourcing. In the case of France, the phenomenon has mainly answered to international changes. Indeed, the intensification of the globalisation process over the 1980's has deepened the interconnectedness of economies. In parallel, the construction of the European single market has implied an approximation of the Member States' legislations, in particular for the implementation of a level playing field in competition rules. Accordingly, France has had to adapt its domestic system. In the same sense, the country has adopted the main principles of economic liberalism, which were a very topical issue in western European countries in the course of the 1980-1990s.

⁷⁸ <http://www.ladocumentationfrancaise.fr/var/storage/rapports-publics/124000520/0000.pdf>

⁷⁹Renaud, Franck « Visas pour la France : la biométrie privatisée » 12 December 2012 available at Le Point.fr http://www.lepoint.fr/politique/exclusif-visas-pour-la-france-la-biometrie-privatisee-12-12-2012-1561163_20.php (consulted on 02/01/2012)

⁸⁰Ministère de l'intérieur « La biométrie et l'externalisation », 6 August 2012, available at <http://www.interieur.gouv.fr/Le-secretariat-general-a-l-immigration-et-a-l-integration-SGII/Immigration/Les-visas/La-biometrie-et-l-externalisation> (consulted on 02/01/2012)

⁸¹ Renaud, F. *Ibid.*

⁸² Courivaud, Henri « La concession de service public « à la française » confrontée au droit européen », *Revue internationale de droit économique*, 4, 2004, p. 4.

The notion of 'public service' has a particular meaning in the French society. Thus, France has its very own model of public service, inherited from an historical tradition in which the State has always played a decisive role in the economic and social fields⁸³. According to the 'doctrine of the public service' developed by the jurists of the 'school of Bordeaux'⁸⁴ at the beginning of the XXth Century, the public service is one the basis of the social cohesion⁸⁵. Duguit defines the public service as "all the activities ensured, regulated and controlled by the State, since their accomplishment is essential to the development of the social interdependence, and because by nature, they can only be implemented by the public intervention⁸⁶". The contribution to social interdependence was crucial in the original definition. It conveyed the values of solidarity and universal access, and still characterizes the French conception of the role played by the public services in the society. The creation of several public monopolies by the General de Gaulle at the '*Libération*' in 1946 and of the social insurance service has deeply rooted the social role of the public services; all the more as this conception of public service has not been questioned for 30 years in a row⁸⁷.

The current notion remains influenced by these historical developments. For the French, the 'public service' is a national notion, having its particular identity and ensuring the social role of the State. However, there is no consensual definition *stricto sensu* of public service. The expression refers to organizational arrangements consisting in conferring to public monopolies the responsibility of handling services of general interest⁸⁸. Also, the French conception distinguishes administrative public services from industrial and commercial public services⁸⁹.

The particular role and identity of the public service in the French society has supposed for France to reconcile the specificities of its public service with the changes implied by the liberal trend in OECD countries and the European construction. As a result, the State's reorganisation has occurred in two steps and, today, the outsourcing process is as developed as in other European countries. In the late 1990s, the French public service was subcontracting to the private sector about 25 % of its non-core services (Maintenance, standard procurement..) - against 35 % for Germany, 25 % for Italy and 41 % for the United-Kingdom⁹⁰.

⁸³ Silicani, Jean-Ludovic, FRANCE. Ministère du budget, des comptes publics et de la fonction publique; FRANCE. Secrétariat d'Etat à la fonction publique, « Livre blanc sur l'avenir de la fonction publique : faire des services publics et de la fonction publique un atout pour la France » Avril 2008, La Documentation française, p. 27.

⁸⁴ Also known as the school of the public service, it is composed of Léon Duguit, Gaston Jèze, Roger Bonnard, André de Laubadère et Latournerie. They developed the doctrine of public service at the beginning of the XXth century.

⁸⁵ Silicani, *op. cit.* p. 27.

⁸⁶ Chevallier, Jacques, *Essai sur la notion juridique de service public*, 1999, Faculté de droit et de sciences sociales d'Amiens, Amiens, p. 4

⁸⁷ De Noix de Saint Marc, Renaud, FRANCE Premier ministre, « Service public : rapport au premier ministre », décembre 1996, La Documentation Française, p. 22.

⁸⁸ De Noix de Saint Marc, R. *Ibid.* p. 17.

⁸⁹ Salicani, J. *Ibid.* p. 26.

⁹⁰ Lundsgaard, Jens, ouverture à la concurrence et efficacité des services à financement public » *Revue économique de l'OCDE*, 2002, 2, p. 127.

In the mid-1980s, France has progressively adhered to the principles of economic liberalism and has started to privatise parts of its public sector. Then, from the late 1980 until today, the public powers have carried out an entire overhaul of the public policy, in order to modernise the public service. Outsourcing has been led as part of this reform process, as it was thought to contribute to reducing the public expenditures, to benefiting from the expertise of the private sector in specific fields and to improving the State efficiency. The mechanisms leading to this two-steps process will be explained, before detailing the historical developments in France and presenting the modalities of the reform.

3.1.1.1. The reform of the French public service: an answer to the liberal trend in OECD countries and to the European integration (1980-2012)

From the early 1980's, the role of the public powers in the economy has been profoundly revised in OECD countries, mainly in Anglo-Saxon and Scandinavian societies. The liberalisation of parts of public administrations and the privatisation of State-owned companies have been led with the view to increasing the efficiency of the public sector, and to modernising public administrations at times of a globalising economy and rapid technological progresses.

The completion of the European common market, with the signature of the 'European Single Act' in 1986, has conditioned the definition and the management of the Member States' public services. The latter have had to incorporate provisions on Community competition rules in their national legislations.

While French governments have continuously defended the particularities of the public services "à la française", its values and its role in defining public policies, they have nonetheless embarked on the process of reforming their public administration.

3.1.1.2. The evolution of the role of the public sector in OECD countries: from 'public administration' to 'public management'

In the post-1945 decades, most European States have traditionally provided services of public interest to their citizens, exercising public monopolies for water and electricity delivery, health care services, social benefits, education, transports and communications infrastructures⁹¹.

The economic globalisation process, the development of new technologies and more efficient communication means contributed to an increased integration of national economies and, as a consequence, to a reduced influence of the public powers over their own economies.

In this evolving international context, OECD countries have initiated a complete overhaul of their public administrations. At the time, the model of the 'welfare State' came under fire, for

⁹¹ OCDE, « la modernisation du secteur public : la route à suivre », *Synthèses de l'OCDE*, November 2005, p. 2.

its inability to address the market failures and for generating an inefficient and burdensome public sector. Consequently, the establishment of public monopolies for services of general interest has progressively been seen as unjustified⁹².

In the early 1980's, the governments Reagan in the United-States, Thatcher in the United-Kingdom, Adenauer in Germany, Lubbers in the Netherlands adhered to liberal principles.⁹³ In order to increase the efficiency of the public sector, the liberal school of thought encouraged the reduction of the role of the State in the economy through the introduction of market mechanisms. The notion of "New public management", which recommended the application of a corporate governance mode to the public sector, flourished concomitantly. The principle of "management" replaces "administration"⁹⁴, meaning concretely that the public powers limit themselves to the definition of general guidelines and grant the delivery of services to the most performing operators, private or public⁹⁵. By "steering at a distance"⁹⁶, the government is supposed to focus on its core functions, while conceding to contracted operators non-regal missions. In the same vein, the public sector is converted to a result-oriented approach. The search for performance and for the most efficient outcomes takes precedence over the provision of a continuous and equitable service⁹⁷. The users, as consumers, are entitled to make their choice according to the criteria of high quality and affordable price⁹⁸.

The British government of Margaret Thatcher has been very keen at modernising the national public sector, by the way of privatising public assets and outsourcing industrial and commercial services to the private sector. Thus, between 1977 and 1999, a total of 169 public companies have been privatised⁹⁹. In the case of the United-Kingdom, the liberalisation process also corresponded to a critical need to improve the quality of the services provided¹⁰⁰. In Germany, the Adenauer government started the privatisations in 1961, when surrendering the State-owned parts of Volkswagen¹⁰¹.

The privatisation process has gained France at a later stage, but the phenomenon has been as spread as in Scandinavian or Anglo-Saxon countries¹⁰². In 1986, the right-wing government of Jacques Chirac sold parts of Saint-Gobain, Paribas, TF1 and the *Compagnie générale d'électricité*. The successor governments of Michel Rocard (left), Edouard Balladur (right), Alain Juppé (right) and Lionel Jospin (left) have followed the same trend, notably with

⁹² Merrien, François-Xavier, « La Nouvelle Gestion publique : un concept mythique », *Lien social et Politiques*, 41, 1999, p. 95.

⁹³ Merrien, F. *Ibid.* p. 95.

⁹⁴ OCDE, « La modernisation du secteur public : bilan de la réforme du service public », *Synthèses de l'OCDE*, November 2003, p. 2.

⁹⁵ Merrien, F. *op. cit.* p. 99.

⁹⁶ Merrien, F. *Ibid.* p. 97.

⁹⁷ Chevallier, Jacques, *Le service public*, 2012, Les Presses Universitaires de France, « Que Sais-je ? », p. 22.

⁹⁸ Merrien, F. *op. cit.* p. 99.

⁹⁹ Melnik, Ekaterina, « La réforme dans la fonction publique : revue de littérature économique internationale », Centre d'Etudes de l'Emploi rapport de recherche 57, August 2010, p. 21.

¹⁰⁰ Silicani, J. *Ibid.* p. 36.

¹⁰¹ Melnik, E. *op. cit.* p. 22.

¹⁰² Melnik, *op. cit.* p. 21.

the privatisations of *France Telecom* (capital opening), initiated in 1997 and Air France (capital opening) in 1999. However, unlike Northern European countries, the successive French governments have favoured partial privatisations, rather than complete ones.

The budgetary constraints weighting on the OECD countries, which were experiencing high public debt rates coupled with a bleak economic context, because of the “stagflation” of the early 1980’s and the two consecutive oil shocks, have lead the European governments to reduce their public expenditures, resorting to transfers to the private sector. Privatisations have contributed to diminishing the fiscal deficit, while maintaining balanced public accounts¹⁰³ and private firms were seen, by essence, as more inclined to minimise their costs than public ones¹⁰⁴.

However, in some cases, outsourcing of public services have turned out to be costly, as the contracting public authority has to remunerate its executants. In the United-Kingdom, which has made use of the outsourcing possibilities in comparison with other European countries, the amount of the public administration expenditures in proportion of the GNP in 2005 was of 21,5 %, corresponding to a proportion 3,5 % higher than in France¹⁰⁵.

The creation of the World Trade Organisation (WTO) in 1994, and the correlative entry into force of the General Procurement Agreement (GPA), has contributed to consolidating international commercial law and to developing shared views at a global level on the issue of public procurements in terms of an increased international competition¹⁰⁶. Despite the softness and generality of the WTO law on public procurements, it is hard for a WTO member country to derogate or to stay at the margin of the common thinking on the agreed principles. According to Courivaud, France has strived to push through its own vision of the concession of public services in the multilateral negotiations on the GPA, so that the French conception could achieve a broader acceptance, but its efforts have not exactly been successful¹⁰⁷.

The progresses made by the liberal ideas among the governments of western countries and in the international venues, such as the WTO, have occurred at a crucial time for the European construction. Indeed, in 1986 European member States sign the ‘European Single Act’, which intensifies the single market implementation. In this regards, liberal ideas have not failed to influence the European leaders in the political choices to make for the deepening of the European integration.

¹⁰³ Melnik, E. *op. cit.* p. 20.

¹⁰⁴ Melnik, *Ibid.* p. 25.

¹⁰⁵ Silicani, J. *op. cit.* p. 36.

¹⁰⁶ World Trade Organisation, « The Plurilateral Agreement on Government Procurements » available at http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm (consulted on 27/12/2012)

¹⁰⁷ Courivaud, H. *Ibid.* p. 399.

3.1.1.3. The construction of the European Single Market: a main trigger to the liberalisation of the public sector

According to the European law, fair and undistorted competition rules between the economic agents operating on the common market is a necessary mean to the completion of a prosperous European community¹⁰⁸. Therefore, without being incompatible with the French view on public services, the Community approach has been in contradiction with the notion of a service coming from the public powers, ensuring the principle of solidarity and arbitrating between citizens' rights and commercial and entrepreneurship freedoms, deeply rooted in French law¹⁰⁹.

On the contrary, the Treaties of the European Union conceive the "services of general economic interest (SGEI)" as an exception to competition rules¹¹⁰. The SGEI are subjected to the rules on competition in the European Union¹¹¹. In this regard, the completion of the single market fits badly with extensive national public services. According to the European Commission, Member States are allowed to lay down a number of specific service provisions to meet their needs in the form of SGEI obligations, if they consider that market forces do not satisfactorily provide for the service¹¹². The Commission therefore grants a certain leeway to its Member States in defining their own public services.

However, the position of the European Court of Justice (ECJ) in its rulings shows that any abuse of dominant position, even granted by public authorities, should not result in the elimination of competition¹¹³. In accordance with the Court, the Commission has recognized that public monopolies divided the common market along national boundaries, and tended to restrict the free movement of goods and services, and to provoke nationality-based discriminations within the European Union¹¹⁴. For these reasons, the Community fostered the introduction of competition in services as a general rule.

In the 2003 *Altmark* case, the European Court of Justice has set four cumulative conditions for the public compensation of a private company delivering a SGEI: there should be clearly defined public services obligations, objective and transparent parameters to calculate the compensation, and a payment that does not excessively overpass the costs of providing the service. Finally, in case there is no public procurement procedure to select the recipient

¹⁰⁸ De Noix de Saint Marc, R. *Ibid.* p. 36.

¹⁰⁹ De Noix de Saint Marc, *Ibid.* p. 35.

¹¹⁰ De Noix de Saint Marc, *Ibid.* p. 36.

¹¹¹ European Union, « Consolidated Version of the Treaty on the European Union and the Treaty Establishing the European Communities of 13 December 2007 » *Official Journal of the European Communities*, C 83/1, 30 March 2010, art. 106 TFUE (ex-art. 86 TEC), p 90-91.

¹¹² European Commission, Communication (2001/C 17/04) from the Commission of 19 January 2001 on services of general interest in Europe, *Official Journal of the European Communities* C 17/04, 19 January 2001, Art 3 (14) p. 7.

¹¹³ Court of Justice of the European Union (hereafter « CJEU »), judgment of the Court of 30 April 1974, aff. 155-73 *Sacchi Case*, Rep. p. 419.

¹¹⁴ Fuchs, Gérard, « Le service public en France et dans l'Union européenne », Rapport d'information à l'Assemblée Nationale, n°1064, XIème législature, 14 June 2001, p. 43

undertaking, the latter must be determined on the basis of an analysis of the costs of a typical well-run company¹¹⁵. If one of these four conditions is not fulfilled, the compensation can fall into the regime of State aids.

As a result, France has had to incorporate into its national law the dispositions contained in the European Directives on competition, which has led the successive French governments to conduct substantive changes in the organisation of their public services.

Although France has quite vehemently stated the necessity to preserve its own conception of public service, as a matter of fact, all the French governments have mostly welcomed the Community projects introducing more competition in the public services, notably in air transports and telecommunications¹¹⁶. They have been more reluctant concerning the liberalisation of electricity and railway services, arguing it would not be cost-effective and would reduced the accessibility of the services¹¹⁷.

In the end, the political choices made by France in order to modernize its public sector have been aligned on those made at Brussels and in other European capitals. In this way, France has conducted its reform process in a way to adapt the management of public services to Community orientations and international trends.

3.1.2. The development of the outsourcing process in France: between a technical tool to improve the State's efficiency and a revolutionary management of the public service (1980-2012)

The combination of the liberal reform of the public structure in OECD countries and the construction of the European single market has had an impact in France in two steps.

In the course of the 1980's, the French political class has progressively taken ownership of the liberal principles in political economy issues, and has followed choices in the domestic economic policy similar to those made in other liberal European States at the time, but in accordance with its own political culture and society. In a nutshell, the French public powers have led a moderated liberalisation.

Over the 1990's, France has instigated a broad reform process of the public sector, reviewing entirely the policy evaluation scheme, the public finance framework, its public service and the human resources in the administration. The reform process has endlessly

¹¹⁵ CJEU, Judgment of the Court of 24 July 2003 in Case C-280/00, *Altmark Trans GmbH and Regierungspräsidium Magdeburg v Nahverkehrsgesellschaft Altmark GmbH*, Rep.

¹¹⁶ De Noix de Saint Marc, *op. cit.* p. 37.

¹¹⁷ Fuchs, G. *op. cit.* p. 43

characterized the domestic political life until recently, with the new project of Révision Générale des Politiques Publiques (RGPP). Outsourcing has dramatically increased, in line with the modernisation of the public sector, and legal tools have been improved adequately to favour its development.

3.1.2.1 The soft and progressive conversion of the French political class to liberalism principles (1980-1990)

The first attempts to reorganise the public sector in France has emerged in the 1960's, under the Pompidou government (1962-1968), notably after the publication of the Nora report in 1967¹¹⁸. However, the liberalisation of the public services occurred mainly in the middle of the 1980s, impacted by the liberal trend in developed economies and by the domestic changes implied by the European construction. Liberalism has been progressively introduced in France over this period, in the course of the socialist presidency of François Mitterrand, following the “*tournant de la rigueur*” and the wave of privatisations of 1986. The political class, both left wing and right wing have adopted its principles. In parallel, the French right has developed a moderated ideology of liberalism, as an alternative to the traditional Gaullism and as a strategic ground to return to power.

In 1983, the left-wing government of Pierre Mauroy (1981-1983), under the first Mitterrand presidency, completely reviewed the economic choices of the country. The minister of economic affairs and finances, Jacques Delors, launched an economic policy called the “*tournant de la rigueur*” by the medias, in reference to its objectives of redressing the public finances in a depressed economic climate. Since then, both left wing and right wing governments have reformed the functioning of the State in line with the principles of economic liberalism.

According to Rouban, unlike other European countries, the reform in France has relied on liberal tools, but the reformists have not developed an adequate theory, a kind of “liberalism *à la française*”, at least until the Raffarin government in 2002¹¹⁹. Therefore, the public services outsourcings occurred according to a pragmatic approach, answering to the modernisation needs of the public sector. Rouban uses the expression of a “utilitarian liberalism”¹²⁰ to describe the state of mind of the French political elite and administration. The ministries have resorted to the expertise of the private sector, without following a general plan and according to their immediate needs¹²¹. Several municipalities, such as Nimes or Paris, have started to outsource some municipal activities such as waste removal, water supply or municipal printing services in the mid-1980s¹²². Jacques Chirac, the then mayor of

¹¹⁸ De Noix de Saint Marc, *op. cit.* p. 33

¹¹⁹ Rouban, Luc, « Réformer ou recomposer l'Etat ? Les enjeux sociopolitiques d'une mutation annoncée », *Revue française d'administration publique*, 1, 2003, p. 161

¹²⁰ Rouban, L. *Ibid.* p. 161.

¹²¹ Danjou, Baptiste, Massa, Emmanuel, « Services publics et externalisations : réalités, actualités et perspectives », 2004, ENSMP CERNA, Paris, p. 10.

¹²² Chambat, Pierre, « Service public et néolibéralisme », *Annales économiques, sociétés civilisations*, 1990, 3, p. 619.

Paris, has privatised dozens of activities in the capital, notably the *Palais Omnisport de Bercy*¹²³.

In 1986, the right won the legislative elections, leading to the “*petite alternance*”. Jacques Chirac, chosen as Prime Minister, appointed Alain Madelin, known as being very supportive to the industrials, as Minister for the industry¹²⁴. The Chirac government has implemented a vast programme of privatisations, in line with the new liberal ideological strategy of the French right. Indeed, while the left has been swept to power in 1981, the opposition party of the right has developed an electoral strategy based on the adoption of a moderate neoliberalism, circumvented to the economic sphere¹²⁵. Under the Chirac government, a total of 7 banks, 3 industrial societies, and 2 communication firms have been privatised. The number of privatisations peaked in 1986, and the process has been uninterrupted afterwards¹²⁶.

However, the liberalisation process in France has been rather measured in the sense that it has only been carried out on parts of the service. For instance, in the telecommunication sector, the introduction of competitors has been limited to the cable, the phone boxes, the radio and added-value networks, while keeping intact the public monopoly on the basic telephone service¹²⁷. The deliberate choice of restraining the extent of privatisations is explained by the sensitivity of the issue in the French society. The users are attached to their public services, which traditionally embody solidarity values and the ideal of a universal access. Besides, the liberalisations in the *Service National des Chemins de Fer* (SNCF) has led to massive strikes of the railway staff, while thousands of students took to the streets in protestation against the project of reforming the national education system, undertaken by Claude Allègre, the Minister of Education of the same Chirac government. Minister Allègre, which declared its objective was to “*dégraissier le mammoth de l’Etat*¹²⁸”, has regularly been in open opposition with the teachers’ unions.

Somehow, because the privatisation issue has been quite controversial between the public authorities and the unions, there has not been any elaboration of a grand outsourcing strategy. This can explain why the phenomenon has been characterised by a high level of pragmatism and opportunism¹²⁹. Thus, the outsourcing process has never been publicly advertised and has been incorporated into the overhaul reform of the State, which intensified over the 1990’s.

¹²³ Chambat, P. *Ibid.* p. 619.

¹²⁴ Thibault, Guillaume, *Quelle stratégie industrielle pour la France face à la mondialisation ?* 2008, Technip, Paris, p. 65.

¹²⁵ Chambat, *op. cit.* p. 618.

¹²⁶ Rouban, *op. cit.* p. 160.

¹²⁷ Rouban, *op. cit.* p. 618.

¹²⁸ Literally to ‘thin the Mammoth of the State’, to reduce the size of the State.

¹²⁹ Danjou, Massa, *op. cit.* p. 10.

3.1.2.2. The development and codification of outsourcing within the framework of the reform of the public services (1990-2012)

The rise of public service outsourcings has taken place within the broader framework of the reform of the State, which has characterised the French political life from the last two decades. The last project to date has been the *Réforme Générale des Politiques Publiques* (RGPP), launched in July 2007 by the Fillon government. The RGPP has implemented a process that has started with the publications of series of reports related to the reorganisation and modernisation of the public administration, notably a more rational use of the human resources. The Belin-Gisserot report of 1986, the Closets report of 1988, followed by the report of the Commission on '*l'efficacité de l'Etat*'¹³⁰ have paved the way to several ministerial circulars implementing a renewal of the public service structure. Accordingly, the circular of 23 February 1989 of Prime Minister Rocard ('*circulaire Rocard*') states that the public services should "ensure the best conditions of equality and efficiency, and guarantee the Republican values while promoting economic and social progresses"¹³¹. The *circulaire Rocard* focuses on the modernisation of the management of human resources in the French administration, but a general analysis¹³² of the governmental circulars communicated between 1995 and 2005 show that the main targeted objectives are a better evaluation of the State's missions and services, a more rationalised use of the services, a regional decentralisation, simplified procedures, an improved use of mutualisation and of new technologies. The circular of 26 July 1995 of Prime Minister Juppé¹³³ ('*circulaire Juppé*') has gone beyond the modernisation of the public service, calling for a global reform of the State's responsibilities and missions. The circular is based on the report of the Picq Commission of 1994 '*L'Etat en France, servir une nation ouverte sur le monde*'¹³⁴, which recommended that the State should focus on its core missions and delegate its responsibilities through management contracts with public establishments, decentralised departments or private executants¹³⁵.

The reform project has been conducted in parallel to the adoption of a new mode to evaluate public policies. The 22 January 1990, a decree of the Rocard government proposed a

¹³⁰ State's efficiency

¹³¹ Rocard, Michel, PREMIER MINISTRE, circulaire du 23 février 1989 relative au renouveau du service public, *Journal Officiel de la République Française* du 24 février 1989, p. 2625.

¹³² Inspection générale de l'Administration (IGA), Inspection Générale des Finances (IGF) and Inspection Générale des Affaires Sociales (IGAS), « Rapport sur le bilan de la RGPP, et les conditions de réussite d'une nouvelle politique de réforme de l'Etat », September 2012, *ladocumentationfrançaise*, p. 14-15.

¹³³ Juppé, Alain, Circulaire du 26 juillet 1995 relative à la préparation et mise en œuvre de la réforme de l'État et des services publics, *Journal Officiel de la République française* du 28 Juillet 1995.

¹³⁴ Mission sur les responsabilités et l'organisation de l'Etat, Rapport « L'Etat en France : servir une nation ouverte sur le monde », May 1994, *la Documentation française*, Paris.

¹³⁵ IGA, IGF and IGAS, *Ibid.* p. 132.

definition of “evaluation” as a means to measure the expected effects of public policies implemented¹³⁶.

The adoption of the *Loi Organique relative aux Lois de Finances* (LOLF) in August 2001 codified this result-oriented approach in the evaluation of public policies. The LOLF is a genuine ‘new constitution’ for the public finances¹³⁷ and answers to the two objectives of reducing the public expenditures and of improving the efficiency of the State through delegating State’s non-core missions. Entered into force in 2006, the LOLF has *de facto* contributed to an increase in outsourcing, notably in reason of the establishment of a multiannual budget framework¹³⁸ and of the possibility to transform staff credits into equipment credits¹³⁹.

The juridical tools framing the different modes of public service outsourcings have been formalised and codified in the course of the reform process. Three modes can be retained: the delegation of public services (DPS), the new 2001 public procurement code and the public private partnerships (PPP).

The DPS is the oldest practice. The notion has been developed by the jurisprudence, before its codification¹⁴⁰ in the Law of 29 January 1993 “*relative à la prévention de la corruption et à la transparence de la vie économique et des procédures publiques*”¹⁴¹ also called ‘*Loi Sapin*’, in the name of the then Minister of economic affairs and public finances. The law details the procedures shaping the delegations¹⁴². The DPS is defined as followed:

*“Un contrat par lequel une personne morale de droit public confie la gestion d’un service public dont elle a la responsabilité à un délégataire public ou privé, dont la rémunération est substantiellement liée aux résultats de l’exploitation du service. Le délégataire peut être chargé de construire des ouvrages ou d’acquérir des biens nécessaires au service”*¹⁴³.

The public procurement code, which regulates the use of the public procurement procedure in France, has been renewed several times over the 2000’s¹⁴⁴. Previously viewed as too rigid, the code has evolved in a way that simplifies the procedures, notably for the market of

¹³⁶ Maya Bacache Beauvallet, « redéfinir les méthodes de gestion de l’Etat comme employeur et comme producteur », 8 July 2011, Rencontres économiques d’Aix en Provence, panel on « Le renouveau du débat public/privé », Rep. p. 4.

¹³⁷ Danjou, B., Massa, E. *op. cit.* p. 7.

¹³⁸ Danjou, B., Massa, E. *op. cit.* p. 6.

¹³⁹ Danjou, B., Massa, E. *op. cit.* p. 7.

¹⁴⁰ Voisin, Arnaud, « La gestion mixte des services publics, délégation de service public, externalisation and partenariat public privé », *Regards croisés sur l’économie*, 2007, 2, p. 3.

¹⁴¹ Law n° 93-122 of 22 January 1993 « *relative à la prévention de la corruption et à la transparence de la vie économique et des procédures publiques* », *Journal Officiel de la République Française* du 30 Janvier 1993, p. 1588.

¹⁴² *Ibid.* Art 38-47

¹⁴³ ‘A contract, by which a legal person of public law grants the management of a public service, it is the responsible for providing, to a public or private delegatee remunerated, in substance, according to its outcomes for the service exploitation. The delegatee can be charged with public works building or with acquiring necessary goods for the functioning of service’ (free translation). Loi MURCEF, 2001, in Voisin, A. *op. cit.* p. 3.

¹⁴⁴ Voisin, A. *op. cit.* p. 4

services. The main difference between the two tools is the mode of payment. Whereas the remuneration for the DPS is issued from the exploitation of the service, for public procurements, the public contractor effectuates the payment once the market is awarded¹⁴⁵.

The public private partnership (PPP) constitutes the most recent and third tool used in the case of public services outsourcing. Originally, the PPP derogated from the public procurement code and it was tailor-made for sectoral infrastructures projects¹⁴⁶. The order of 17 June 2004 on partnership contracts instituted a general application of the PPP. It is defined as:

“Un contrat administratif par lequel l’Etat ou un établissement public de l’Etat confie à un tiers, pour une période déterminée en fonction de la durée d’amortissement des investissements ou des modalités de financement retenues, une mission globale ayant pour objet la construction ou la transformation, l’entretien, la maintenance, l’exploitation ou la gestion d’ouvrages, d’équipements ou de biens immatériels nécessaires au service public, ainsi que tout ou partie de leur financement à l’exception de toute participation au capital. Il peut également avoir pour objet tout ou partie de la conception de ces ouvrages, équipements ou biens immatériels ainsi que des prestations de services concourant à l’exercice, par la personne publique, de la mission de service public dont elle est chargée¹⁴⁷ ».

The PPP constitutes an interesting third way between the DSP and the public procurements for the public authorities. Indeed, the latter can use the PPP for longer-term projects, such as infrastructure building. The PPP institutes a genuine partnership between the administration and the private sector. According to Voisin¹⁴⁸, it corresponds to a redefinition of the role of the State as the authority setting the public policy general guidelines, in line with the “steering at a distance” principle, which guides modernisation efforts in OECD countries. In the spirit of the order of 2004, the objective of the PPP is to maximise the association between the State and the private sector in carrying out missions of general interest. Indeed, in order to conclude a partnership contract, the State has to show that the public sector cannot carry out alone the public service mission, or will not be effective in executing these tasks, unless the

¹⁴⁵ Marty, Frédéric, Voisin, Arnaud and Trosa, Sylvie, *Les partenariats public-privé*, 2006, La Découverte, Paris.

¹⁴⁶ Voisin, A. *op. cit.* p. 5.

¹⁴⁷ ‘An administrative contract, by which the State or a public establishment grants to a third, for a limited period of time corresponding to the depreciation period for investments or funding procedures, a global mission for the construction or transformation, maintenance, exploitation or the management of works, equipments or immaterial goods essential to the public service, as well as for any other part of their funding, excepted capital participation. It can also be responsible for all or parts of these works, equipments or immaterial goods and for the provision of services contributing to the exercise, by the public person, of the public service mission it is in charge of ensuring’. (Free translation). Ordonnance n° 2004-559 du 17 June 2004 « sur les contrats de partenariats », *Journal Officiel de la République française* du 19 Juin 2004, n° 141, p. 10994, consolidated version of 30 September 2011, Art. 1.

¹⁴⁸ Voisin, A. *op. cit.* p. 6.

State is associated to external operators¹⁴⁹. Thus, the PPP establishes a burden sharing between the private operators and the public sector.

All in all, the codification of the three above-mentioned tools has contributed to an evolution in outsourcing processes. A firmer legal framework has increased the systematic recourse to outsourcing. Equally, the practice of privatisation and delegation of the State's activities, favoured in the 1980's, has evolved toward an association between private and public actors and shared responsibilities in the management of public services; the role of definition remaining in the hands of the public powers.

The current state of play of outsourcing in France is the result of these political and legal developments. Until 2012, the reform process has taken place under the umbrella of the *Révision Générale des Politiques Publiques* (RGPP). The initiative launched by the Fillon government in 2007, a few months after Sarkozy has been elected President, is looking forward the entire review of the reform process conducted over the last 20 years. For this purpose, the RGPP has created a Council around the presidency of the Republic in charge of orienting the modernisation. The *Direction Générale pour la Modernisation de l'Etat* (DGME) is the organism responsible for the follow-up¹⁵⁰. The review has targeted the whole administration, every ministry and the total amount of public expenditures. A generalised auditing of the State's services has been mandated to look into the means to improve the productivity of the services and their quality for the users¹⁵¹. The latest assessment of the RGPP¹⁵² has shown that the depth of the structural changes implemented in the different ministries have been unprecedented, even though the budget gains are difficult to measure¹⁵³. Estimated relevant in substance, the RGPP has been criticized for the method pursued. The reform has been rather unpopular among the civil servants, who have felt that the measures have been imposed upon them¹⁵⁴. However, the assessors recommended carrying on the modernisation of the public sector.

In this political framework, the ministries have widely resorted to outsourcings in order to fulfil three objectives: reducing their costs, taking advantage of the expertise of the private sector and improving the long term efficiency of their services¹⁵⁵. The cuts in human resources in the public administration have been an additional reason to resort to external contractors.

¹⁴⁹ Rouvillois, Frédéric, « L'externalisation ou comment recentrer l'Etat sur ses compétences essentielles », April 2008, *Fondation pour l'innovation politique*, p. 13

¹⁵⁰ IGA, IGF, IGAS, *Ibid.* p. 3

¹⁵¹ « Révision générale des politiques publiques un coup d'accélérateur pour la réforme de l'Etat », 24 September 2007, available on *Vie Publique* <http://www.vie-publique.fr/actualite/dossier/rgpp/revision-generale-politiques-publiques-coup-accelereur-pour-reforme-etat.html> (consulted 31/12/2012)

¹⁵² IGA, IGF and IGAS, *Ibid.*

¹⁵³ IGA, IGF and IGAS, *Ibid.* p. 4.

¹⁵⁴ « Bilan de la RGPP: très négatif sur la forme, plus nuancé sur le fond », Le Point .fr AFP, available at http://www.lepoint.fr/economie/bilan-de-la-rgpp-tres-negatif-sur-la-forme-plus-nuance-sur-le-fond-25-09-2012-1510099_28.php (consulted on 31/12/2012)

¹⁵⁵ Centre d'analyse stratégique « externalisation du service public : un moyen efficace pour réduire les dépenses de fonctionnement », *La note de veille* n° 148, July 2009, p. 3.

In practice, each ministry has to elaborate a *Stratégie Ministérielle de Réforme*¹⁵⁶ (SMR), renewed annually, in which it includes the contracts with private operators¹⁵⁷. Since the issues differ between the ministries, the depth and nature of outsourcing vary significantly. Taking the example of a few ministerial services gives an insight into the extent of the phenomenon. The ministry of culture has outsourced two types of activities: support services and the maintenance of historical sites and museums. Regarding the support services, the ministry has outsourced the copy machines and the computers services. As for the museums, private operators manage dressing services and monitoring services. Outsourcings could be extended to the maintenance of gardens and parks but some reserves remain since officials in the ministry of culture believe this could lower the quality standards, important in this kind of activity¹⁵⁸.

In the ministry of defence, the stakes are different as it relates to the State regal missions. Thus, the ministry has identified its core and non-delegable missions as corresponding to the chain of command from the political to the operational level implying the legitimate use of violence¹⁵⁹. All the remaining activities can be outsourced and the ministry has resorted to outsourcings in a large extent as regards stewardship services such as catering, guarding, maintenance and transport. In 2003, the sum of outsourcing contracts signed by the ministry amounted to around 700m Euros annually¹⁶⁰.

In the ministry of education and research, the main objectives are to improve the efficiency of the services while complying with budget constraints and imperatives of staff cuts. Therefore, the central administration has proceeded to the delegation of computer services (up to 30 % of the whole service), the telephony, the drivers, cleaning, mailing, catering and guarding. In the longer run, private companies should also exert the reception and the interface with the public. The service should be provided in several languages. The books and supply shops of the ministry central administration should also be outsourced¹⁶¹. These three examples illustrate the nature of a process that regards mainly technical and logistical tasks.

Many issues can be raised about the outsourcing phenomenon, which has recently developed in a relatively wide extent in public administrations. As Rouvillois recalls it, the decision to outsource public services has been taken on a case-by-case basis, according to the technical, financial or political feasibility¹⁶². In 2003, the State Secretary to the reform of the State, Henri Plagnol, already declared that "*il faut absolument éviter le coup par coup, au*

¹⁵⁶ Raffarin, Jean-Pierre, PREMIER MINISTRE, circulaire du 25 juin 2003 « relative aux Stratégies Ministérielles de Réforme », *Journal Officiel de la République française*, 17 July 2003, p. 12095.

¹⁵⁷ Danjou, B. Massa, E. *op. cit.* p. 9

¹⁵⁸ Danjou, B. Massa, E. *op. cit.* p. 21

¹⁵⁹ Danjou, B. Massa, E. *Ibid.* p. 22

¹⁶⁰ Danjou, B. Massa, E. *Ibid.* p. 23.

¹⁶¹ Danjou, B. Massa, E. *Ibid.* p.28

¹⁶² Rouvillois, F. *op. cit.* p. 38.

*petit Bonheur la chance*¹⁶³. In this regards, Rouvillois recommends to define a strategy for outsourcings. Indeed, despite tabling the issue might bring social tensions, given its sensitivity for the unions and within the public opinion, it could also enable the public authorities to improve its management, through delimitating and framing its developments¹⁶⁴. Currently, officials do not have an accurate picture of the practice. Indeed, in May 2011, the Minister for the Budget Pécresse has requested to the *Mission d'évaluation des politiques publiques* (MEPP) an investigation and cartography of the outsourcing modalities used by the ministries. Besides, the National Assembly and the Court of Auditors have stated that the public sector outsourcing appeared to be lacking in rigor¹⁶⁵.

According to Cossalter, the main issue is the absence of a well-delimited boundary between delegable and non-delegable activities. Every mission of public service can be divided up and thus, even though the core functions are not delegated, the related activities contributing to the mission of public service can be outsourced¹⁶⁶. The 'uncertain frontier' is a significant problem in the case of regal ministries, such as the ministry of defence. The jurisprudence of the Constitutional Council has identified '*les prestations techniques détachables des services de souveraineté*¹⁶⁷' as the delegable services, but in practice, it is impossible to draw a line between the private exercise of regal functions and the outsourcing of annex activities¹⁶⁸. The example of the outsourcing in the penitentiary institutions provides a good illustration of this dilemma. Thus, instead of delimitating the fields that can or cannot be delegated, the public powers should think in terms of the intensity of the delegation. For Cossalter, the degree of outsourcing is more important than the nature of the outsourced services.

3.1.3. Outsourcing in the French Public Service

The public service has experienced a paradigmatic change in course from the late 1970s. Traditional public monopolies on general interest services have been replaced by synergetic management modes involving both the private and the public sectors. Public services are increasingly dissociated from their providers, in competition to propose the cheapest and most efficient service. The change of a model based on the State's only responsibility

¹⁶³Rouvillois, F. *Ibid.* p. 38.

¹⁶⁴Rouvillois, F. *op. cit.* p. 38.

¹⁶⁵ Sidaner, Xavier, « Le ministère du budget veut en savoir plus sur les externalisations », *Acteurs publics.com*, 3 August 2011, available at <http://www.acteurspublics.com/2011/08/03/le-ministere-du-budget-veut-en-savoir-plus-sur-les-externalisations> (consulted 31/12/2012)

¹⁶⁶ Cossalter, Philippe, « Le droit de l'externalisation des activités publiques dans les principaux systèmes européens », "L'externalisation des activités publiques en droit comparé", colloque of the 23 March 2007, chaire Mutations de l'action publique et du droit public (MADP), Sciences-Po Paris.

¹⁶⁷ Cossalter, P. *Ibid.* p. 13.

¹⁶⁸ Cossalter, P. *Ibid.* p. 13.

¹⁶⁸ « Après la fin de la RGPP, le gouvernement sort sa MAP », 18 December 2012, *LeMonde.fr*, AFP, Reuters, available at http://abonnes.lemonde.fr/politique/article/2012/12/18/apres-la-fin-de-la-rgpp-le-gouvernement-sort-sa-map_1807782_823448.html (consulted on 03/12/2012)

toward a mode of public-private association has implied an adaptation of the French doctrine of public service. The compliance of the domestic public policy with the European measures setting the single market and the modernisation efforts of State structures under the effect of increasingly global economic interdependencies has been a two-step process. Firstly, France has opened its public services to competition in the 1980s. The year 1986 can be viewed as a turning point, with the wave of privatisations carried out under the Chirac government. Secondly, over the 1990s the outsourcing has been framed within the public sector review. The reform process has allowed a better involvement of private actors into public missions and genuine combined management modes, notably with the recourse to Public-private partnerships from 2004.

Today, outsourcing strategies are enshrined in the functioning of the public administration as a privileged tool for reducing costs and increasing the public services' efficiency. As the French public administration is still undergoing a review, the outsourcing process needs to be further delimited. Many issues continue to be attached to the practice, such as the control and accountability of private operators, the boundaries of the State's core functions, the selection of the best private associate. In this regard, it will be worthwhile to look at the future of the public policy review, all the more as the RGPP launched by the outgoing government has been replaced by the *Modernisation de l'action publique (MAP)*¹⁶⁹. The objectives are very similar to those of the RGPP, and aim the improvement of the State's efficiency. The reform goes in the direction of giving rise to a 'strategist State', complying to the new societal and global challenges but with more limited resources.

3.1.2 A History of outsourcing in the UK

3.1.2.1. The British context

Outsourcing public service in the UK and releasing contracts for tender was once thought of as a Thatcherite, free-market reform. However, one could argue that the labour government that was last in office began to consider outsourcing as a means of achieving public sector targets.

In an attempt to refocus outsourcing on outcomes and create greater quality of outsourcing service, the UK Government introduced the Compulsory Competitive Tendering Act (CCT) in 1988. CCT was originally introduced in hospitals, and further broadened to encompass local

government in the Local Government Act 1988.

After CCT, the inception of the NHS Internal Market and introduction of a 'purchaser-provider split' further accelerated the progress of outsourcing in the public sector. The reforms were introduced in the 1989 white paper. The paper can be seen as a landmark movement towards the use of outsourcing in public sector, introducing the concept of competition in the provision of white-collar services. In the case of the NHS internal market, the government maintained responsibility for allocation of funds, therefore effectively retaining commissioning control, however introduced competition into the structure of Primary Care via the purchaser-provider split.

The first tentative signs that Labour was not wedded to monopoly provision of public services came in a speech by Tony Blair in March 1997. His phrase "what matters is what works" was an early articulation of the view that it does not matter who provides public services, so long as they are publicly accountable, of a high standard, and "value" for money.

In 1999, it was formally deduced that CCT would be abolished. In its place, Blair's Labour Government instated the concept of 'Best Value'. Tony Blair decreed re-emphasis on value over cost savings in all service contracts, having a profound effect on outsourcers and contractors-out.

The Private Finance Initiative (PFI) was, admittedly launched under Major's conservative government in 1992 but largely developed under Blair administration, starting from the hospital sector to be extended to other public services. There are several examples of the use of PFI to provide public service.

The Guardian argues that "*under Labour, billions of pounds worth of public services have been outsourced: the private sector runs prisons; local authorities outsource extensively, from housing benefits and revenue services to street cleaning and schools. Large IT contracts across government are let, almost exclusively, to the private sector*"¹⁷⁰.

Today, it is estimated that 10 to 15% of British public investments take the form of PFI. Oxford Economics estimates that "the current outsourced market for public services has an annual turnover of £82bn, representing around 24 per cent of the total spend on public services in the UK. In the NHS, the proportion of spend on external contracts delivering front line care rises to over 30 per cent. In local government it is above 40 per cent while over 90 per cent of full day care places are provided by private and voluntary sector providers"¹⁷¹. According to the Guardian, "*the future of outsourcing is no longer whether it will go or stay; it is the extent to which it will move into "core areas", changing the nature of public services*"¹⁷².

Under current government policy, outsourcing is set to increase as it is outlined in the Open Public Services White Paper¹⁷³. The first line of this document is clear: "*we believe that more open public services can benefit everybody in the UK and that finding ways to deliver better services for less money is a challenge that is common to all four nations of the UK*". The Financial Times reported that the UK is currently gripped by the biggest wave of outsourcing

¹⁷⁰ op. cit note 6

¹⁷¹ <http://www.bsa-org.com/documents/70>

¹⁷² op. cit. note 6

¹⁷³

since the 1980s, with public service tenders amounting to £4bn advertised in the Official Journal of the European Union this year alone¹⁷⁴.

As Mr Cameron put it last year in its Big Society project: “*We are in the process of opening up billions of pounds worth of government contracts so charities and social enterprises can compete for the first time. The scale of this opportunity dwarfs anything they’ve had before*”

The MP Graham M. Morris opposed frankly to it and warned “*national public services will become ever more fragmented, unstable and variable, offering short-term and risky employment not by the state, but by any fly-by-night private sector operator*”¹⁷⁵. According to the MP, outsourcing strategy of the government has become undefined and blind: “*The coalition Government are promoting different models for outsourcing different services within different Departments—for example, academies and education, the utilities model and the NHS, or payment by result for welfare and benefits. However, although those are different models, the driver is the same*”¹⁷⁶.

It is worthwhile noting that several examples reveal the extension of outsourcing in public services in the UK to other perimeters:

- Last summer, London Fire Brigade has become the first fire service to outsource its emergency call handling after agreeing a deal with FTSE 100 company CAPITA to take over the control system and staff.
- Polices forces nationwide are also in process of outsourcing their 99 control centres (£1.5 bn outsourcing deal by the West Midlands and Surrey police force, which is expected to mean many jobs currently handled by police are transferred to the private sector).
- G4S, the world’s biggest security firm, is preparing to run and build a Lincolnshire police station, which is the most extensive use of the private sector in police services so far.

Outsourcing public service in the UK and releasing contracts for tender was once thought of as a Thatcherite, free-market reform and greeted with fierce opposition; especially from the opposite party, Labour. However, one could argue that the labour government that was last in office began to consider outsourcing as a means of achieving public sector targets. Thus outsourcing has moved from the margins of the policy maker’s toolkit, to the centre. Nonetheless, it can be cited that it is visibly not yet fully accepted as a tool of public sector management in the United Kingdom.

3.1.2.2. The 1980s and Early 1990s: The Conservative Government

In the 1980s, the Conservative government looked upon outsourcing, arguably with a vision to combat labour unions, reduce the size of the blue-collar council and NHS labour force in

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http://www.ft.com/intl/cms/s/aeb00cf2-cf44-11e1-bfd9-00144feabdc0,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2Faeb00cf2-cf44-11e1-bfd9-00144feabdc0.html&_i_referer=#axzz2F3ucfC85

¹⁷⁵ op. cit. note 11

¹⁷⁶ Idem.

its employment, and decrease costs. Outsourcing was viewed as a measure of lessening bureaucracy in the state, and a means of increasing quality and

in reducing costs, and planted the roots of a culture of entrepreneurship and innovation in public service. Butler comments, 'he would say that his ideal council was one that existed - perhaps apocryphally - in the American midwest.' This is a council that employs very few and convenes once annually to assign its service contracts to private sector providers of its choice. The observable merits choice in public service through competition. This belief held by both Margaret Thatcher in the UK and Ronald Reagan in the USA, who implemented rounds of free-market reform in many sectors of the economy.

The 1988 pamphlet *The Local Right*, written by Conservative Secretary Nicholas Ridley and published by the Centre for Policy Studies, reasoned that local authorities should focus on 'enabling not providing,' as famously stated in the title. In order to survey his conclusions, it is first necessary to understand the Compulsory Competitive Tendering Act.

3.1.2.2.1: Compulsory Competitive Tendering

In an attempt to refocus outsourcing on outcomes and create greater quality of outsourcing service, the UK Government introduced the Compulsory Competitive Tendering Act (CCT) in 1988. CCT was originally introduced in hospitals, and further broadened to encompass local government in the Local Government Act 1988. This initially affected mainly blue-collar services, but was extended in 1991 to include white-collar services in the tendering process. Firms and the government alike would now open bidding on their outsourcing contracts, and invite proposals from several providers before making a decision. "In-house" bids could also be made, allowing service to be retained by public service providers.

In this attempt to move towards market-based competition, removing barriers to entry such as the need for longstanding relationships with a client to engage in business. It was thought that the result would be greater quality. The government would now have 'a menu of choice' when selecting providers, who would in theory react by making their services more quality competitive. However this was not the case; governments instead reacted by selecting providers who offered the lowest cost to serve. Therefore in 1998 the CCT was revised to accelerate choice of best value outcomes rather than lowest price. One should note however that it has been argued, such as by Frederick (1994) that the CCT achieved its purpose and reinforced both value and cost savings at the margin.

Ridley argued that CCT had succeeded of this council are that political bias and incentive bears no weight on the decision making process. Public service delivery decisions in this council are purely 'economic transactions.'

Nevertheless politics unsurprisingly did intercede. Trade union hostility towards CCT grew throughout its enactment, furthermore, white-collar professionals began to join the opposition as they were exposed to competition from the private sector and faced the reductions in salary typically associated with contracting out services.

3.1.2.2.2. The NHS Internal Market

After CCT, the inception of the NHS Internal Market and introduction of a 'purchaser-provider split' further accelerated the progress of outsourcing in the public sector. The reforms were introduced in the 1989 white paper. Peckham and Exworthy describe the paper as "a reaffirmation" of the original contract at the birth of the NHS in 1948. The paper can be seen as a landmark movement towards the use of outsourcing in public sector, introducing the concept of competition in the provision of white-collar services.

An internal market, more commonly known as a Quasi market, is a public sector institutional structure that is designed to reap the efficiency gains of free markets without losing the equity benefits of traditional systems of public administration and financing. In the case of the NHS internal market, the government maintained responsibility for allocation of funds, therefore effectively retaining commissioning control, however introduced competition into the structure of Primary Care via the purchaser-provider split.

The providers, or suppliers of the market, were hospital and community based health service providers. These became known as NHS Trusts. The purchasers, or providers, were groups of GP Fundholders, that were given the allocated funds with which they could purchase from a limited range of services for their patients. This created competition; GPFHs would seek to use their budgets in the most efficient ways, minimising expenditure, whilst purchasing the best care for their patients. Providers therefore must produce at the lowest cost possible in order to offer an attractive price to purchasers, or face exclusion from the market.

Under neo-classical market theory, it is assumed that all actors in the market are motivated by self-interest. Of course in a Healthcare Quasi Market, one assumes that purchasers (originally GPFHs) are mainly motivated by the interests of their patients, therefore the quasi-market should create greater equity than private markets. Therefore Quasi-markets should reap the advantages of free-markets and in theory efficiency should be maximised. Purchasers have a limited supply of funds. They will, in theory, purchase from those providers that will maximise utility of their patients. These should be those that produce services of the greatest quality. In this way, private firms were welcomed into the market.

The fundamental benefit of the quasi-market is that equity is far less likely to be jeopardized, as the government still plays a major role in purchasing of services. Despite the GPFHs seemingly have been granted freedom, they were closely regulated, and as Dowling and Glendinning state, 'health authorities maintained responsibility most hospital and community based services.'

3.1.2.3. Blair's Labour Government

One of New Labour's first reforms was to slacken and moderate the Internal Market in the NHS, arguing that it caused purchasers to choose providers of health service purely by cost. This may be beneficial to providers, such as outsourcing firms, however can be detrimental to service quality.

The purchaser-provider split was nonetheless maintained. This was a significant feature of the 1989 White Paper. It can be inferred from this continuation that the government had seen market-based reforms, and perhaps even the introduction of the private sector and outsourcing, generally as successful. Certain sources, such as "The New Primary Care,"

reason that the split and resultant competition from providers, such as outsourcing firms, had created incentives for practices to innovate. Dowling and Glendinning view the purchaser-provider split as beneficial to the NHS, stating “in particular the development of new services,” as a benefit of the system. Various other benefits were also observed; the Adam Smith institute notes “The allocation of taxpayer funds became more cost-effective, as purchasers sought out the units which offered better value.” This view can be reasoned by the concept that providers who offered their services at a lower price would enjoy higher demand for their work, and work harder as a result. The lower price is also likely to be resultant of lower costs, indicating greater productive efficiency. The New Primary Care continues to comment on the benefits of the purchaser provider split, praising the “improved efficiency and savings, and some improvements to access to specialist hospital services. At this point, it seemed that the use of outsourcing in public service, though concealed, had been successful.

However The BMA, arguably one of the most important institutions in judging the split, appeared strongly against the split. The article “Commissioning and the impact of the purchaser-provider split on the NHS in England,” critically assesses “the reality” of the system, and lays out various flaws. The split is described as being “expensive, divisive and creates(ing) artificial divisions between different parts of the health service.” Despite the BMA citing their view before the recent white paper, it appears the Government, who are progressing towards competition in health care, has disregarded their reasoning.

The first tentative signs that Labour was not wedded to monopoly provision of public services came in a speech by Tony Blair in March 1997. His phrase “what matters is what works” was an early articulation of the view that it does not matter who provides public services, so long as they are publicly accountable, of a high standard, and value for money.

In 1999, it was formally deduced that CCT would be abolished. ‘Under Compulsory Competitive Tendering service quality has often been neglected and efficiency gains have been uneven and uncertain, and it has proved inflexible in practice. There have been significant costs for employees, often leading to high staff turnover and the demoralisation of those expected to provide quality services. Compulsion has also bred antagonism, so that neither local authorities nor private sector suppliers have been able to realise the benefits that flow from a healthy partnership. All too often the process of competition has become an end in itself, distracting attention from the services that are actually provided to local people. CCT will therefore be abolished.’

In its place, Blair’s Labour Government instated the concept of ‘Best Value.’

3.1.2.3.1. Best Value

Tony Blair’s Best Value policy worked alongside with his ‘what matters is what works’ agenda. It decreed re-emphasis on value over cost savings in all service contracts, having a profound effect on outsourcers and contractors-out. It obliged all outsourcers to consider factors other than cost in deciding their outsourcing providers.

3.1.2.3.2. PFI – Private Finance Initiative

It can be argued that New Labour is, and was always against the privatization of entire state firms. Butler comments, It also claims not to support outsourcing when its only effect drives down wages of already low paid workers, or reduced the quality of services provided.'

Labour has also argued strongly that private and third sector involvement should not be discouraged where it 'adds value' and creates gains. Nonetheless the service of key white-collar staff such as clinicians has not been put out to tender until very recently, that too only as far as the middle-office.

There are several examples of the use of PFI to provide public service. A recent, large-scale example, is the origination of Diagnosis and Treatment Centres in the NHS. These are contracted by hospitals to provide a stream of specific services, such as specialized treatment and surgery. Some providers are even known to have been approached to run DTCs for many hospitals at once.

Under Labour, billions of pounds worth of public services have been outsourced: the private sector runs prisons; local authorities outsource extensively, from housing benefits and revenue services to street cleaning and schools. Large IT contracts across government are let, almost exclusively, to the private sector. Charities run large chunks of the social services for the elderly and disabled.

In theory, private management firms can be brought into run a failing social services department, or a persistently under-performing hospital. Increasingly, NHS purchasers are looking to buy the spare capacity of private hospital providers - effectively "outsourcing" their NHS waiting lists.

There will be constant manoeuvring over issues of accountability, regulation, and employment rights. But the future of outsourcing is no longer whether it will go or stay; it is the extent to which it will move into "core areas", changing the nature of public services.

Date	Event
1979	The Conservative party under Margaret Thatcher takes power after winning the general election
1980	Compulsory competitive tendering (CCT) first introduced for construction, maintenance and highways work by the Local Government , Planning and Land Act 1980
1982	Health authorities instructed to introduce competitive tendering for support services, such as catering, cleaning, portering and estates maintenance
1983	General election: The Conservatives under Mrs Thatcher win a second term
1987	The Conservatives win the general election, returning Mrs Thatcher for a third term
1988	The Local Government Act 1988 extends CCT to blue-collar services, such as refuse collection and ground maintenance, and white-collar services such as public libraries and arts centre management
1989	Local authorities must put out to tender sports and leisure management services, after they are added as a "defined" CCT activity under secondary legislation
1992	The Conservatives win a fourth consecutive general election, this time under the leadership of John Major. The private finance initiative is introduced to

	finance and operate hospitals, schools, prisons and other public buildings. The NHS internal market is introduced
1994	Guidance is issued on Transfer of Undertakings (Protection of Employment) regulations 1981 - known as Tupe. The application of this law protects the terms and conditions of workers who are transferred to the private sector under CCT, with the effect of slowing down the rate of outsourcing
1996	Professional or "white-collar" services provided by councils - such as legal, construction and property, and personnel, come under the auspices of CCT legislation
1997	Labour wins the general election. It replaces CCT with best value, which still requires councils to look at outsourcing services, but forces them to consider factors other than cost alone. Labour also embraces - and expands - the private finance initiative. Party leader Tony Blair declares that he is against public sector monopoly saying: "What matters is what works"
2000	Labour signs a concordat with the private health industry under which it agrees to send thousands of NHS patients to be treated in independent hospitals
2001	Labour re-elected. The party's election manifesto explicitly states that private or voluntary sector providers should be brought in where public providers are failing to improve, or where they can add value to public services
2002	Private health companies are invited to compete for multimillion pound contracts to run fast-track surgeries specialising in routine NHS surgery. Ministers announce that they will consider drafting in private management teams to run NHS trusts that perform consistently badly
2003	Labour agrees to a statutory code guaranteeing wages "no less favourable" than in the public sector for new staff hired by public services contractors, as well as those transferred under Tupe. Unions hail this as an "end to the two tier workforce" - private contractors say they are "losing faith in the government's commitment to partnership with the private sector"

Figure 69: Timeline of UK outsourcing - Source: Butler 2003

3.1.3 The German difference

3.1.3.1 The German context

Germany represents one of the countries in Europe that falls back the least on outsourcing: there still is no official definition of it and the Constitution protects functions that are considered as falling under "the exercise of public power". But this is to be interpreted by the Länder and the Federal State. Today, it is estimated that services outsourced by the Bundeswehr represents only 5% of its budget. Functions outsourced in Germany are essentially IT and maintenance.

The Financial Times reported words of criminal justice expert in North Rhin-Westphalia saying of Germany: "No political party would try to call for such a policy, and neither the minister of the interior nor the minister of finance would survive if they demanded to follow the UK in this respect".

3.1.3.2 Origins and Evolution

Due to conceptual as well as economic differences, the history of outsourcing in public services has evolved in quite distinct ways in the case of Germany.

The following section will categorize the German welfare system decentralized- continental European and elaborate on the Weberian ideational notion of public services in Germany. This is followed by a brief historical overview of the stages of outsourcing in public services in Germany and a systematization of the motivations pursued hereto.

3.1.3.2.1 Early years

Fundamental to the concept of the German notion of public services were the reforms in the state of Prussia by Stein/ Hardenberg (1806/1812). Over the course of these reforms, a strong sense of public loyalty and significance in a bureaucratic elite assumption of tasks became an integral part of the German public service tradition

As early as the 1920s growing demand during industrialization drove municipal and regional energy, water and electricity systems to be funded through a mix of private and public capital and ownership. (Handbuch Zur Verwaltungsreform 2005)

3.1.3.2.2 Development in the 1980s: The first wave of PPPs

Amidst an international climate advocating “administrative rationalization”, it was the German federalism characterized by a high degree of decentralization at the level of organization and personnel that led to an incremental adoption of international trends. (Tummala 2005)

Similarly, on the federal level the 1980s saw public monopolies (particularly the public railway and post services) come under more intense scrutiny.

At the municipal level, a legal focus on distributing tasks (according to the municipal agency for simplification of administration: “Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung”) gave way to a more business-oriented approach called “New Steering Model” (Neues Steuerungsmodell) or New Public Management (NPM).

Simultaneously, municipal governments begin devising site-specific marketing strategies. (Gerstlberger and Schmittl 2004).

During this time, all levels of government – especially on the municipal level – begin outsourcing of public tasks to the private sector. (Gerstlberger and Kneissler 1998)

Public-Private Partnerships first surfaced in Germany during the mid-1980s (Heinz 1993) as success stories of US public outsourcing gain wider public recognition in continental Europe. (Gerstlberger and Schmittl 2004). It is when a change of consciousness began to take hold of public administrations that would henceforth strive for “as much private involvement as possible” rather than “as necessary”. (Gerstlberger and Schmittl 2004).

3.1.3.2.3 The 1990s, The second & third wave of PPPs

The accession of the eastern German Democratic Republic (GDR) extended the “German constitutional and administrative model” towards today’s territory (Tummala 2005).

The 1990s witnessed a second, more significant wave of PPP projects. Rather than focusing on disparate pilot projects in large cities, new projects aimed at addressing the large gap in infrastructural development in the newly acceded East-German states. (Gerstlberger and Schmittel 2004). Urban construction, traffic, waste and sewage, road construction, public transport, promotion of economic and technological development as well as tourism management constituted important sectors in which the state sought private involvement.

A third wave of PPPs reverted back to the Western part of Germany taking the shape of classical liberalization projects at the municipal level. Relevant modes varied and included investment, leasing, forfeiting, operator-based, concessionary and contracting models gained relevance.

Target areas included the municipal level of energy, water, waste and transport services.

A study showed that between the period 1995 - 2005, that due to privatization, marketization, outsourcing, social pacts, and imposed agreements, compensation for government employees as a percentage of GDP declined by 1% in Germany.” (Peters 2012)

3.1.3.3 Ideational Foundation

The philosophical foundations of Germany’s public service tradition can be traced to sociologist Max Weber (Weber 1958): He theorized the goal of public administration reforms as to advance formal rationality of governance. (Tummala 2005). Public service delivery follows a “legal-rational polity with a bureaucratic staff”. It is particularly an emphasis on legalism and state-centrism that characterizes the German approach to public administration. As Derlin observes “contrary to the Anglo-Saxon world, in Germany bureaucracy preceded democracy.” (Tummala 2005).

As a result he observes a “lasting impact on the importance attributed to expertise and the low degree of intersectoral mobility from politics into administrative positions.”

Based on the principle of the Rechtsstaat (Article 20 of the Basic Law) the characteristic of the German bureaucratic system include “professional training, relatively closed career service, promotion as the only incentive and according to objective criteria, hierarchy both within and between offices, special jurisdictions, clear distinction between public and private means of production, neutral, impersonal and rule bound execution of public tasks oriented towards service in the name of the public.” (Tummala 2005).

The state-centric and Weberian approach places the German system in some distance from NPM principles such as performance-based compensation and mobility: As professional civil service is constitutionally guaranteed as an institution (Article 33, especially Section 5), its civil servants “(...) like in Weber's ideal type of bureaucracy, are recruited for a succession of increasingly demanding jobs (i.e. a career); they are professionally trained and promoted

according to the merit principle, their salaries are legislated and they must not go on strike” (Tummala 2005).

Throughout the second half of the 20th century, “patchy and piecemeal” public sector reforms were envisaged by bureaucrats. If deemed due, appropriate and compatible within the current system (i.e. rational) innovations were “limited to just one level of government, confined to one functional aspect of the machinery of government, or concerned with one specific policy area.”(Tummala 2005). Fundamentally, a belief in the “intelligence of bureaucracy” (Derling 1996) outweighed the allocation function of the market. This deep-seated confidence in a bureaucratic apparatus can be traced to the 1806/1812 Prussian Stein and Hardenberg reforms.

Within this mindset, we can view the historical trends outlined above as a drive towards Weberian “formal rationality of governance” which is achieved both by “increasing effectiveness (as in the 1970s) or by economizing (as presently)” (Tummala 2005)

3.1.3.4 Typology: Systematizing Public Sector Outsourcing in Germany

Germany’s political system knows of three administrative divisions: The federal, state (Länder), and municipal level. Unlike the French political system, German administrative structures are therefore highly decentralized.

An important characteristic of the German system lies in its federal political structure: Responsibilities and competences for public outsourcing are therefore not centralized but fall within various levels of the state as exemplified by the following chart. (Müller 2011)

Responsibilities of different levels of the State in Germany

- examples -

Federation	Federal state	Local authority
<ul style="list-style-type: none"> • Armed forces • Diplomacy • Postal service • Telephone networks 	<ul style="list-style-type: none"> • Supervision of local authorities • Higher education • Schools 	<ul style="list-style-type: none"> • Water supply <i>(households & businesses)</i> • Waste disposal <i>(households & businesses)</i> • Fire brigade
<ul style="list-style-type: none"> • Legislation 		
<ul style="list-style-type: none"> • Further regulation and administrative orders 		
		<ul style="list-style-type: none"> • Road building
		<ul style="list-style-type: none"> • Residential building

Figure 70: Abbildung 2 Responsibilities of different levels of the state in Germany (Examples): Federal Ministry of Finance, 2011

An important feature of the German economy and the task of public service lies in managing redistribution mechanisms through the social welfare system.

In the four-fold typology of welfare and public service cultures in Europe (Scandinavian, Anglo-Saxon, continental-European, Eastern-European), Germany historically belongs to a federal version of continental European welfare states (Kuhlmann and Wollmann 2010). Its history dates back to the Bismarckian Welfare State.

Over the course of the past fifteen years, Germany's social welfare system has seen a major shift: Throughout the "Agenda 2010" reforms initiated by Schröder's center-left government (1998-2005) the notion of a state's primary responsibility begun a transition from that of a "provider" of (social welfare) services towards that of an agent "activating" mobility, training and ultimately employment. (Hammerschmid and Angerer 2005).

PPPs have concentrated on high-building, traffic infrastructure, e-government and development policy and are mostly used for funding or operator-based purposes. (Sack 2003).

The following chart illustrates the findings of a 2006 study which reflects the distribution of PPP projects according to volume of investment.

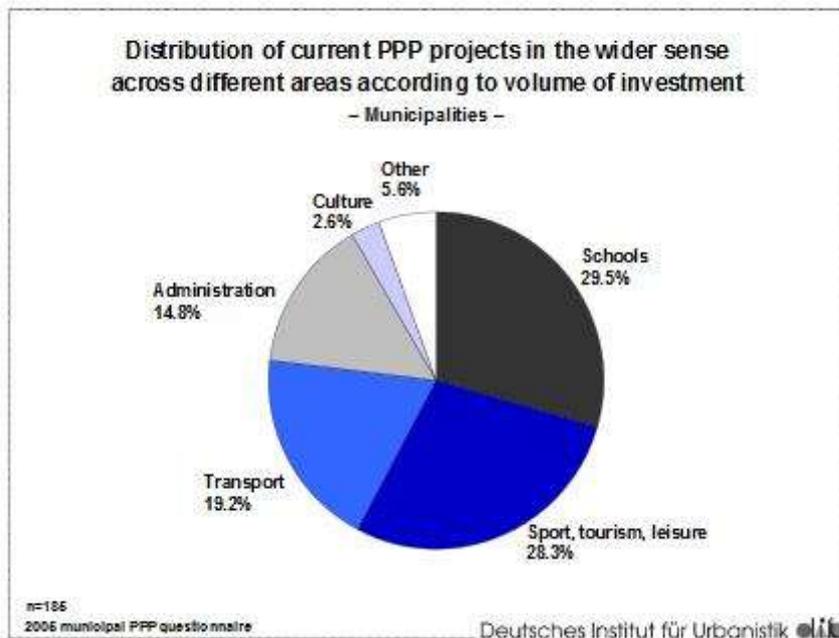


Figure 71: Chart - Distribution of 2006 PPP projects in Germany across different areas according to volume of investment / Municipalities

Construction of public schools and sport and leisure institutions make up the largest share of PPP projects in Germany. Projects governed by highly formalized PPPs included sports and leisure institutions, social housing construction as well as building public parking lots. (Sack 2003)

As of 2005 a study found that “143 projects had been contractually agreed” while 57 were at a preparatory stage. Around 300 projects (strict sensu, i.e. highly formalized cooperation) and around 600 PPP projects in the wider sense were initiated “at federal, Land and municipal level.” (PPP Task Force at the Federal Ministry of Transport, Building and Housing (BMVBW) et al. 2006)

The average investment for a project at the Land and Federal level amounted to € 70 million, (PPP Task Force at the Federal Ministry of Transport, Building and Housing (BMVBW) et al. 2006) At the municipal level that figure is considerably reduced to an average of €16 million.

Today, it is estimated that services outsourced by the Bundeswehr represents only 5% of its budget. Functions outsourced in Germany are essentially IT and maintenance.

3.1.3.5 Reasons for public sector outsourcing in Germany

We can broadly distinguish the motivations to pursue outsourcing in Germany according to three time periods:

Beginning in the Budget and investment shortages within municipalities, higher unemployment combined with higher expectations towards the municipal governments (Heinz 1990) were responsible for the first wave of PPPs.

At the same time, competition among regions and municipalities increased considerably over the 1980s prompting public managers to court private investments and build PPPs to increase project efficiency. (Handbuch Zur Verwaltungsreform 2005).

The second wave of outsourcing in the public sector was mainly driven by a need for private sector funding for large-scale infrastructural investments in the newly acceded East-German states. (Gerstlberger and Schmittel 2004)

Lastly, the most recent third wave of PPPs has been driven by classical economic motives associated with liberalization and deregulation. (Gerstlberger and Schmittel 2004)

To reform management to make it more efficient, to retrieve public capital and to stimulate participatory elements ensuring that wider parts of the population are a part of an innovative process that produces public goods which better respond to public needs. (Sack 2003)

PPPs are conceived as either a euphemism for a creeping process of deregulation which strip the state of its competence. also be considered an element of an activating social state. (Sack 2003)

Another definition of public-private partnerships (PPPs) reveals the inherent added-value of these instruments as a method to secure additional funding for public projects ("co-funding"), improve "management" capabilities for municipalities ("leadership instruments"), enlist private sector consultancy to shape development projects ("Codecision"), as well as a joint provision of services (Co-production). In addition, Buddäus also views PPPs as a mechanism to promote "civic" engagement (Buddäus 2003).

The Financial Times reported words of criminal justice expert in North Rhin-Westphalia saying of Germany: "No political party would try to call for such a policy, and neither the minister of the interior nor the minister of finance would survive if they demanded to follow the UK in this respect."

Germany represents one of the countries in Europe that falls back the least on outsourcing: there still is no official definition of it and the Constitution protects functions that are considered as falling under "the exercise of public power". But this is to be interpreted by the Länder and the Federal State.

As this section has outlined, the German approach to public sector outsourcing is distinct from both an Anglo-Saxon (for its trust in bureaucracy) and the French (for its emphasis on centralization) model.

Outsourcing in the German public services takes place overwhelmingly through Public Private Partnerships (PPPs) which take the shape of both a highly formalized (stricto sensu) governance structure.

3.1.4 Historical Results Summary: International trends

From the above, we can draw from these examples the following– as resumed in the diagrams below:

- Definition and volume of outsourcing varies among European countries and is highly dependent on its culture and history.
- Only the UK in Europe has developed a “doctrine”: a (very wide) definition of outsourcing activities including them in the policies and legal framework.
- Political ambitions are variable and are not necessary linked by the means employed to implement them
- Today, no country has a systematic outsourcing strategy supported by a global analysis of budgetary benefits.

Figure 72: Own Diagram - Summary of outsourcing practices in France, Germany, the United Kingdom and the USA

Outsourcing definitions vary amongst States and can be observed across the 'Regalian to Regulated' spectrum

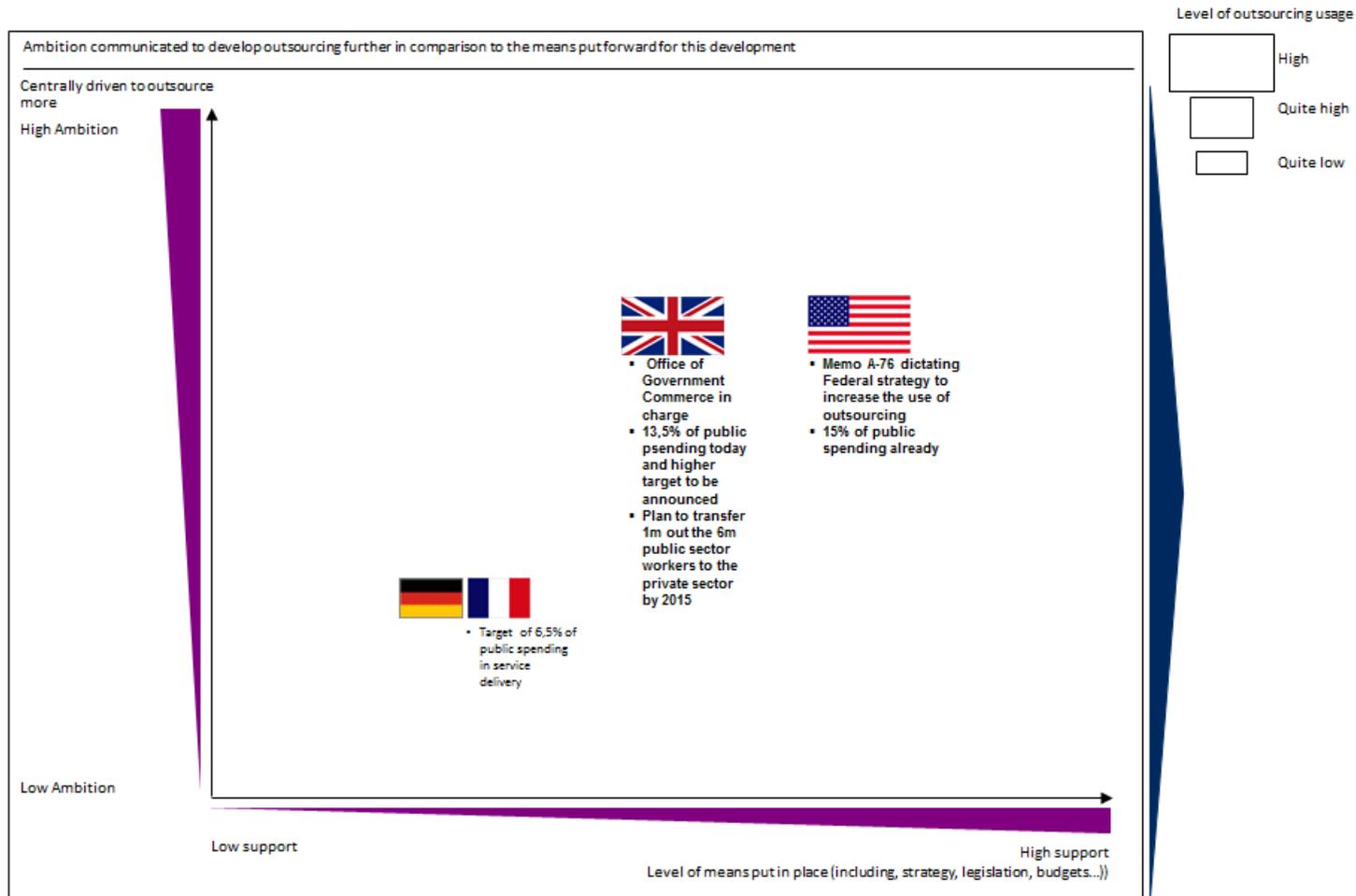
State	Volumetrics	Definition per State	Scope in question (Illustration)		
			Ministries	Federal / Local Authority	Functions
	<ul style="list-style-type: none"> Very low % 5 % of the Federal defence budget (Bundeswehr) (€1.5bn) 	<ul style="list-style-type: none"> No official definition Left to the interpretation of the State and of the Lander. Seen as 'the exercise of public powers' 	<ul style="list-style-type: none"> Defence, Employment Also now in Justice 	<ul style="list-style-type: none"> Mainly federal but local increasing 	<ul style="list-style-type: none"> Transport, Infrastructure Logistics (e.g. Military fleet maintenance)
	<ul style="list-style-type: none"> 13,5 % of public spending £79bn¹ 	<ul style="list-style-type: none"> Outsourcing is part of the Public Sector Industry (PSI) as such it is seen as the delivery by private partner of public services to the citizens instead of the State. 	<ul style="list-style-type: none"> For some time: Defence/ Health Increasingly: Education / Justice 	<ul style="list-style-type: none"> Strong % in support functions in Local government Increasingly in the centre too 	<ul style="list-style-type: none"> Maintenance Increasingly in core delivery too
	<ul style="list-style-type: none"> €50,6bn¹ 6 % of public spending 	<ul style="list-style-type: none"> Definition as part of the LOLF but legislation still evolving 	<ul style="list-style-type: none"> A few ministries have developed an outsourcing strategy (e.g. Defence) 	<ul style="list-style-type: none"> Mainly at Local level but increasingly centrally too 	<ul style="list-style-type: none"> Transport, Infrastructure
	<ul style="list-style-type: none"> \$662bn¹ 15 % of public spending 	<ul style="list-style-type: none"> Activities that can be outsourced are the ones catalogued as Commercial under the USA Fair Act 	<ul style="list-style-type: none"> Defence, Education and Health Prison Services 	<ul style="list-style-type: none"> Across Federal and local: Health, Social, Transport, All General Services 	<ul style="list-style-type: none"> High % of outsourcing in support functions but also in core delivery

- Outsourcing definition, legislation and policy vary across states as well as volume of activity in that space,
- Only the USA and the United Kingdom have adopted a broad definition categorising them across service definitions

1 : SOURCE: Department for Business Enterprise & Regulatory Reform 2008; Presse, Entrepreneurs

Figure 73: Own Diagram Summary of outsourcing ambitions in France, Germany, the United Kingdom and the USA

Levels of ambitions vary across States and are not linked to the means provided to achieve them



3.2 Case studies

3.2.0 The Analytical process

In this section, we endeavour to analyse the results of the 3 case studies in relation to the research project 1 and 2

Proposition 1: Testing McIvor model in the Public Sector context

Proposition 2: Identifying other factors explaining the DMP in Public Services

The analytical process is based on the analysis of interviews using N-Vivo, documentary analysis and hence testing the variables indicating whether a given aspect was a factor in the DMP

3.2.1 UK - Health and Safety Laboratory

The Health and Safety Laboratory (HSL), a case study for the outsourcing of public services for health and safety at work in the UK



Figure 74: HSL in pictures

3.2.1.1 What is HSL?

3.2.1.1.1 The origins of HSL

Under the agreement of the British Government, HSL was founded in 1911 as an experimental station at Eskmeals (Cumberland, United Kingdom) in order to study explosions in coal mines. 1921 further saw the establishment of the Safety in Mines Research Board (SMRB).

In 1924, SMRB acquired the Harpur Hill (Buxton) site for mining safety work on a large scale and opened central laboratories in Portobello Street (Sheffield) in 1928. In 1947, the Safety in Mines Research Establishment (SMRE) was formed as part of the Ministry of Fuel and Power bringing together the work at Sheffield and Buxton. In 1957, Sheffield welcomed a new laboratory in Red Hill to house engineering and metallurgical work. The Occupational Medicine Laboratory (OML) and the Occupational Hygiene Laboratory (OHL) were respectively created in 1959 and 1962 in Central London.

In 1974, following the June 1972 Robens report¹⁷⁷, ordered by the British Government in 1970, a major improvement occurred in the industrial safety legislation with the Health & Safety at Work etc Act. According to the Basingstoke and Deane Borough Council:

It introduced a new approach to health and safety with emphasis on self-regulation and employee participation. (...) [It] applies to all workplaces, whatever the type of business. (...) Basically, the Act requires employers to ensure 'so far as is reasonably practicable' the health, safety and welfare of their employees and other persons who may be affected by

¹⁷⁷ Available at <http://ilj.oxfordjournals.org/content/1/1/185.citation>

their work. This includes sub-contractors and the general public. (...) The Act also covers the duties of employees at work. They must take reasonable care for the safety of themselves and of other persons who may be affected by their acts or omissions. They should co-operate with their employers and others in carrying out their statutory obligations.¹⁷⁸

The Health & Safety at Work etc Act 1974 provided the legal basis for the formation of the Health and Safety Executive (HSE) in 1975. SMRE, OHL and OML merged to form HSE's Research and Laboratory Services Division (RLSD) composed the Occupational Medicine and Hygiene Laboratory (OMHL), the Safety Engineering Laboratory (SEL) and the Explosion and Flame Laboratory (EFL). In 1995, those three laboratories finally merged to form HSL as an agency of HSE. In November 2004, HSL was settled on a single site in Buxton.

3.2.1.1.2 An executive agency of HSE

HSL, standing for Health and Safety Laboratory, is an executive agency of the Health and Safety Executive (HSE). HSE defines itself as “the national independent watchdog for work-related health, safety and illness.”¹⁷⁹ As it stands in its annual report:

HSE is a non-departmental public body with Crown status, established under the Health and Safety at Work Act 1974 (HSWA). It is sponsored by the Department for Work and Pensions (DWP). DWP Ministers have primary responsibility for health and safety issues in government. HSE also reports to other Ministers on different aspects of health and safety.

HSE is responsible for regulating work-related health and safety in Great Britain in partnership with local authorities (LAs) in accordance with the HSWA.¹⁸⁰

Concretely, HSE runs information campaigns on risks at work, sues dangerous actors in people's working environment and assist businesses in understanding and managing their legal duties.¹⁸¹ HSE's business strategy results from a consultation programme with employers, employees and their representative groups¹⁸².

Operating as an in-house agency of HSE since 1 April 1995, HSL “provides technical support to HSE's investigations into incidents and science and research services.”¹⁸³

3.2.1.1.3 HSL today

3.2.1.1.3.1 HSL vision, mission and strategy

HSL vision is to “enable a better working Britain”.

¹⁷⁸ Basingstoke and Deane website, URL: <http://www.basingstoke.gov.uk/browse/business/health-and-safety/hsinfo/Health+and+Safety+at+Work+Act.htm> [02.01.2013].

¹⁷⁹ HSE website, URL: <http://www.hse.gov.uk/aboutus/index.htm> [02.12.2012].

¹⁸⁰ *The Health and Safety Executive Annual Report and Accounts 2011/12*, London, The Stationery Office, June 2012, p. 9. (available at: <http://www.hse.gov.uk/aboutus/reports/1112/ar1112.pdf>).

¹⁸¹ HSE website, “Working in the public interest - dealing in serious risk”, URL: <http://www.hse.gov.uk/aboutus/inthepublicinterest/index.htm> [02.12.2012].

¹⁸² *Ibid.*

¹⁸³ *Ibid.*

HSL mission is “to support the HSE mission and directly help organizations become healthier, safer and therefore, more productive places in which to work”.

Their strategy for achieving this is to:

Improve our acquisition and generation of new knowledge

Systematically improve our access to this knowledge

Improve our transfer of this knowledge to others

Influence leading organisations in both the public and private sectors on a long-term basis

3.2.1.1.3.2 HSL’s activities and performances

For the financial year 2011/2012, HSL performed a turnover of around £40M.

The current HSL’s site covers 220 hectares and the organization benefits from the widest science base of any equivalent European laboratory.

HSL performs in a wide range of technical disciplines: Fire and explosion; process safety and risk assessment; mathematical sciences; mechanical engineering and materials; electrical & control engineering; analytical chemistry; occupational hygiene; medicine; and human factors & psychology.

In terms of concrete applications, HSL’s work targets various sectoral environments: Defence and Security; Oil, Gas, Chemical and Process; Power Generation (including Nuclear); Health, Food and Environment; Aerospace; Manufacturing; Construction and Utilities; and Transport (including Rail & Road).

HSL’s main activities concern Research and Development of health/safety-related matters, Incident Investigation, Bespoke testing and evaluation, and Training.

HSL provides its clients with solutions to avoid catastrophes, to ensure their business continuity, to save and/or rebuild their reputation, to get an effective supply chain, to support and/or improve their productivity, to ensure their asset protection, and to help them in protecting people and ensuring compliance. Concretely, those risk management solutions of deal with:

Incident investigation

Worker engagement

Managing and sharing knowledge

Corporate health and safety responsibilities

Wellbeing

Product assurance

Improving workplace environments

Enabling new technologies

HSL's main clients are Airbus, Total, Defra, Energy API, Toyota, Vale, Energy Technologies Institute, Department of Health, Sellafield Ltd, Rolls-Royce, Food Standards Agency, Pfizer, HSE, Environment Agency, Scottish Power, Carillion, UB, NHS, BMW, the Centre for the Protection of (British) National Infrastructure (CPNI), Home Office, Astra Zeneca, Post Office, BP and Ford.

3.2.1.1.3.3 HSL's recent changes

Since the mid-2000s, HSL has experienced two major change programmes:

2006 – 2009: Career Paths & Professional Project Management

This first programme began in November 2005 with the arrival of a new CEO from the private sector, Eddie Morland. In 2006, the latter restructured and recruited two new directors from the private sector. Each directorate has got around 30 technical teams each of around 10 technical specialists. Each technical team has been led by the 'best' technical expert in that team, and all the projects have been managed by the 'best' technical person on the project team. In 2007, HSL started to implement career paths and professional project management with the recruitment of two new directors from the private sector.

Since 2010: Significant commercial focus, new business and the introduction of products

As of 1 April 2009, the first programme's objectives were achieved and had introduced a new way of working, which has required the development of a business case for greater commercial freedom. One year later, in April 2010, HSL gave its agreement to operate more commercially and further significant recruitment of commercial and project management staff. However, with the election of a new government in May 2010, recruitment halted and this second programme was temporarily suspended.

From May to July 2011, an independent review of HSL was carried by Deloitte, which made the recommendation to provide HSL with greater freedom to operate in order to deliver significantly more commercial revenue. Consequently, from August to December 2011, HSL developed a business case for greater commercial freedom, which was granted on 1st April 2012. HSL has an ambitious growth target of 14% pa for the next 5 years.

This implied changes in director roles. Whereas the historic approach of HSL used to concentrate on existing market sectors, since October 2011, the Commercial Director has been responsible for focusing on partnering for HSL to access new markets. Not only the role of the Commercial Director has changed, but the Financial Director has also changed for Financial and Corporate Director, the Science and Resources Director for Science & Delivery Director, the Project Delivery Director for Sales Director and the Corporate Director for Products Director.

3.2.1.1.4 HSL's future developments

HSL has launched a five year plan for 2012-2017. The latter should enable HSL to increase the share of external business growth, from 20% to 40% of its turnover. In order to achieve this objective, HSL's strategy is to make better use of technology to transfer its knowledge and expertise (know how) to workplaces (Products & Training), as well as to expand beyond the UK through partnerships with multinational companies.

3.2.1.2 The outsourcing experience of HSL: The construction of a single HSL site

As mentioned previously, up to 2004, HSL has occupied around 100 buildings and structures on a site in Buxton and three large buildings in Sheffield. In order to rationalise HSL operations and to refurbish its buildings, HSL contracted with Interseve PFI the construction of a one single site in Buxton.

The construction of this new site has been accompanied by the furniture of external services:

Interseve's consortium put together a package comprising a new laboratory at Buxton and the provision of facilities management services, both while the laboratory was being built and afterwards for a period of 30 years. During construction Interseve provided a range of services across both sites including building fabric repairs, mechanical and electrical maintenance, information technology, security and cleaning. On completion Interseve took on responsibility for a number of further areas including catering, portorage, reprographics, stores, pool cars, registry archiving and reception (¹ <http://www.interseve.com/sectors/central-government#toggle>).

The Buxton site covers 270 hectares, the equivalent of some 350 football pitches and while servicing this estate requires considerable logistical skill, the greater challenge was the need to manage the move of all staff from their facilities in Sheffield and to relocate those already at Buxton while minimising any impact on HSL's operational effectiveness.

The migration took place on consecutive weekends and involved moving first the Buxton staff and then those from each of the three Sheffield buildings. The intricate planning and the care that went into executing the process meant that all the services were transferred in the space of four weeks.

As Stuart Jones, Estate Manager at HSL, said, "I was very impressed with the way Interseve has continued providing all its services at the same time as overseeing an extremely complicated migration from our old premises to the excellent new facilities. The fact that we (HSL) hardly missed a beat in the transfer was as much due to their planning and management as to the dedication and commitment of our own staff."

3.2.1.3 Applying the analytical framework to the outsourcing DMP at HSL

This sub-section is based on the results and the analysis of four interviews realized with four senior stakeholders of HSL: Karen Russ (Deputy CEO, Project Delivery Director), Peter Davies (COO, Corporate Information and Services Director) and Chris Neilson (CFO, Finance Director), Eddie Morland (CEO)

Karen Russ (Deputy CEO, Project Delivery Director),

Interview Karen Russ	Criteria	% coverage	Quote
Resource Based View 10.06%	Value	10.54%	<p>if the contractor did not perform, then they wouldn't get the contract renewed</p> <p>It will go back out to tender and it'll go back out to the market price</p> <p>And this is where my argument about value for money</p> <p>We could get the service much cheaper</p>
	Rarity	4.66%	<p>So for example, my own organization, we contract out looking after the building to Facilities Maintenance Organization, looking after the catering, looking after the cleaning, looking after the IT, and looking after the security</p>
	Imitability	8.37%	<p>now they very much go and seek when a contract is coming up for renewal, what else can we find even if the service is good, they still say, oh, no, I am going to go and look just to be sure that I am getting the best value in service and even though I am happy with the provider I've got</p> <p>I don't want to get complaints, I don't want them putting their prices up. I want to go back out</p>

			<p>to the market</p> <p>My impression is that there are a lot of organizations who have followed what I would call the traditional route like ourselves where they clearly outsource something like catering and the IT support and those sorts of things</p>
	Substitutability	11.3%	<p>So if you look at the catering and the cleaning, that sorts of things, generally, the impact is very low</p> <p>So for example, on procurement, my view is that we could outsource procurement and I don't feel that it would be a major risk to us</p>
	Resource constraints	3.68%	<p>much less administration for ourselves by outsourcing</p>
Transaction Cost Theory 9.35%	Opportunism	4.27%	<p>So if you look at the catering and the cleaning, that sorts of things, generally, the impact is very low</p> <p>I don't want to get complaints, I don't want them putting their prices up. I want to go back out to the market</p>
	Asset specificity	12.78%	<p>The IT is a critical area because for us, if our IT systems go down we can't do any work</p> <p>And what we have done to mitigate this is we actually have our own IT team who looks after the infrastructure</p> <p>So we actually have on the IT side not let go 100%. We own some of it, but we have handed some of it over.</p> <p>We would want to keep one or two professionals in house to provide advice and guidance to our staff in terms of how they would provide information to the outsource provider, but I don't see on the procurement side a huge risk</p>

	Measurability	8.41%	<p>We looked at civil service rates, the rates in certain conditions that we would have to employ staff on. While that's fine for our technical staff, our scientists, for the support and admin type of activities, we pay very, very highly and it is not cost effective</p> <p>It needs a lot of proof and a lot of evidence before it will have the trust that something different will work</p> <p>I think it's being evaluated partly at the moment.</p>
	Uncertainty	5.15%	<p>We also – when we outsource, we don't have to worry about if people are sick or how we back their maternity leave or any of that sorts of thing</p> <p>We have a contract with our provider and they have to deal with all of that</p> <p>And we just know that we will have however many cleaners or caterers or security staff or whatever will turn up on our site each day</p>
Convention 16.25%	Mimetic	16.25%	<p>I come from the private sector before I joined this organization and we went down that route particularly on HR services</p> <p>On the finance side, I know some organizations who have outsourced considerable elements of finance.</p> <p>In the public sector, it is very hard to make people redundant. It's not something that you can do easily. If you are looking to save on number of people, you then have to move them around</p> <p>I don't know of many instances where people have actually been made redundant and</p>

			<p>because of that it's not as easy in the public sector to close down whole functions as it is in the private sector</p> <p>I think the public sector is very cautious</p> <p>I think [the public sector] it is happy to go down a particular route, whether it's outsourcing or something else, when somebody else has done it and has proven that it is beneficial</p>
Risk 16.69%	Delivery Risk	15.13%	<p>It needs a lot of proof and a lot of evidence before it will have the trust that something different will work</p> <p>What we look at is the impact of what could go wrong</p> <p>So if you look at the catering and the cleaning, that sorts of things, generally, the impact is very low</p> <p>so there is a notion of risk</p> <p>So for example, on procurement, my view is that we could outsource procurement and I don't feel that it would be a major risk to us</p>
	Governance	10.10%	<p>They are the decision makers and we own our own equipment</p> <p>And what we have done to mitigate this is we actually have our own IT team who looks after the infrastructure</p> <p>So we actually have on the IT side not let go 100%. We own some of it, but we have handed some of it over</p> <p>We see that as a huge area of risk and that we absolutely must keep that in house</p>
Organizational politics	Personal politics	10.06%	<p>See, you find different senior managers that for example</p>

10.06%			<p>might be seeking to either protect a particular function or seeking to get rid of that particular function.</p> <p>So depending on their own aims and objectives, they may well think</p> <p>People are using emotion thinking that we can do the job better than anybody else so we don't want to let</p> <p>It is absolutely linked to the people</p> <p>This is – while I said that emotion comes into it quite often, we don't have the evidence</p> <p>We haven't done full analysis, but we will have people in the organization who just feel that it would be inappropriate</p> <p>There's certainly internal politics applied</p>
Political Agenda / Politics 2.17%	Service Delivery (Quality, Access, Control),	3.99%	<p>but the provider has got to be able to give continuity of service and we know if we employ staff here we will have periods of ill health and maternity leave and things like that where we will be short-staffed. So when we outsource it, the requirement for continuity of service is with the contractor and that is a huge benefit to us</p> <p>for high levels of service and high value</p>
	Alignment to Political Ideology	0.08%	<p>I don't know of many instances where people have actually been made redundant and because of that it's not as easy in the public sector to close down whole functions as it is in the private sector</p>
Innovation	Cross-Fertilization for	0.08%	<p>They are continually looking for high levels of service and high</p>

2.20%	Public Administration		value
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Peter Davies

Interview Peter Davies	Criteria	% coverage	Quote
Resource Based View 8.46%	Value	4.62%	<p>you got to understand what your core business is</p> <p>cost-effective way</p> <p>It is IT support that we outsourced and that was quite well because, you know, you do get like market forces that means that you can have competitive price aspect</p>
	Rarity	1.37%	So I think, you know, a small number of people had some expertise. They, you know, they are asked to work on this particular issue
	Imitability	3.64%	<p>outsource the core business, but you also got to understand where others have a core business that can help you. Mainly, you know, where you would regard that perhaps as a sort of commoditized service offering</p>
	Substitutability	4.25%	It was actually something you could buy the service externally and I made a case to effectively outsource that service because of the austerity measures
	Resource constraints	3.51%	cheapest might be best and I think generally if you just choose cheapest, you generally get what you pay for, you know, you probably not get the level of service that gives you the comfort, you know, when times are hard but you'll provide and will deliver a little bit beyond
Transaction Cost Theory 4.51%	Opportunism	3.63%	It is IT support that we outsourced and that was quite well because, you know, you do get like market forces that means that you can have competitive price aspect

			commoditized part
	Asset specificity	0.08%	you got to understand what your core business is
	Measurability	0%	
	Uncertainty	1.56%	So you do keep control of your strategy and historically people have taken outsourcing to effectively mean particularly in the IT area which is quite mature for outsourcing, but you know everything is outsourced and then suddenly you find your third party provider controlling your strategy and suddenly you realized that is key to your business because you are in IT business and you no longer have control of the key part of what is strategically important
Convention 8.29%	Mimetic	8.29%	So coming to HSL, which was sort of five years ago, there was a drive at that time probably still _____ to some extent about bring in commercial expertise into the civil service in the UK I think that is where I think the public sector needs to get a little smarter with, you know, procurement, outsourcing _____ 43:24 procurement route and quite often the cheapest will be chosen I went from a short period of time in the public sector during the privatization of the railways, very risk averse, very unionized if you like, very slow,
Risk 7.99%	Delivery Risk	4.26%	There is always a question of risk. I think the public sector generally is very risk averse compared to the private sector, extremely risk averse whether it be risk the fear of taking the risk in case you goes wrong here are quite risk averse
	Governance	6.46%	some of the risk appetite

			<p>So I think it is influenced by an individual but, you know, there are checks and balances in places to make sure, you know, it is not a maverick individual who is taking a reasonable risk</p> <p>It is about a level of experience so that you can present the case to takes into account both the upsides and, you know, the risk how you mitigate and manage those risks</p>
<p>Organizational politics</p> <p>14.05%</p>	<p>Personal politics</p>	<p>14.05%</p>	<p>personal motivation</p> <p>It is contextual around either the background of the individuals making the decisions and their motivation to some extent, you know, you can take HSL as an example</p> <p>So it depends usually on the individuals concerned and their experience,</p> <p>that decision can be more influenced. If you have got a, you know, enthusiastic champion for a particular way forward</p>
<p>Political Agenda / Politics</p> <p>11.58%</p>	<p>Service Delivery (Quality, Access, Control),</p>	<p>3.76%</p>	<p>There is more emphasis on customer orientation</p> <p>higher levels of performance across the range of services</p> <p>I have outsourced e-commerce hosting solution to a private sector organization who can give us 24 x 7 availability compared to previously that was always the service delivered inhouse, availability was sort of 8 x 5, not really what customers around the world want</p>
	<p>Alignment to Political Ideology</p>	<p>8.66%</p>	<p>I mean there is a political dimension at the moment obviously because austerity</p>

			<p>measures, which is perhaps changing some of the motivations or desires internally to outsource</p> <p>Actually that case has to go to quite a high level. We have to put it to the minister or to the minister's office</p>
Innovation 0%	Cross-Fertilization for Public Administration	0%	

Eddie Morland

Interview Peter Davies	Criteria	% coverage	Quote
Resource Based View 11.58%	Value	8.53%	It may be unclear for central government that some functions which they think are Non-Core are actually parts of government. So for example in the UK as in (Unintelligible 06:24) the central departments are quite different from the arms, legs, bodies such as HSL we are very (Unintelligible 06:32) and now thanks to the acquisition of top quality science graduates, it is absolutely Core but it may not
	Rarity	9.58%	I think there is a greater realization not everything can be outsourced simply to save money, some can and some cannot because they have a bigger impact than just a cost of the function itself
	Imitability	11.58%	So for example, if the HR function was absolutely critical to you in terms of acquiring specialist personnel and that you needed special (Unintelligible 04:30) in HR understood that to outsource it to a generic HR function might be dangerous
	Substitutability	6.80%	However, let's say you are

			working for like food retailer, and you know getting hold of people to fill the shelves wasn't critical. Then that would be okay to outsource it, so the functions that should be outsourced,
	Resource constraints		
Transaction Cost Theory 10.78%	Opportunism	3.04%	a growing realization that the functions that you outsource have got to be not too critical for your organization
	Asset specificity	10.78%	I think there is a greater realization not everything can be outsourced simply to save money, some can and some cannot because they have a bigger impact than just a cost of the function itself
	Measurability		
	Uncertainty		
Convention 1.77%	Mimetic	1.77%	But sometimes they don't work. And there is the mechanism inside the government for those organizational parts where they don't work, to have an exception We learned a lot from their experience
Risk 5.74%	Delivery Risk	5.74%	a growing realization that the functions that you outsource have got to be not too critical for your organization
	Governance	5.74%	So those in risk in terms of business continuity if you outsource a function and that can lead to some risk
Organizational politics 4.68%	Personal politics	4.68%	There are internal politics and because of the reason that I said, different problems are different specialists' functions
Political Agenda / Politics 7.20%	Service Delivery (Quality, Access, Control),	4.16%	The quality of the service in that force exemplifying (Unintelligible 16:20) innovative the outsource providers is, is not purely a function of the methodologies and the knowledge that they can take in their organizations. But actually the people who they give you to provide it, and those people continue to change. There is a good deal of

			turnover in staff in outsourced organizations, so the ability of the outsource service change
	Alignment to Political Ideology	3.04%	There are influences in the current political context
Innovation 3.98%	Cross-Fertilization for Public Administration	3.98%	The quality of the service in that force exemplifying (Unintelligible 16:20) innovative the outsource providers is, is not purely a function of the methodologies and the knowledge that they can take in their organizations. But actually the people who they give you to provide it, and those people continue to change. There is a good deal of turnover in staff in outsourced organizations, so the ability of the outsource service change

Chris Neilson

Interview Chris Neilson	Criteria	% coverage	Quote
Resource Based View 5.79%	Value	2.16%	it will be cost from the cost benefit analysis we looked at the business case – we could – HSL could not make a business case to go on to shared services for a number of reasons.
	Rarity	0%	
	Imitability	0.06%	somebody who can deliver a solution for them
	Substitutability	0.06%	also smaller companies outsource HR functions because they haven't got the critical mass within them to have their own HR function
	Resource constraints	4.58%	improvement in efficiency Efficiency is there's going to be a cost benefit. There's going to be making the organization work more quickly, more effectively. So I suppose – I know an improvement
Transaction	Opportunism		

Cost Theory 3.89%	Asset specificity	0.06%	every organization should be looking to reduce cost and become more efficient and you've got to find ways of doing that
	Measurability	3.84%	Does it make the information more readily available in a format that is consistent across the organization from the cost benefit analysis
	Uncertainty	0%	
Convention 4.67%	Mimetic	4.67%	My view of outsourcing probably reflects my background So we are within that family, and it is viewed as we should move on to this DWP shared services platform, even though we don't tick all the boxes Now, we've managed to resist that to a certain extent, and we stayed on the fence I do know it works elsewhere
Risk 0%	Delivery Risk	0%	
	Governance	0%	
Organizational politics 24.15%	Personal politics	24.15%	I think it's a dictatorial decision we've been told we have to comply whether we like it or not my view is take it or leave it, which cannot be a good way of going about things
Political Agenda / Politics 15.66%	Service Delivery (Quality, Access, Control),	2.42%	I've also been involved with also sort of say smallish organizations, so our HSL, in government terms, is a very small organization which wants to be responsive, and then – so I see this sort of organization having – not being micromanaged but given space to be responsive to its customers within the public sector and private industry
	Alignment to Political	14.42%	So it's across governments, so – and that is currently

	Ideology		<p>happening and is something that is at the time is in the favor of outsourcing at the moment, and partly when I say out— partly it's privatization, virtualization, just making the public sector smaller</p> <p>I think there's a political – it's a massive politics, and I do believe that in the U.K. a lot of the drivers are from cabinet office</p> <p>I think it depends on the government view of the day of how to run the public sector. So I suppose politics with a capital P</p>
Innovation 0%	Cross-Fertilization for Public Administration	0%	

The above data analysis is summarised in the following table:

Nodes	Variables	% coverage				Average HSL
		K Russ	P Davies	C Neilson	E Morland	
RBV	Value	10.54%	4.62%	2.16%	8.53%	6.46%
	Rarity	4.66%	1.37%	0%	10%	3.90%
	Imitability	8.37%	3.64%	0.06%	11.58%	5.91%
	Substitutability	11.30%	4.25%	0.06%	6.80%	5.60%
	Resource constraints	3.68%	3.51%	4.58%	0.00%	2.94%
TCT	Opportunism	4.27%	3.63%	0	0.0304	2.74%
	Asset specificity	12.78%	0.08%	0.06%	10.78%	5.93%
	Measurability	8.41%	0%	3.84%	0.00%	3.06%
Convention	Uncertainty	5.15%	1.56%	0%	0%	1.68%
Risk	Mimetic	18.49%	8.29%	4.67%	1.77%	8.31%
	Delivery Risk	15.13%	4.26%	0%	6%	6.28%
Org politics	Governance	10.10%	6.46%	0%	6%	5.58%
	Personal politics	10.06%	14.05%	24.15%	4.68%	13.24%
Politics	Service Delivery (Quality, Access, Control),	3.99%	3.76%	2.42%	4.16%	3.58%
	Alignment to Political Ideology	0.08%	8.66%	14.42%	3.04%	6.55%
Innovation	Cross-Fertilization for Public Administration	0.08%	0%	0%	4%	1.02%

Figure 75: HSL research results

The interviewed senior stakeholders argue that the two main drivers for outsourcing at HSL have been, first, the financial constraint and the requirement for more cost-effective services,

and second, the underlying incapacity to increase their human resources to answer the demand in services providing.

Consequently, HSL did not have the internal efficiencies or could not develop capabilities internally, they have had to “go out” and looked for external resources and skills to ensure some of their functions. This process confirms the classical view on alignment between a Resource Based View and the TCT view (as per McIvor framework).

Overall RBV and TCT are represented as expected but the ‘other factors’ is where we will focus our next analysis.

The analysis of the interviews results shows that the decision to outsource some HSL functions took into account four criteria that go beyond RBV and TCT, namely: personal politics, a mimetism effect, an external political pressure and risks.

Personal politics

First mentioned is the visible internal political agenda that reigns in HSL at the time of the DMP.

With an average rate of 13.24% it is clearly an important factor in the decision making process. The depth of sentiment is also reflected in the tone of the quote:

“I think it’s a dictatorial decision”,

“that decision can be more influenced. If you have got a, you know, enthusiastic champion for a particular way forward”

“personal motivation”

“There’s certainly internal politics applied”

“See, you find different senior managers that for example might be seeking to either protect a particular function or seeking to get rid of that particular function.”

“So depending on their own aims and objectives, they may well think”

Thanks to this approach of a case study and the richness of the insight, you understand how KR and CN respond to each other with one thinking was imposed the decision – “a dictatorial decision”, whilst the other feels that “senior managers that for example might be seeking to either protect a particular function”

Mimetism effect

With an average rate of 8.31%, convention mechanisms are involved in the DMP according to this analysis. Some of the quotes demonstrate this well:

“I do know it works elsewhere”

“On the finance side, I know some organizations who have outsourced considerable elements of finance.”

“I think [the public sector] it is happy to go down a particular route, whether it’s outsourcing or something else, when somebody else has done it and has proven that it is beneficial”

One of the processes specific to the Public sector that may explain the mimetism effect is that of public procurement. Procurement is often mentioned as seen above. Public sector organisations learn what other outsource and how.

External political pressure

Also mentioned is the global political context imposing “austerity measures” on the British public service. With an average rate of 6.55%, political mechanisms are involved in the DMP according to this analysis. Some of the quotes demonstrate this well:

“I think there’s a political – it’s a massive politics, and I do believe that in the U.K. a lot of the drivers are from cabinet office”

“I think it depends on the government view of the day of how to run the public sector. So I suppose politics with a capital P”

“I mean there is a political dimension at the moment obviously because austerity measures, which is perhaps changing some of the motivations or desires internally to outsource”

“Actually that case has to go to quite a high level. We have to put it to the minister or to the minister’s office”

According to the interviewees, the British government and its central authorities justify the need for implementing such measures by the fact that public service has been “too large” and so too expensive within a context of a lack of public resources. Austerity measures thus look forward to improving the financial performance of the public services delivery and to making those public services become more “customer-oriented” and, in that way, more “businesslike”.

This political pressure to make the British public service more effective – both in terms of finances and in terms of delivered services quality – are quoted as criteria for the actual DMP.

Risks

With an average rate of 6.28%, delivery risks factors are involved in the DMP according to this analysis. Some of the quotes demonstrate this well:

“There is always a question of risk. I think the public sector generally is very risk averse compared to the private sector, extremely risk averse “

“whether it be risk”

“the fear of taking the risk in case you goes wrong”

“here are quite risk averse”

“What we look at is the impact of what could go wrong”

“so there is a notion of risk”

And governance risk is also seen as a criteria. With an average rate of 5.52% governance risks factors are involved in the DMP according to this analysis. Some of the quotes demonstrate this well:

“So I think it is influenced by an individual but, you know, there are checks and balances in places to make sure, you know, it is not a maverick individual who is taking a reasonable risk”

“And what we have done to mitigate this is we actually have our own IT team who looks after the infrastructure”

“So we actually have on the IT side not let go 100%. We own some of it, but we have handed some of it over”

Documentary analysis

	Title	Description	Date
HSL			
1	Annual report and accounts for year ended 31 march 2013	HSL annual report	Jul-13
2	HSE/HSL framework agreement	Contract agreement between HSL and the Health and Safety Executive	Jul-11
3	HSL internal report	Report on HSL change during outsourcing period	Sep-11

Figure 76: HSL documentary analysis - list

Based on the documentary analysis carried out using the same analytical grid, the following table was created to summarise the key supporting evidence

Nodes	Variables	Verbatim
Value		meet the Treasury's requirements about limits on use of public resources
		use its resources efficiently, economically and effectively, avoiding waste and extravagance
		carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector
		use management information to secure assurance about value for money and the quality of the delivery
		safeguarding the public funds for which he or she has charge
	ensuring that financial considerations are taken fully into account by the Board at all stages	
	hsl shall comply with Managing Public Money	
	Rarity	
	Imitability	
	Substitutability	
RBV	Resource constraints	
	Opportunism	
Asset specificity		build its capabilities
		HSL's capabilities are matched to HSE's needs
		these arrangements cover HSE's immediate and current business needs
	HSL will be the prime supplier of effective research, technological support, incident investigation and associated services to HSE. The principles on which the strategic partnership will be built and managed are set out in Appendix 1	
	Measurability	
TCT	Uncertainty	
Convention	Mimetic	purchases comply with EC procurement rules and that before contracts are awarded all reasonable steps are taken to ensure that contractors are competent and sound of standing
		a check is made with the Government Property Unit
Delivery Risk		use internal and external audits to improve its internal controls and performance
		regularly carry out an assessment of the risks
		ensuring that the Partnership Board is kept informed of any changes which are likely to impact on HSE's strategic direction or on the attainability of its targets
	does not represent prudent or economical administration	
Governance		have practical documented arrangements for working in partnership with other organisations
		provide assurance on governance, risk management and internal control
		ensuring propriety and regularity in the handling of those public funds
	ensure that HSL operates on the basis of the governance standards, decision-making and financial management set out in the Managing Public Money code	
	inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal HSE and departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes of a material size or level of risk not previously agreed and/or need to comply with any additional approval system introduced by DWP	
Risk		
Personal politics		the impact of material changes to delegated authorities
		he or she assesses the performance of individual HSL board members
		a code of practice for HSL board members in place consistent with the Cabinet Office Model Code
	set in good faith and in the best interests of HSL and its aims	
	comply at all times with the Board Members' Code of Practice and with the rules relating to the use of public funds and to conflicts of interest	
	not misuse information gained in the course of their public service for personal gain or for political profit nor use the opportunity of public service to promote their private interests or those of connected persons or organisations	
Org politics		
	Service Delivery (Quality, Access, Control)	
		support its ministers with clear, well reasoned, timely
		objectives of the organisation set by ministers
		the Secretary of State has the principal responsibility for HSE and HSL
Politics	Alignment to Political Ideology	The Chief Executive is the main source of advice to the responsible minister on the discharge of his responsibilities towards HSE
Innovation	Cross-Fertilization for Public Administration	

Figure 77: HSL documentary analysis summary output

3.2.2 French Transport: Codah

3.2.2.1 What is the French Transport contract?



Figure 78: Codah

Agglomeration communities

Agglomeration communities (*Communautés d'agglomération*), like communal communities or urban communities, are a form of public communal structure in France. As of January 2014, there were 222 such communities.¹⁸⁴ According to regulations in place since 1999, an agglomeration community must have at least 50,000 inhabitants belonging to different commune, of which one with at least 15,000 inhabitants; or at least 30,000 inhabitants if the main city is the capital of a département.¹⁸⁵ Agglomeration communities are steered by a community council (*conseil communautaire* or *conseil de communauté*) composed of municipal councillors from the affiliated communes. They are independent from the administration of départements and regions, and may also comprise communes that belong to different départements (administrative regions). In 2010, a reform law introduced the direct election of community counsellors for communes with more than 3,500 inhabitants, starting in 2014.¹⁸⁶

¹⁸⁴ Bilan statistique des EPCI à fiscalité propre au 1er janvier 2014, http://www.collectivites-locales.gouv.fr/files/files/Bilan-Stat-EPCI-a-FP_2014%281%29.pdf.

¹⁸⁵ Article L 5216-1 of the Code général des collectivités territoriales, <http://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006070633&idArticle=LEGIARTI000028640699&dateTexte=20140409>.

¹⁸⁶ Loi n° 2010-1563 du 16 décembre 2010 de réforme des collectivités territoriales, <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000023239624&dateTexte=&categorieLien=i>d.



Figure 79: Codah board

Agglomeration communities are created to mutualise overarching administrative tasks. Their competences include economic development, regional development planning, social equity, municipal policies and public transport.¹⁸⁷ Furthermore, they need to assume at least three of the following: railway infrastructure, sanitation, drinking water, environmental protection, social action, or cultural and sports facilities. Other competences may be delegated by the municipalities. Sometimes it is necessary to officially define the community interest, which requires a two-thirds majority in the municipal councils. Generally, agglomeration communities fund themselves among others from tax revenues; real estate revenues; fees for services rendered to public administrations, associations or individuals; and EU, state or other public subsidies.

The *Communauté de l'agglomération havraise* (CODAH)

Founded in January 2001, the agglomeration community of Le Havre (*Communauté de l'agglomération havraise*; CODAH), situated in the region of Upper Normandy on the Atlantic coast in Northern France, gathers 17 municipalities with a total of 243,000 inhabitants including the commune of Le Havre as central city (178,000 inhabitants) (Figure 1). Like all agglomeration communities, it aims at facilitating the provision and maintenance of public

¹⁸⁷ Article L 5216-5 of the Code général des collectivités territoriales, <http://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006070633&idArticle=LEGIARTI000023244328&dateTexte=20140409>.

tasks through intercommunal cooperation and joint decision-making in areas of general interest.

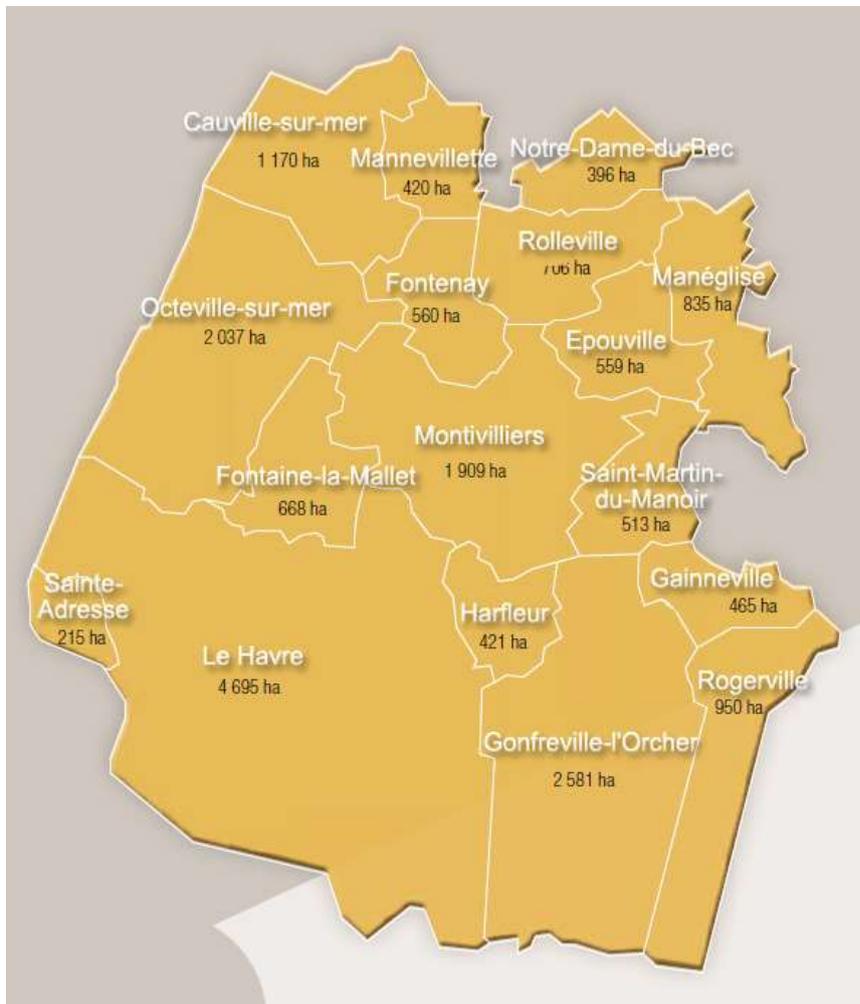


Figure 80: The CODAH map. Source: codah.fr.

The community assembly counts 96 representatives (half of which are alternates) of the 17 communes in the CODAH. It is organised at three levels: thematic working groups (*conférences thématiques*), the community bureau (*bureau communautaire*) and the community council (*conseil communautaire*). The community bureau votes on competences conferred to it by the community council. It has 26 members, including a president, 14 vice-presidents and 11 members designated by the community council.¹⁸⁸ The working groups provide a format for fostering exchange of information, elaborating proposals and following up on current projects; they also play a part in the formulation of the multiannual action plan. Each working group is led by a vice president from the community bureau. CODAH has working groups on

regional development planning – housing,

¹⁸⁸ Information on CODAH stems from the official website: <http://www.codah.fr>.

railway infrastructure,
 sustainable development – public health,
 major risks: information, prevention and early warning system,
 economy – higher education – research and innovation,
 mobility and public transport,
 cultural and sports facilities,
 waste management,
 pollution – air – noise – environment,
 drinking water – industrial water – sanitation,
 rain water in urban and rural zones,
 finance – human resources – heritage,
 tourism – community services,
 river management.

CODAH possesses obligatory, optional and voluntary competences, the latter not being defined by the law, but taken on deliberately by the agglomeration.

Obligatory: economic development, regional development planning, social equity, city policies on the community;

Optional: railway infrastructure, parking, water, sanitation, environmental protection, cultural and sports facilities;

Voluntary: public health, campsites for travelling people, public lighting on certain community roads, electronic communication infrastructure, sanitation and rain water in urban and rural zones, sustainable river management, higher education, research and innovation, truck traffic, and transport of primary school students to the public swimming pools.

In 2012, CODAH spent a total of € 558.6 million, most of which (€ 232.2 million) was used for public transport. Other major spending areas include water sanitation and fiscal retransfers to municipalities. CODAH's consolidated debt amounted to € 384.5 million at the end of 2012.

CODAH publishes yearly reports on its activities.

Together with partners such as Le Havre Développement or chambers of commerce, CODAH promotes economic development, for example through community industrial zones. CODAH has also elaborated a plan for sustainable development (*Plan Energie Climat*, PEP'S) and provides higher education funding, such as grants for medicine students, scientific colloquia or theses. Concrete examples for CODAH projects, often co-financed with

municipalities, the State or the region, are the agglomeration's flagship projects. They cover areas CODAH is particularly active in, such as economic or sustainable development.

The *Ecole Nationale Supérieure Maritime* (National Higher Maritime School, ENSM) in Le Havre is supported with €27.8 million and will open its doors in 2015. Le Havre being part of the so-called Seine Axis (*Axe Seine*) of agglomeration communities along the Seine (Paris and Rouen being the other two), the ENSM is supposed to stimulate economic, educational and research activities, as well as strengthen its international maritime standing. The building itself will use advanced energy saving technologies.

Until 2019, CODAH funds the construction of offshore wind turbines close to Le Havre with € 6 million, built by two consortia: Areva Wind and Alstom/EDF Energies Nouvelles. The project will create employment and provide energy from renewable sources to the community.

A new congress and events centre in Le Havre (opening end of 2016) aims at providing a space for events of the tourism industry as well as cultural events. The centre will be used by the *Société Publique Locale des Docks* (SPL), created by CODAH and the city of Le Havre itself.

The project *Pôle Ingénieur et Logistique* (Engineering and Logistics Centre) will restructure a part of the *Institut Supérieur d'Etudes Logistiques* of the University of Le Havre (Higher Institute of Logistics Studies, ISEL) and at the same time build an extension. It is supposed to facilitate collaboration among academics and develop new areas of specialisation, namely through a Logistic Learning Centre.

CODAH, Caux Estuaire and their contractor *Seine Estuaire Networks* (SEN) aim at creating general access to a high-speed optical fibre network for economic actors and public services by the end of 2014.

The agglomeration community is testing *Télé-relevé*, a system for remotely reading water meters. At the moment, 100,000 meters participate for four years (2012-16).

A cultural centre for films, theatre and events – *Les Arts* – is built in Montivilliers to ensure the accessibility of cultural offers to the surrounding communes.

The community is involved in preventive measures against floods (such as hydraulic construction works). Two catch basins are under construction. The programme includes the setup of an early warning system and water protection measures. Most projects fall under the *Programme d'Action de Prévention des Inondations de la Lézarde* (PAPIL) in partnership with the national *Ministère de l'Ecologie, de l'Energie, du Développement Durable et de l'Aménagement du Territoire*, the *Agence de l'Eau Seine-Normandie*, the region, the département and the EU.

On its website, CODAH also offers access and help for citizens for matters such as water, sanitation, waste management or building renovation.

Outsourced services

The agglomeration currently counts 26.5 million journeys with public transport, with an estimated increase of 30% in passenger numbers. In 2012, CODAH decided to again outsource its public transport¹⁸⁹ to Véolia-Transdev until 2018. This includes 41 bus lines, a new tramway line opened in 2012 (13 km, 23 stops), a cable car and an on-demand service. While CODAH invests into the new e-ticketing system (bus and tramways, facilitating the tracking of passengers' movements and reliable information on the network's use), the trams, the depots, the workshops and the agencies, Véolia will contribute human resources and technical know-how. Overall, CODAH will spend about € 34 million annually. Eventual gains are divided between CODAH and its contractor. Publicly the agglomeration cited two advantages of this decision: engaging a private partner with thorough expertise, and easing the financial risk for the community.

In 2013, CODAH signed a convention with their public local affiliated firm *SPL des Docks* for the building and use of the congress centre (see above).¹⁹⁰

The high-speed fibre network was outsourced to a contractor (*Seine Estuaire Networks, SEN*) (see above).



Figure 81: Transport at Codah

¹⁸⁹ Main project

¹⁹⁰ http://deliberations.agglo-lehavre.fr/docs/pv/2013-01-31/DELB_20130029-01.pdf

3.2.2.2 What is the scope of the French Transport contract?



Figure 82: Transport service

3.2.2.3 Applying the analytical framework to the outsourcing DMP at Codah

This sub-section is based on the results and the analysis of four interviews realized with three senior stakeholders of Codah and from another transport authority: Jean-Sébastien Chaboche (Directeur de la Mobilité, Project Delivery Director), Christophe Colombel (Directeur Général adjoint, Département Gestion des Ressources) and Daniel Fidelin (Vice-président de la Codah en charge des transports). The researcher conducted another interview with Laurent Fonteneau (Directeur du service mobilité et transport de la communauté d'agglomération de Poitiers)

Jean-Sébastien Chaboche (Directeur de la Mobilité, Project Delivery Director),

Interview	Criteria	% coverage	Quote
Resource Based View 6.44%	Value	6.44%	ensuite, euh, si je me focalisais plus sur la, sur la nouvelle DSP, c'est qu'on a passé la mise en confiance, euh, sur la période des années 2010 et 2011 pour ... contrat en 2011 et, euh, un nouveau contrat d'exploitation à partir du premier janvier 2012 et

			<p>qui va courir jusqu'au trente-et-un décembre 2017. Euh, on a mis dans ce contrat, était prévu une intégration de la, de l'exploitation du tramway et aussi de son nouveau système de billetterie, bitic, un système informatisé de gestion des titres de transport.</p> <p>appel à l'expertise du groupe dans son ensemble</p>
	Rarity	1.23%	<p>qui a été maintenant, par actionariat a été, euh, sous la direction de trandev, donc, euh oya transport est maintenant a disparu pour ainsi dire, donc c'est transdev maintenant qui, euh, qui est la société-mère en fait, qui, euh, donc son agence, euh, sa société locale, publique locale, ... qui exploite notre ... et puis en face, c'est ... qu'on a, euh, renouvelé le, la DSP, que ce soit pour 2006 ou 2012 et il n'y avait que veolia en 2006 et transdev qui est actionnaire en 2012 qui a répondu</p>
	Imitability	1.23%	<p>dont l'exploitation a été confiée à, en fait, c'était un privé, et, euh, ce prestataire privé, euh, ce prestataire privé, il est toujours le même aujourd'hui. Alors, euh, au fil de, au fil de l'histoire, ben, ce ... a changé, mais, en fait, euh, on est dans une continuité d'exploitants depuis la fin du dix-neuvième siècle</p>
	Substitutability	2.43%	<p>qui est assez fort aujourd'hui et, euh, voilà quoi, quand on est content d'un service, finalement, on n'a pas forcément envie de, d'en changer. Euh, et le deuxième contexte, c'est surtout en matière, au niveau concurrence en transport public, alors, en régie, on peut en parler, mais il y a une concurrence en transport public aujourd'hui en France, euh, alors, avant, il y avait transdev et veolia et</p>

			kéonis, nous c'était veolia, donc l'opérateur historique entre guillemets
	Resource constraints		
Transaction Cost Theory 3.32%	Opportunism	2.43%	qui est assez fort aujourd'hui et, euh, voilà quoi, quand on est content d'un service, finalement, on n'a pas forcément envie de, d'en changer. Euh, et le deuxième contexte, c'est surtout en matière, au niveau concurrence en transport public, alors, en régie, on peut en parler, mais il y a une concurrence en transport public aujourd'hui en France, euh, alors, avant, il y avait transdev et veolia et kéonis, nous c'était veolia, donc l'opérateur historique entre guillemets
	Asset specificity	1.23%	qui a été maintenant, par actionariat a été, euh, sous la direction de transdev, donc, euh, oya transport est maintenant a disparu pour ainsi dire, donc c'est transdev maintenant qui, euh, qui est la société-mère en fait, qui, euh, donc son agence, euh, sa société locale, publique locale, ... qui exploite notre ... et puis en face, c'est ... qu'on a, euh, renouvelé le, la DSP, que ce soit pour 2006 ou 2012 et il n'y avait que veolia en 2006 et transdev qui est actionnaire en 2012 qui a répondu
	Measurability	2.53%	Et est-ce que cette marge là ne pourrait pas être économisée par la Codah c'était en régie. Y a toujours un peu ce débat. Euh... nous financièrement, on arrive à euh..., on est habitué, on arrive à le tenir euh... à peu près dans les ligues en plus qu'on s'est donné, euh donc euh... bon c'est euh, le débat ne va pas trop loin en matière euh financière parce que on arrive à continuer à l'échange quoi
	Uncertainty		
Convention	Mimetic	4%	y a plein de rencontres entre les réseaux entre les transports et

4%			<p>voilà. Chacun on a des besoins, de nouvelles idées qui viennent d'un réseau ou d'un autre et pour euh..., faudra qu'on les étudie et puis je vois que par exemple à Nice, ils ont développé un réseau de paiement, afin de chargement de ticket de transport et de paiement directement par téléphone portable, devant les valideur</p> <p>Bien, c'est quelque chose qu'on commence à regarder nous et puis on va s'appuyer sur l'expérience de Nice. Euh à Rouen par exemple, ils ont euh ... afin Transdev avait fait une convention avec la Banque à celle de l'Etat pour utiliser les distributeurs automatiques de titres de transport. Afin, c'est quelque chose qu'on ne peut vraiment pas avoir si on était vraiment pas en régie</p> <p>Un peu, j'y arrive. Alors 84% en 2011, un autre aspect alors en France 84% dans ma ligature du service public et 8% ensuite dans le public et 8% en régie</p>
Risk 8.35%	Delivery Risk	8.35%	<p>Donc, il y avait un risque technologique quand même, euh, d'exploitation, assez important</p> <p>la DSP permet évidemment de euh... ces 30%, cette augmentation plutôt euh, sans prendre de risques qu'elle arrive au qu'elle n'arrive pas à des délégataires plutôt qu'à l'agglomération</p> <p>Voilà le partage de risques de la Codah sur les investissements, mais par contre après on a un contrat qui fixe au départ, lors des négociations le euh...coût des charges d'exploitation du réseau qui sera à peu près de 45 millions en moyenne, euh...</p>

			<p>par an. Et les recettes attendues par les grandes bitic et autres qui vont monter en puissance et qui vont passer de 12 à 14 millions à peu près, dans un an et demi, donc on se trouve euh... on a fixé un contrat finalement à une compensation financière que la Codah va verser à son exploitant qui est en moyenne d'à peu près de 34 à 35 millions d'euros par an</p> <p>Et bien sûr c'est si les recettes et les ventes de billetterie qui avaient été envisagé, donc si l'objectif n'est pas au niveau qu'on attend, c'est l'exploitant qui supporte ce risque</p> <p>le risque commercial du coup c'est la Codah qui le prend quoi. Mais là, il est beaucoup plus mesuré c'est mille élèves compare aux 90 milles déplacements sur le réseau du transport urbain qu'on aquoi. Par jour</p>
	Governance	0.44%	Donc, il y avait un risque technologique quand même, euh, d'exploitation, assez important
Organizational politics 3.11%	Personal politics	3.11%	<p>le souhait de rechercher autant que possible le consensus sur les euh</p> <p>le seul point de vue différent qu'on ait eu mais après c'est dans la conception politique des choses. C'est en côté technique paritaire. Donc c'est la force organisationnelle de la codah, ou les rencontres bien entendu du personnel et les rencontres en amitié, euh était plutôt à défendre de la régie, euh... des gens que la régie veut amener... dans notre réseau, afin de compétence ce que... on pouvait, on pouvait y aller mais par contre politiquement euh quelque soit</p>

			le bord politique qui est déduit à l'agglomération, euh
Political Agenda / Politics 7%	Service Delivery (Quality, Access, Control),	2.57%	, je vais commencer donc du coup à aborder l'importance, euh, pourquoi la DSP. C'est, euh, voilà, ça s'est plutôt bien passé au fil du temps et c'est quand même, euh, évidemment important
	Alignment to Political Ideology	6.48%	<p>Mais il n'y a pas eu de votes contre de la position. On est quand même dans un climat où on a change dans un climat de travail où le politique est là mais euh il suffit de faire la part des choses et donc un engagement politique</p> <p>Et c'est rarement la majorité qui est pouvoir et euh... dès que la minorité politique est dans l'opposition et euh...qu'il y a pas forcément droit à la parole ou autre, il faut savoir quand même qu'à l'agglomération du Havre il y a des vices présidences,</p> <p>Les élus vont être quand même concernés et puis d'ailleurs au regard des choses on est pas euh mais disons que ça permet quand même de temporiser un peu quoi.</p> <p>Après euh il y a quand même, donc pour les élus politiquement, je ne pense pas que ce soit le cas de l'agglomération du Havre, le fait que euh...y a 650 qui exploitent le réseau, dont 450 conducteurs, politiquement c'est pas une affaire récente d'avoir une sorte de fusible qui aide à qui est la compagnie qui exploite le réseau ici à partir d'un tramway et que la quand il y a une revendication des conducteurs se soit pas la collectivité publique et le président de la collectivité qui ... ou les maires qui soient tout</p>

			de suite euh... attaqués finalement mais il faut que ça se règle ici plutôt en interne au sein de la collectivité qui exploite le réseau quoi
Innovation 5%	Cross-Fertilization for Public Administration	4.76%	des éléments nouveaux avec de fortes technologies, dont on n'avait pas la compétence en interne Y a plein de choses en matière de télécommunication dans la téléphonie mobile qui se développe et qui permet de renforcer l'usage du transport et le fait de faire appel à un grand groupe national ou même international, c'est de faire profiter de l'expérience qu'il y a sue d'autres réseaux

Christophe Colombel (Directeur Général adjoint, Département Gestion des Ressources)

Interview	Criteria	% coverage	Quote
Resource Based View 19.57%	Value	17.70%	Euh, oui, alors, sur ce sujet-là, donc, déjà, c'était a priori plutôt une option dès le départ, parce que, euh, sur des services comme ceux-là, euh, d'abord en termes de, de compétences et puis, euh, en termes de nombre d'agents nécessaires, euh, à la gestion d'un tel service public, et surtout depuis, euh, qu'on a mis en service un tramway, euh, la communauté d'agglomération était pas en capacité, alors, euh, sur plusieurs aspects, d'abord, euh, le, le statut implique, euh, qu'on aurait eu quelques difficultés à, à recruter telle ou telle compétence et, puis, deuxièmement, euh, il y avait une telle masse d'agents à gérer en plus, euh, dans une structure comme, comme les nôtres qui sont des structures jeunes et des EPCI avec, euh, des moyens, des moyens humains qui sont limités, euh,

			enfin, ça, c'est plus le débat, l'actualisation, etc. Euh, on, on avait, enfin, il n'y avait rien qui nous, euh, faisait imaginer d'un intérêt de, de le transférer en régie
	Rarity	14.5%	de, d'étendre les régies parce que, et notamment en matière, en matière d'eau et d'assainissement, il y a peu de concurrence lorsqu'on lance une délégation service public et, euh, on a tout intérêt à, à faire, à augmenter la, la régie, euh, même dans le domaine des transports.
	Imitability	14.5%	de, d'étendre les régies parce que, et notamment en matière, en matière d'eau et d'assainissement, il y a peu de concurrence lorsqu'on lance une délégation service public et, euh, on a tout intérêt à, à faire, à augmenter la, la régie, euh, même dans le domaine des transports.
	Substitutability	19.15%	et les agents qui permettent de, de le contrôler dans la durée et de, de vérifier si, euh, si le service est correctement effectué ou simplement vérifier le, le délégataire, la gestion du délégataire lui-même. Les intérêts que l'on y trouve en, en alliant finalement deux, deux types de délégation, enfin, deux types de, de mode de gestion, pardon, euh, eh bien, c'est que l'un complète l'autre et, qu'en interne, on a à la fois des compétences techniques, euh, pour faire tourner notre, notre régie mais en plus, on a ces compétences-là qui nous permettent de, de mieux comprendre l'activité du délégataire et, donc, finalement, on y trouve notre compte grâce à un équilibre entre, entre ces deux, deux modes de gestion. Et ça, on l'a appliqué par exemple sur l'eau et l'assainissement

			, d'étendre les régies parce que, et notamment en matière, en matière d'eau et d'assainissement, il y a peu de concurrence lorsqu'on lance une délégation service public et, euh, on a tout intérêt à, à faire, à augmenter la, la régie, euh, même dans le domaine des transports
	Resource constraints	6.09%	d'avoir une, une vision globale du sujet, à la fois organisationnel, en termes de compétences, en termes financiers et, euh, et ça, ça a été fait, euh, en comparant, euh, euh, la, la régie, la DSP.
Transaction Cost Theory 5.7%	Opportunism	1.45%	d'étendre les régies parce que, et notamment en matière, en matière d'eau et d'assainissement, il y a peu de concurrence lorsqu'on lance une délégation service public et, euh, on a tout intérêt à, à faire, à augmenter la, la régie, euh, même dans le domaine des transports
	Asset specificity		
	Measurability	4.25%	on essaie à chaque fois déjà de, de, d'analyser, euh, l'intérêt ou pas de déléguer l'étude préalable, elle est, elle est, elle est, euh, complète, quoi. C'est pas seulement que sur un domaine l'administration évidemment, euh, mène les études préalables,
	Uncertainty		
Convention 2.08%	Mimetic	2.08%	et, en revanche, on gère en régie, euh, notamment par des conventions de mutualisation avec les autres communes, euh, les deux autres piscines. Alors, oui, à chaque fois, on a une démarche complètement pragmatique par rapport aux choix, euh, de déléguer ou, ou de, de gérer en interne.
Risk 8.92%	Delivery Risk	4.8%	On n'a, on n'a jamais, euh, géré les transports en régie et, euh, là, pour le coup, il y a une

			<p>complexité, euh, telle que, euh, nous avons en termes de recrutement, enfin, de gestion ensuite du service public. Là, pour le coup, la délégation service public est la, la méthode la plus optimale de, de gestion de notre, euh, notre service. Ensuite, on a, on a un certain nombre de, de, de piscines communautaires que, que l'on gère aussi et, là aussi, on a ces choix en fonction du type de piscine, euh, soit de la gérer en régie, soit de la déléguer, d'essayer de la déléguer à un privé. En l'occurrence, on a délégué à un privé une piscine, euh, qui, euh, dépassait, le, le, le simple cadre d'une piscine classique, activité scolaire, euh, l'environnement, tout ça. Mais, il y a, c'est-à-dire, que c'est une piscine un petit peu plus compliquée à gérer et, donc, là, celle-là, on a, on a décidé de, de la déléguer et</p>
	Governance	4.11%	<p>et les agents qui permettent de, de le contrôler dans la durée et de, de vérifier si, euh, si le service est correctement effectué ou simplement vérifier le, le délégataire, la gestion du délégataire lui-même. Les intérêts que l'on y trouve en, en alliant finalement deux, deux types de délégation, enfin, deux types de, de mode de gestion, pardon, euh, eh bien, c'est que l'un complète l'autre et, qu'en interne, on a à la fois des compétences techniques, euh, pour faire tourner notre, notre régie mais en plus, on a ces compétences-là qui nous permettent de, de mieux comprendre l'activité du délégataire et, donc, finalement, on y trouve notre compte grâce à un équilibre entre, entre ces deux, deux modes de gestion. Et ça, on l'a appliqué par exemple sur l'eau</p>

			et l'assainissement.
Organizational politics 7.07%	Personal politics	7.07%	<p>je pense que c'est très lié à la personnalité du, du président de l'agglomération</p> <p>Je pense que c'est vraiment lié à des choix personnels et puis à une sensibilité personnelle par rapport à, à une vision, vision propre, euh, de, de chacun des, des présidents d'EPCI ou des maires des communes qui, qui ont à gérer ça</p> <p>Eh bien, euh, déjà, il y a, euh, la définition de la stratégie globale par rapport à la DSP et, euh, la, la régie, le choix DSP/régie. Ça, c'est ce que je vous ai dit en amont...</p> <p>euh, à sa manière de, de, de voir les choses, à, à son ouverture par rapport à, à l'un ou l'autre des modes de, de gestion et à ce qu'il peut impulser en, en interne</p>
Political Agenda / Politics 16.15%	Service Delivery (Quality, Access, Control),	5.39%	<p>On n'a, on n'a jamais, euh, géré les transports en régie et, euh, là, pour le coup, il y a une complexité, euh, telle que, euh, nous avons en termes de recrutement, enfin, de gestion ensuite du service public. Là, pour le coup, la délégation service public est la, la méthode la plus optimale de, de gestion de notre, euh, notre service. Ensuite, on a, on a un certain nombre de, de, de piscines communautaires que, que l'on gère aussi et, là aussi, on a ces choix en fonction du type de piscine, euh, soit de la gérer en régie, soit de la déléguer, d'essayer de la déléguer à un privé. En l'occurrence, on a délégué à un privé une piscine, euh, qui, euh, dépassait, le, le, le simple cadre d'une piscine classique,</p>

			<p>activité scolaire, euh, l'environnement, tout ça. Mais, il y a, c'est-à-dire, que c'est une piscine un petit peu plus compliquée à gérer et, donc, là, celle-là, on a, on a décidé de, de la déléguer et...</p>
	Alignment to Political Ideology	10.75%	<p>Puis, ensuite, il y a eu un choix des élus de soit de continuer la DSP pour une partie du territoire et de, de maintenir la régie sur l'autre partie du, du territoire</p> <p>c'est souvent lié, euh, au choix peut-être politique, ou quelque part idéologique,</p>
Innovation 9.85%	Cross-Fertilization for Public Administration	9.85%	<p>c'est aussi le délégant qui demande au délégataire de réfléchir à, à toutes ces innovations-là. Donc il faut quelque part qu'il y ait quelqu'un qui impulse ça, euh, au délégataire, quoi.</p> <p>le développement vis-à-vis de l'utilisateur, euh, des, des, de l'utilisation, euh, des nouvelles technologies, notamment, dépasse largement le, la, la délégation service public et, notamment, celle des transports. Sur, sur, euh, ce que l'on a en régie aujourd'hui, et notamment l'eau et l'assainissement, on a, on a développé auprès de l'utilisateur un certain nombre de dispositifs, euh, utilisant évidemment, euh, les différentes nouvelles technologies pour faciliter à la fois l'abonnement, la résiliation, euh. On développe tout ce qu'on appelle la télérelève, c'est-à-dire la relève de compteurs à distance, enfin, ça, euh, on, on sait le faire aussi, euh, dans, dans nos régies, et donc, c'est pas à mon avis propre, euh, à la DSP</p>

			et ceci, d'autant plus que quand on a une DSP,
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Daniel Fidelin (Vice-président de la Codah en charge des transports).

Interview	Criteria	% coverage	Quote
Resource Based View 18.89%	Value	14.94%	là on a réussi si vous voulez à avoir quelque chose qui nous parait tout à fait cohérente, juste, financièrement, tout à fait, acceptable L'ARATP puis il y avait aussi (unintelligible 06 :37) et puis donc la société qu'on a choisie. Mais ce qu'il y a à dire par là qu'on n'a pas eu le meilleur prix avec nos services, parce qu'on a regardé ça de très près avec nos services, nos juristes
	Rarity		
	Imitability	8.87%	Pourquoi donc une externalisation DSP plutôt qu'une régie ? Ben parce qu'on estime que les sociétés qui répondent aux appels d'offres sont des sociétés qui ont une expérience professionnelle importante et qui ont un regard extérieur, c'est-à-dire, ils ont de l'expérience puisque dans la grande majorité ces grandes sociétés ont des réseaux de transport dans différentes villes de France, ils connaissent les aboutissants, ils connaissent les difficultés qu'ils peuvent y avoir en fonction de (unintelligible 05 :04) critères donc je pense que là on affaire à des vrais professionnelles avec un regard extérieur. Je crois que ça c'est un élément qui me parait tout à fait essentiel dans le cadre des DSP une raison pour laquelle on a choisi cela d'une part.
	Substitutability		
	Resource constraints		
Transaction	Opportunism	3.94%	D'autre part, ça permet

Cost Theory 5.44%			en cas d'appel d'offre futur par la société qui est actuellement permettra (unintelligible 08 :57) tout les sites et d'offrir, éventuellement à une nouvelle société toute (unintelligible 09 :04) que nous avons souhaité apporter. Voila un petit peu ce qui nous a amené à choisir une formule DSP plutôt qu'une régie.
	Asset specificity		
	Measurability	1.5%	D'autre part le fait de faire une DSP par appel d'offre nous permet de garantir le meilleur prix puisqu'il y a une concurrence
	Uncertainty		
Convention 39.93%	Mimetic	39.93%	<p>Ah oui tout à fait, bien évidemment parce que ça nous permet de bien regarder d'une manière attentive, on a essayé de regarder ce qui se passait par ailleurs, tout simplement pour nous donner une idée, notamment pour les personnes handicapées infrastructures dans le cadre du DSP, pas bien que au niveau du matériel on est allé voir dans autres communautés d'agglomérations comment ils faisaient, comment les sociétés avaient pris en compte le problème des handicapes et des personnes à mobilité réduite.</p> <p>c'est qu'en transport nous l'avons aménagé puisque nous sommes allé voir les grandes villes puisqu'il fallait complètement le refond. Les villes les plus importantes de la Codah entre 10 et 20 milles habitants</p> <p>L'expérience dans les autres villes, c'est-à-dire qu'on réalité dans certaines villes ils ont eu des difficultés. Toutes les difficultés qu'ils ont du avoir dans les autres villes qui nous permet justement d'éviter ce</p>

			genre de choses
Risk 7.94%	Delivery Risk		
	Governance	7.94%	Et puis le fait de faire une DSP nous permet également de ne pas avoir de soucis avec le personnels également, parce que on a eu des grèves, il n'y a pas très longtemps. Ce n'est plus notre affaire, c'est l'affaire de la société, et comme on a un contrat avec un prix qui est fixé si jamais il y avait des augmentations des salaires qui posent des problèmes au niveau des fonctionnements un peu plus lourd. L'entreprise qui a eu le marché, en fait c'est son affaire personnelle ce n'est pas une augmentation de nos dépenses. Puisque nous avons un contrat et ce qui pose beaucoup moins de difficulté, il y a des grèves et après c'est lui qui prend la responsabilité des personnels.
Organizational politics 18.19%	Personal politics	18.19%	Alors de ce coté là puisqu'il y a quand même un leader Communiste au niveau de la Codah, il n'y a pas de difficulté de ce coté là. Donc je crois que c'est important de souligner, me semble t-il. Ce n'est plus notre affaire, c'est l'affaire de la société, et comme on a un contrat avec un prix qui est fixé si jamais il y avait des augmentations des salaires qui posent des problèmes au niveau des fonctionnements un peu plus lourd. L'entreprise qui a eu le marché, en fait c'est son affaire personnelle ce n'est pas une augmentation de nos dépenses
Political Agenda / Politics 24.75%	Service Delivery (Quality, Access, Control),	7.94%	Puisque nous avons un contrat et ce qui pose beaucoup moins de difficulté, il y a des grèves et après c'est lui qui prend la responsabilité des personnels
	Alignment to Political	24.75%	Donc nous sommes dans le cadre d'une DSP. Pourquoi

	Ideology		<p>une DSP ? L'externalisation que vous appelez, d'abord ça a été voté d'unanimité je crois que c'est important de souligner, qui que ce soient les cotés politiques parce qu'il est clair que si je prends les Communistes, notamment, ils ont plutôt tendance à passer en régie de façon à favoriser les services public plutôt l'emploi public.</p> <p>D'abord on avait déjà une DSP, en ce qui concerne le transport, avec la société qui s'appelle CTPO pour les bus et puis nous avons réalisé un grand projet, qui était le projet donc du tramway, un très grand projet sur la ville du Havre, même si c'est l'agglomération est dans 17 communes, mais nous avons avec ce tramway on fondait complètement notre DSP pour intégrer le tramway puisque bien évidemment il y avait dans le cadre de transport des modifications importantes à faire puisque il n'était pas question bien sur de doubler une (unintelligible 04 :04) de tramway par une (unintelligible 04:16) bus qui existaient auparavant on a donc complètement changé notre plan de transport. Donc nous sommes dans le cadre d'une DSP. Pourquoi une DSP ? L'externalisation que vous appelez, d'abord ça a été voté d'unanimité</p>
Innovation 14.65%	Cross-Fertilization for Public Administration	14.65%	<p>Je crois que oui, et à mon avis je pense qu'on aura plus d'accès à l'innovation avec une DSP qu'avec une régie</p> <p>mais je pense qu'il faut leurs préciser l'innovation, l'expérience ça me parait être les éléments essentiels pour dire qu'il est tout à fait nécessaire de passer en DSP</p>

Laurent Fonteneau (Directeur du service mobilité et transport de la communauté d'agglomération de Poitiers)

Interview	Criteria	% Coverage	Quote
Resource Based View	Value		
	Rarity		
	Imitability		
	Substitutability	0.59%	Donc on n'a pas non plus une armada de gens qui sont capable de faire
	Resource constraints		
Transaction Cost Theory	Opportunism		
	Asset specificity		
	Measurability		
	Uncertainty		
Convention 21.50%	Mimetic	21.50%	<p>un réseau qui s'appelle AGIR</p> <p>Le site internet s'appelle Agir-transport.org. Qui regroupe ensemble des réseaux qui sont en gestion en régie autonome. Et vous avez une carte vous allez voir que la carte elle est assez... il y a des réseaux départementaux des réseaux agglomérations. Mais vous avez quelques agglomérations qui ont récemment passées ; Marseille est une régie. Donc il y a un peu de va et vient, il y a des réseaux qui sont passés à la régie. Il ya des réseaux qui ont (unintelligible 11 :07) à la régie. C'est pas du tout clair, le mouvement n'est pas clair mais il y a quand même 140 adhérents aujourd'hui dans le réseau AGIR</p> <p>Donc le point entrer pour savoir tout sur les réseaux en régie à Toulouse, c'est Agir qui est l'association qui regroupe ces réseaux là</p>
Risk	Delivery Risk	2.26%	<p>sur le risque social</p> <p>la ligne on est sur l'équilibre maintenant ça s'est plutôt bien passée je pense pas que la question de risque a été posé elle pourrait se passer sur des</p>

			questions de risque sociale, c'est vrai que l'une des difficultés des régies autonome,
	Governance	17.44%	Non juste le point de vigilance qu'il faut avoir c'est la clarté des rôles entre l'autorité organisatrice de transport et l'exploitant. Ce n'est pas un sujet mineur parce qu'il y a un tout petit service à l'agglomération
Organizational politics 22.23%	Personal politics	22.23%	<p>Par définition le directeur d'un réseau de transport c'est le directeur et c'est celui qui pilote à la fois son groupe en tant que membre d'un groupe et à la fois à l'agglomération en tant que délégué</p> <p>Il y a le contexte qui est au delà du transport, c'est que la ville et l'agglomération de Poitiers, il faut bien noter que c'est la même tête</p> <p>Une maire présidente c'est la maire du Poitier traditionnellement et c'est le même organigramme. Les moyens sont fusionnés entre la (unintelligible 6 :50) et l'agglomération. Et donc, ce qu'il faut comprendre la gestion en régie directe est assez fortement présente</p> <p>c'est qu'il y a la part des salariés une forte proportion à vouloir prendre les élus en hontage et d'un autre cotés les grèves existent aussi dans les DSP</p> <p>Ce n'est pas facile parce que c'est vrai que la question de transport est tellement passionnante que tout le monde veut s'en mêler, mais il faut aussi qu'il y a un ensemble qui garde qui tienne aux statuts, qui tienne à des documents qu'ont n'a pas</p>

			finalisés, des documents qui cadrent bien cette relation à opter l'exploitant (unintelligible 19 :46) d'une régie
Political Agenda / Politics 24.54%	Service Delivery (Quality, Access, Control),	9.45%	il y a une certain souplesse quand même dans la façon dont on gère la relation entre l'AOT et la régie autonome. Avec notre expérience à nous, Poitiers, la gestion en régie autonome ne nous a jamais empêchés, au contraire je dirais même que pour nous ça a été très facile après la loi. Par exemple on est entrain de mettre en place un system de tout partage sur Poitiers (unintelligible 14:38) sur lequel on réfléchissait très sérieusement. La décision a été même si la loi ne permettait pas complètement de confier sans autre forme de procès en gestion à notre régie de transport et je dirais ça c'est fait très vite, très facilement sans aucune difficulté.
	Alignment to Political Ideology	15.09%	On a une relative tradition, qui correspond aussi aux traditions de Gauche sur les Poitiers en 1977, qui est après tout la gestion par le public que ça soit en directe ou en gestion légèrement déléguée. C'est un beau mode de gestion. Ça c'est le contexte un peu general l'implication des politiques dans la gestion de la régie (unintelligible 09:06-09:08) et le pilotage du system de transport est une très forte (unintelligible 09:12). demandes d'élus qui disent, écoutez nous on est entrain de réfléchir à quelle est la bonne modalité au moment des renouvellements des contrats ? Bon là parfois on dit achetez le system DSP que l'ont a

			(unintelligible 11:45-11:47) Est-ce que c'est le bon ? Ca mérite une vraie réflexion politique, nous essayerons de solliciter pour savoir pourquoi ? Comment ? Comment on a fait ?
Innovation 9.45%	Cross-Fertilization for Public Administration	9.45%	Par exemple on est entrain de mettre en place un system de tout partage sur Poitiers (unintelligible 14:38) sur lequel on réfléchissait très sérieusement. La décision a été même si la loi ne permettait pas complètement de confier sans autre forme de procès en gestion à notre régie de transport et je dirais ça c'est fait très vite, très facilement sans aucune difficulté. On a été la première ville aussi on a une petite GNV on l'a mené, on a acheté le premier bus Hybride il y a deux ans très facilement. On n'a pas la force de project de niveau standard que font les grands groupes et au même temps on n'est pas soumis à leur (unintelligible 15 :38) d'enlever cette force

The above data analysis is summarised in the following table:

	Variables	% coverage	% coverage	% coverage	% coverage	Average Codah
Nodes		Chaboche	Colombel	Fidelin	Fonteneau	
RBV	Value	6.44%	17.70%	14.94%		9.77%
	Rarity	1.23%	14.50%			3.93%
	Imitability	1.23%	14.50%	8.87%		6.15%
	Substitutability	2.43%	19.15%		0.59%	5.54%
	Resource constraints		6.09%			1.52%
TCT	Opportunism	2.43%	1.45%	3.94%		1.96%
	Asset specificity	1.23%				0.31%
	Measurability	2.53%	4.25%	1.50%		2.07%
	Uncertainty					0.00%
Convention	Mimetic	4%	2.08%	39.93%	21.50%	16.88%
Risk	Delivery Risk	8.35%	4.80%		2.26%	3.85%
	Governance	0.44%	4.11%	7.94%	17.44%	7.48%
Org politics	Personal politics	3.11%	7.07%	18.19%	22.23%	12.65%
Politics	Service Delivery (Quality, Access, Control),	2.57%	5.39%	7.94%	9.45%	6.34%
	Alignment to Political Ideology	6.48%	10.75%	24.75%	15.09%	14.27%
Innovation	Cross-Fertilization for Public Administration	4.76%	9.85%	14.65%	9.45%	9.68%

Figure 83: Codah research results

The interviewed senior stakeholders argue that the main driver for outsourcing at Codah has been the need for the right focus on core competence and the need to bring external competencies despite a lack of competition in the sector potentially leading to opportunity for opportunism (in line with the asset specific nature of the transport domain).

So in a similar context the decision to run the transport in a municipality becomes in one case to outsource and in the other to keep internally. This duality confirms the classical view on a mis- alignment between a Resource Based View and the TCT view (as per McIvor framework).

Overall RBV and TCT are represented as expected but the other factors are where we will focus our next analysis.

The analysis of the interviews results shows that the decision to outsource Codah's transport functions took into account six criteria that go beyond RBV and TCT, namely: a mimetism effect, influence from the political agenda, personal politics, innovation opportunities, governance risks and service delivery quality.

Mimetism effect

With an average rate of 16.88%, convention mechanisms are involved in the DMP according to this analysis. Some of the quotes demonstrate this well:

« L'expérience dans les autres villes, c'est-à-dire qu'en réalité dans certaines villes ils ont eu des difficultés. Toutes les difficultés qu'ils ont du avoir dans les autres villes qui nous permet justement d'éviter ce genre de choses »

« c'est quelque chose qu'on commence à regarder nous et puis on va s'appuyer sur l'expérience de Nice. Euh à Rouen par exemple, ils ont euh ... afin Transdev avait fait une convention avec la Banque »

« Un peu, j'y arrive. Alors 84% en 2011, un autre aspect alors en France 84% dans ma ligature du service public et 8% ensuite dans le public et 8% en régie »

« ça nous permet de bien regarder d'une manière attentive, on a essayé de regarder ce qui se passait par ailleurs, tout simplement pour nous donner une idée, notamment pour les personnes handicapées infrastructures dans le cadre du DSP »

« Le site internet s'appelle Agir-transport.org. Qui regroupe ensemble des réseaux qui sont en gestion en régie autonome. Et vous avez une carte vous allez voir que la carte elle est

assez... il y a des réseaux départementaux des réseaux agglomérations. Mais vous avez quelques agglomérations qui ont récemment passées ; Marseille est une régie. »

One of the processes specific to the Public Transport sector that may explain the mimetism effect is that the AGIR agency which allows connectivity between the municipalities on the topic of transportation and where all municipalities can see what the other decision makers there decide (<http://www.agir-transport.org/>).

It is interesting to see that the map of the AGIR network confirms the complexity of the decision for each agglomeration

The following agglomerations operate in “Régie”:

Aix-en-Provence	Crépy en Valois	Maubeuge
Annonay	Dax	Miribel
Arlysère / Albertville	Dieppe	Nice
Arles	Dinan	Nouméa
Aubagne	Etang-de-Berre	Pays de Grasse
Aurillac	Flers	Périgueux
Bourg-en-Bresse	Hérault-Méditerranée	Petit Cul de Sac Marin
Cahors	Kourou	Quimperlé
Cap-Atlantique	L'Isle-d'Abeau	Reims
CASUD (La Réunion)	La Roche-sur-Yon	Rodez
Chartres	Mâcon	Saint-Brieuc
CIVIS (La Réunion)	Manosque	Saint-Omer
Co.RAL/ Albertville	Maremne Adour	Salon-de- Provence
Côte d'Emeraude	Marseille	Sud Pays Basque
Creil	Massif des Aravis	Thionville-Fensch

Figure 84: Agglo in Regie

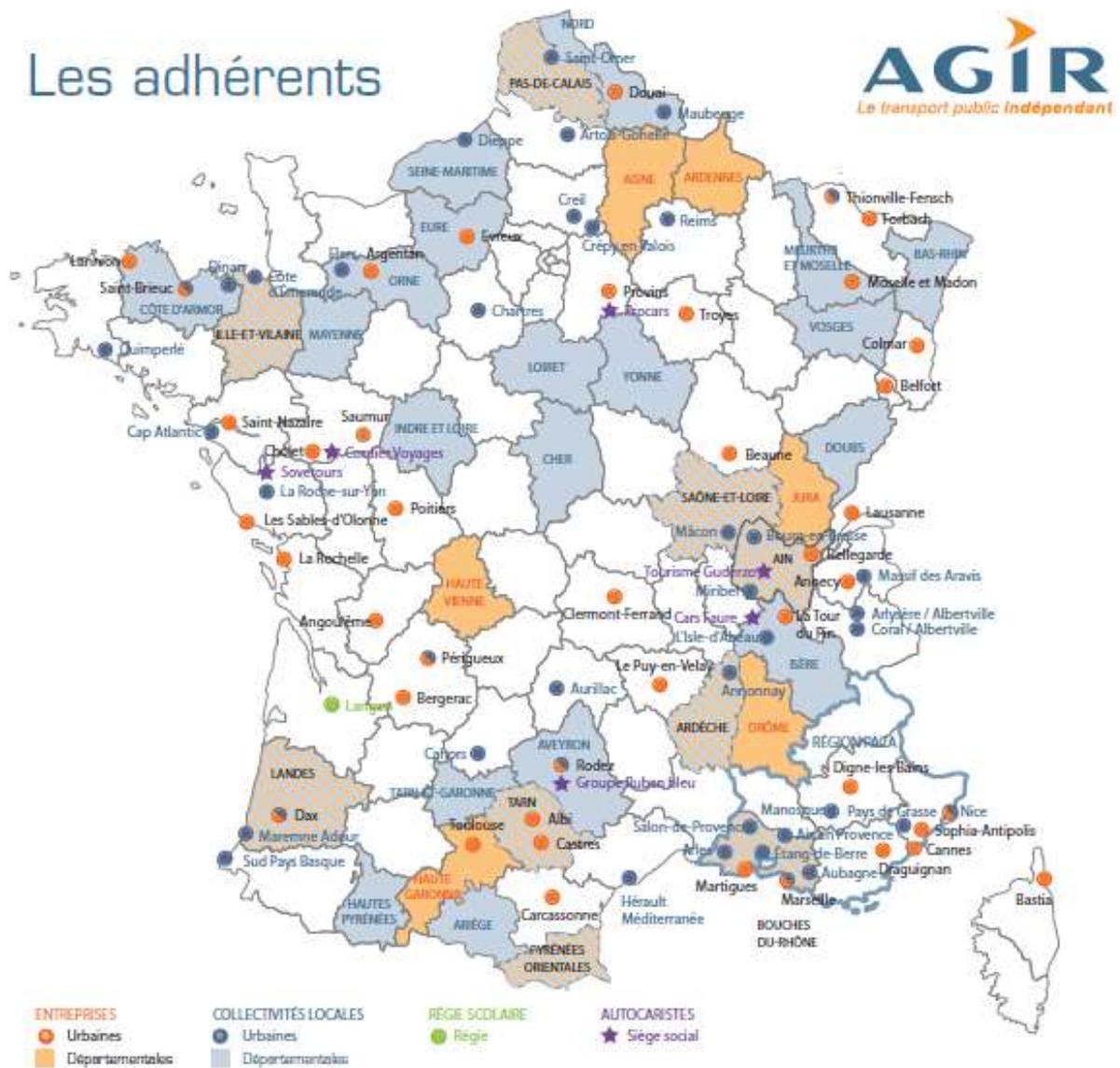


Figure 85: Map of AGIR network of agglomerations

Another element that is worth noting is that Procurement is also mentioned as seen above. Public sector organisations learn what other outsource and how.

Influence from the political agenda

With an average rate of 14.27%, the role of the political agenda in the DMP is clear and universal in all interviews. Some of the quotes demonstrate this well:

« L'externalisation que vous appelez, d'abord ça a été voté d'unanimité je crois que c'est important de souligner, et que ce soient les cotés politiques parce qu'il est clair que si je

prends les Communistes, notamment, ils ont plutôt tendance à passer en régie de façon à favoriser les services public plutôt l'emploi public »

« Mais il n'y a pas eu de votes contre de l'opposition. On est quand même dans un climat où on a changé dans un climat de travail où le politique est là mais euh il suffit de faire la part des choses et donc un engagement politique »

« Les élus vont être quand même concernés et puis d'ailleurs au regard des choses on est pas euh mais disons que ça permet quand même de temporiser un peu quoi »

« Après euh il y a quand même, donc pour les élus politiquement, je ne pense pas que ce soit le cas de l'agglomération du Havre, le fait que euh... y a 650 qui exploitent le réseau, dont 450 conducteurs, politiquement c'est pas une affaire récente d'avoir une sorte de fusible qui aide à qui est la compagnie qui exploite le réseau ici à partir d'un tramway et que la quand il y a une revendication des conducteurs se soit pas la collectivité publique et le président de la collectivité qui ... ou les maires qui soient tout de suite euh... attaqués finalement mais il faut que ça se règle ici plutôt en interne au sein de la collectivité qui exploite le réseau quoi »

« Puis, ensuite, il y a eu un choix des élus de soit de continuer la DSP pour une partie du territoire et de, de maintenir la régie sur l'autre partie du, du territoire »

« c'est souvent lié, euh, au choix peut-être politique, ou quelque part idéologique, »

« On a une relative tradition, qui correspond aussi aux traditions de Gauche sur les Poitiers en 1977, qui est après tout la gestion par le public que ça soit en directe ou en gestion légèrement déléguée. C'est un beau mode de gestion. Ça c'est le contexte un peu général »

It is also worth noting the specific political context in France where the 'left' is seen as traditionally against outsourcing.

Personal politics

With an average rate of 12.65%, the role of internal politics on the DMP is clear. Primarily the reference of being the decision of a leader at the end. Some of the quotes demonstrate this well:

« le souhait de rechercher autant que possible le consensus »

« je pense que c'est très lié à la personnalité du, du président de l'agglomération »

« Je pense que c'est vraiment lié à des choix personnels et puis à une sensibilité personnelle par rapport à, à une vision, vision propre, euh, de, de chacun des, des présidents d'EPCI ou des maires des communes qui, qui ont à gérer ça »

« Alors de ce côté là puisqu'il y a quand même un leader Communiste au niveau de la Codah, il n'y a pas de difficulté de ce côté là. »

« Par définition le directeur d'un réseau de transport c'est le directeur et c'est celui qui pilote à la fois son groupe en tant que membre d'un groupe et à la fois à l'agglomération en tant que délégataire »

« il faut bien noter que c'est la même tête »

« Une maire présidente c'est la maire du Poitier traditionnellement et c'est le même organigramme »

Innovation opportunities

With an average rate of 9.68%, innovation is quoted as part of the DMP and shows that whilst it is taken into account, respondents argue either way for higher innovation in keeping in house or outsourcing.

« c'est aussi le déléguant qui demande au délégataire de réfléchir à, à toutes ces innovations-là. »

« à mon avis je pense qu'on aura plus d'accès à l'innovation avec une DSP qu'avec une régie »

Governance risks

Governance risk is also seen as a criteria. With an average rate of 7.48%, governance risks factors are involved in the DMP according to this analysis. Some of the quotes demonstrate this well

« de vérifier si, euh, si le service est correctement effectué ou simplement vérifier le, le délégataire, la gestion du délégataire lui-même. Les intérêts que l'on y trouve en, en alliant finalement deux, deux types de délégation, enfin, deux types de, de mode de gestion, pardon, euh, eh bien, c'est que l'un complète l'autre et, qu'en interne, on a à la fois des compétences techniques, euh, pour faire tourner notre, notre régie mais en plus, on a ces compétences-là qui nous permettent de, de mieux comprendre l'activité du délégataire et, donc, finalement, on y trouve notre compte grâce à un équilibre entre, entre ces deux, deux modes de gestion »

« Et puis le fait de faire une DSP nous permet également de ne pas avoir de soucis avec le personnels également, parce que on a eu des grèves, il n'y a pas très longtemps. Ce n'est plus notre affaire, c'est l'affaire de la société, et comme on a un contrat avec un prix qui est fixé si jamais il y avait des augmentations des salaires qui posent des problèmes au niveau des fonctionnements un peu plus lourd. L'entreprise qui a eu le marché, en fait c'est son affaire personnelle ce n'est pas une augmentation de nos dépenses. Puisque nous avons un contrat et ce qui pose beaucoup moins de difficulté, il y a des grèves et après c'est lui qui prend la responsabilité des personnels »

« le point de vigilance qu'il faut avoir c'est la clarté des rôles entre l'autorité organisatrice de transport et l'exploitant. Ce n'est pas un sujet mineur parce qu'il y a un tout petit service à l'agglomération »

Service delivery quality

With an average rate of 6.24%, service delivery quality factors are involved in the DMP according to this analysis. Some of the quotes are highlighted here:

« Puisque nous avons un contrat et ce qui pose beaucoup moins de difficulté, il y a des grèves et après c'est lui qui prend la responsabilité des personnels »

« il y a une certaine souplesse quand même dans la façon dont on gère la relation entre l'AOT et la régie autonome. Avec notre expérience à nous, Poitiers, la gestion en régie autonome ne nous a jamais empêchés, au contraire je dirais même que pour nous ça a été très facile après la loi. Par exemple on est entrain de mettre en place un system de tout partage sur Poitiers (unintelligible 14:38) sur lequel on réfléchissait très sérieusement. La décision a été même si la loi ne permettait pas complètement de confier sans autre forme de procès en gestion à notre régie de transport et je dirais ça c'est fait très vite, très facilement sans aucune difficulté »

Documentary analysis

	Title	Description	Date
Codah			
1	Communauté d'agglomération du Havre (Codah)	Internal analysis on DSP	Fev 2010
2	Extrait du Registre des Délibérations	Public deliberations	Fev 2011
3	Bilan de la concertation sur les transports	Union consultation	Mars 2011
4	Rapport d'activite 2012	Annual report for Codah	Nov-13
5	Organisation de la Codah et Org chart	Org chart and presentation of internal organisation	Nov-13
6	Rapport d'activite 2011	Annual report for Codah	Nov-12
7	Transportation Internal report	Report on transportation project	Nov-12

Figure 86: Codah Documentary Analysis - list

Based on the documentary analysis carried out using the same analytical grid, the following table was created to summarise the key supporting evidence

	Variables	Verbatim
Nodes		
RBV	Value	elle évite de faire peser sur la collectivité tout le risque financier lié à l'exploitation précise que le diagnostic qui va être présenté et les scénarios étudiés ne sont pas définitifs
	Rarity	
	Imitability	
	Substitutability	
	Resource constraints	
TCT	Opportunism	
	Asset specificity	Le délégataire apporte des moyens humains et sa compétence technique, tandis que la Codah investit elle-même dans la billetterie, le matériel roulant, les dépôts, les ateliers, les agences commerciales.... Cette répartition nous permet d'avoir des contrats dont la durée n'exécède pas six ans La gestion de l'exploitation et la promotion de l'équipement seront confiées à un seul opérateur économique spécialisé dans ce domaine d'activité
	Measurability	
Convention	Uncertainty	
	Mimetic	A l'heure où les services de transport en commun sont volontiers confiés à des sociétés d'économie mixte, à des régies, voire à des sociétés publiques locales, la communauté d'agglomération havraise (la Codah, 17 communes, 243.000 habitants) choisit de confier l'exploitation de son réseau à Veolia-Transdev Consultation pour la désignation d'un futur exploitant
Risk	Delivery Risk	nous savons dès le départ ce que nous coûtent les développements de services, il n'y a donc pas de mauvaises surprises Cette délégation a couvert la préparation de l'arrivée du tramway et son exploitation à compter du 11 décembre 2012 en moins de deux ans
	Governance	
Org politics	Personal politics	il est souvent reproché aux DSP leur "taurdeur" et leur manque de "souplesse", il semble pourtant que l'agglomération havraise ait su en faire un outil de développement performant
	Service Delivery (Quality, Access, Control)	
Politics		Réception, par la CODAH, sur rendez-vous, de toute personne souhaitant apporter son avis pendant la durée de la procédure Cette réunion de concertation s'inscrit dans une démarche visant à recueillir les avis des habitants et usagers. un groupe projet sur la définition d'une politique commune de valorisation L'entreprise Ahlborn avait été retenue pour la fabrication des rames du tramway et les habitants de l'Agglomération avaient choisi, en 2010, le design du tramway au terme d'une consultation publique. Les marchés passés par la CODAH pour la construction de la ligne et l'aménagement des espaces publics ont inclus une clause d'insertion qui a permis de recruter et d'apporter une qualification à des personnes peu ou pas qualifiées, par le biais de contrats de professionnalisation dans les métiers du gros oeuvre notamment. Fin 2012, 174 personnes avaient signé avec les entreprises qui participent au projet un contrat de professionnalisation
	Alignment to Political Ideology	
Innovation		Des innovations qui simplifient la vie des usagers ont été mises en oeuvre
	Cross-fertilization for Public Administration	La nouvelle DSP comprend un volet modernisation de la billetterie c'est-à-dire le passage d'une billetterie papier à un système de cartes à puce sans contact, le pass LIA

Figure 87: Codah documentary analysis summary output

3.2.2.4 French Transport transcripts in appendix B

3.2.3 German Road Construction - BMVI



3.2.3.1 What is the German Road Construction contract?

To understand what the German Road Construction contract is, one must first understand the general public service landscape in Germany and in particular the role of the Länder (map of Länder below)



Figure 88: Map of Germany Lander

The main methods of outsourcing in the construction space have been Public Private Partnerships (PPP) and public procurement. The scope of PPP projects in the construction area has developed significantly during the past decade. In 2013 over 170 projects were live with a total investment volume of about five billion Euro. In addition to that projects with a total value of five billion Euro are in the process of planning or tendering¹⁹¹. By far the most of these projects are realized on the municipality level (Kommunalebene).

¹⁹¹ https://www.bmvi.de/SharedDocs/DE/Publikationen/VerkehrUndMobilitaet/Strasse/oeffentlich-private-partnerschaften-beispiel-bundesfernstrassenbau.pdf?__blob=publicationFile



Figure 89: Map of planned motorway construction under PPP contract

Recent PPP projects in road construction were constituted of a private taking over the extension of a leg of a federal highway from four to six lanes. The private takes over construction financing of the investment as well as maintenance and operation of the track for a period of usually 30 years.

PPP is justified with reference to the increasing amount of investments needed to accommodate increasing numbers of traffic volume which are particularly relevant for Germany as a country with large amounts of transit traffic. Different models exist as regards the remuneration of the private contract partners which can include road access charges.

Authorities insist that PPPs are considered a useful alternative on a case by case base while the traditional method of public procurement will continue to play an important role.



Who is responsible?

The administration of federal roads is the responsibility of the respective *Land* in which the road is located. The Länder execute this task however under the authority of the federal government and without discretionary powers. This is because the federal level is in charge of financing and maintaining federal roads and of the planning of the overall federal infrastructure development. The Länder cover the administrative costs such as personal costs and costs for the tendering procedure. PPP Projects are developed jointly between the Länder and the federal level. The execution of the contracts is mostly done under the responsibility of the Länder

Other than the federal government the following other bodies are involved on behalf of the public sector:

DEGES (Deutsche Einheit Fernstraßenbau- und -planungs GmbH): Some Länder have contracted this agency to execute tasks in the field of the so called *Auftragsverwaltung* – administrative tasks that have to be carried out on the Länder-level under the authority of the federal government. DEGES is mostly active in the new Länder (the Länder formerly belonging to the GDR). It was created in the early nineties with the task to organize the road construction projects connected to the German reunification. Using its experience in managing highway construction projects it became active in the organization of PPP projects in all of Germany.

VIFG (Verkehrsinfrastrukturfinanzierungsgesellschaft mbH): Is one hundred percent owned by the state and acts also as the „center of competence for PPP“. It is primarily in charge of carrying out cost evaluations of planned PPP projects. It is an important member of the International Transport Forum.





3.2.3.2 What is the scope of the German Road Construction contract?

There are primarily two models that are distinguished by the German road administration. The A-Model (Ausbaumodell= model for extensions) and the F-model (named after the Fernstraßenbauprivatfinanzierungsgesetz = law for the construction privately financed roads).

The first projects of the A-model were projects where:

- The private company extends an existing federal highway adding a 5th or 6th lane and takes over maintenance and operation of all existing lanes.
- The private company finances the project with use of the accrued toll charges for trucks plus an extra knock-on financing in certain cases. There may also be a deduction according to regulations in the contract that relate to the traffic amount (verkehrsmengenabhängige Vergütung = compensation according to traffic volume).
- The contract runs for an average of 30 years
- The leg of the course is handed over to the state after the contract period in condition prescribed in the contract.

In the first set of projects between 2007 and 2009 four pilot projects were awarded to private suppliers.



The so-called availability model is a variation of the A-model with a different risk and remuneration structure. The public body remunerates the services of the private principally by two elements:

- A knock-on funding and
- An availability remuneration (Verfügbarkeitsentgelt): this amount is reduced when the availability of the road is not provided to the extent prescribed in the contract. If the availability exceeds the provisions of the contract the concession taker receives a bonus.

The F-model

The F-model means that construction, maintenance and operation are transferred to the private supplier. This model is only used for bridges, tunnels, passes and federal roads with separate lanes (not highways). The private supplier is in charge of raising the toll himself. The toll rate is defined by the state taking into consideration the costs of the private supplier.



3.2.3.3 Applying the analytical framework to the outsourcing DMP at BMVI

This sub-section is based on the results and the analysis of three interviews realized with three senior stakeholders of BMVI: Frau Tegtbauer, Director road construction BMVI, Prof. Dr. Josef Kunz, MDir. - Head of Road Construction department, Dr. Hellenschmidt - Director transport plan BMVI

Interview Prof Kunz	Criteria	% coverage	Quote
Resource Based View %	Value		
	Rarity		
	Imitability		
	Substitutability		
	Resource constraints		
Transaction Cost Theory 55.9%	Opportunism		
	Asset specificity		
	Measurability	55.9%	<p>include follow-up costs or maintenance costs</p> <p>included in the analysis</p> <p>one looks at the totality of the measures</p> <p>the test are not equally intense now</p> <p>At the same time we observe the ongoing projects and gather here further experiences</p> <p>for 30 years and we surely will also collect a lot of experience, which we at later stage can put into the further development</p> <p>create organizational models and provide a wide variety of measures and Project can be tackle differently,</p> <p>see the relevant alternatives and can seek the best solution</p>

			and implement it
	Uncertainty		
Convention 24.5%	Mimetic		<p>As sourcing alternative to the conventional implementation it is just one way and a procurement alternative to the conventional implementation.</p> <p>correct variant of profiles for this procurement.</p> <p>To learn for conventional procurement, for conventional implementation and the different perspectives</p> <p>the conventional approach</p>
Risk 10.5%	Delivery Risk	10.5%	<p>the expectation of a speedy implementation</p> <p>prevention mechanisms, where we rely heavily on the approach for higher availability, otherwise we recognize a certain continuity and further development of the projects</p> <p>and the risks involved</p>
	Governance		
Organizational politics 24.8%	Personal politics	24.8%	<p>in Germany road building projects are collaborative projects between the federation and the state</p> <p>We experience this quite often, that the constellation in state and federation are different</p> <p>do what's best for everyone</p> <p>attitudes do exist</p> <p>Thankfully, the Management is self-consciousness enough to say, what we did at that time, was not too bad</p>
Political Agenda / Politics	Service Delivery (Quality, Access, Control),	5%	Ultimately the pressure comes from the need to build roads faster, which is the result of ever faster increasing traffic

6.3%			volumes
	Alignment to Political Ideology	1%	on the political basics
Innovation 1.1%	Cross-Fertilization for Public Administration	1.1%	more on modernization side

Interview Frau Tegtbauer	Criteria	% coverage	Quote
Resource Based View %	Value		
	Rarity		
	Imitability		
	Substitutability		
	Resource constraints		
Transaction Cost Theory 45.5%	Opportunism		
	Asset specificity		
	Measurability	45.5%	<p>they are all set to fit into the technical guiding rules</p> <p>when you evaluate the economic feasibility studies</p> <p>determine and evaluate the costs of the project</p> <p>you shall operate efficiently and economically</p> <p>There are quite a lot of just project-related studies to do before can continue to pursue this way or better refrain</p> <p>you have to research</p> <p>the Financial Regulation requires a completely neutral evaluation and defines, that only the most economic and efficient variant is to be chosen</p>
	Uncertainty		
Convention %	Mimetic	75.1%	In order to avoid procurement law problems which then later causes problems, therefore a

		<p>lot of aspects to exist</p> <p>the procurement law requires me, as a contracting agency to tender according to criteria and standards, which I evaluate</p> <p>outside the technical boundaries. This exactly is our procurement problem. This is where the cat chases her own tail</p> <p>within the conventional section</p> <p>That they have to procure an infinite number of times the partial lots and this seems to happen automatically, so the colleagues in these counties make their procurements more often in such manner, in which small division is the aim</p> <p>They have a look at the very small things as the always look just to the very small units. This is not meant negatively, that this idea certainly has this requirement</p> <p>So far this happens automatic that the colleagues in the counties making such calls of tender</p> <p>I would now apply the conventional approach to 30 years ago plus maintenance</p> <p>only do the splitting of the procurement lots as well as for the maintenance, which will be procured by someone else again. Again, divided and fragmented, there is still a road maintenance services in Germany, which is run to varying degrees by the state or by private as well</p> <p>not have happen on the conventional way</p> <p>This is applicable basically to</p>
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			all projects, and is the first step we're going and from this point of view we develop the project further
Risk	Delivery Risk		
%	Governance		
Organizational politics	Personal politics	51.9%	<p>this is again a very individual matter</p> <p>This is like always in live, humans tend to have different views to things and this reflects also to our house, on section level and includes other administrations in the counties and onsite. There we find different opinions. Many are supporting us; they see precisely, it's an alternative.</p> <p>Colleagues from the counties</p> <p>They have a look at the very small things as the always look just to the very small units. This is not meant negatively, that this idea certainly has this requirement</p> <p>That they have to procure an infinite number of times the partial lots and this seems to happen automatically, so the colleagues in these counties make their procurements more often in such manner, in which small division is the aim</p> <p>We have to confirm to our colleagues in the local administration</p> <p>However, there are also some other voices within the administration. This is the same, as in many other places</p> <p>we know which individual shows encouragement for such a project</p> <p>This is what nobody wants to</p>

			<p>happen further, it would shad a bad light on us, our house and other administrative units</p> <p>It also would not appear serious to the bidders</p>
Political Agenda / Politics	Service Delivery (Quality, Access, Control),		
	Alignment to Political Ideology	20.3%	<p>In the recent coalition agreement</p> <p>There definitely exists a directive from above</p> <p>you need the political backup understands all political</p> <p>because a politician wants it</p> <p>you cannot use political influence to pressure</p> <p>The politic has got to obey this and so far, all obeyed our decision</p> <p>This is quite a politically matter and so one has made the swing, a decisive factor, in one way or other direction, and then they have to decide between the one or the other</p>
Innovation	Cross-Fertilization for Public Administration	39.1%	<p>we want innovations</p> <p>other small one innovation</p> <p>big innovations</p> <p>propose innovations</p> <p>We previously had another aspect which we want to move forward with PPP innovations</p> <p>which innovations are proposed by the bidder and I can't tell him, how I will evaluate his proposal</p> <p>all its question of innovation</p>

			<p>So I say the top-notch, great and big innovations in technical we have not seen in our agency yet</p> <p>minor changes which the bidders propose from time to time</p> <p>make obviously very problematic for innovation</p> <p>many significantly innovations come from below</p> <p>so innovative approaches are tried once</p> <p>even if they were not lucky with the A1 project but the administration in Lower Saxony, one hears again and again, was quite pleased as well as the users. It was because a 4-year traffic impairment. At least now, after less than 4 years, the traffic interference is resolved</p>
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Interview Hellenschmidt	Criteria	% coverage	Quote
Resource Based View %	Value		
	Rarity		
	Imitability		
	Substitutability		
	Resource constraints		
Transaction Cost Theory %	Opportunism		
	Asset specificity		
	Measurability	8.7%	<p>creates the same efficiency</p> <p>as administration my interests focus of course on the issues of the life cycle and profitability</p> <p>There are over 120 individual risks and each point needs to be discussed.</p>
	Uncertainty		
Convention	Mimetic	43.3%	

%		<p>have become accustomed to the structure of the procurement procedure</p> <p>thus is of course a routine created by those new procedures</p> <p>It is important that these ideas have been implemented already here</p> <p>Of course there are also those, which are not the first time in the risk industry but perhaps also for a third time, like the Bavarians or Thuringian or so. For them is already a certain routine which will become easier on the way, which is a good thing and they don't start anymore at the beginning.</p> <p>There are just as before colleagues, both here and in the administrations on site who say: I have done this before and it I did gain experiences and some even use it for conventional projects and are open for it.</p> <p>which helps us again with the project preparation for either conventional or as PPP and some will say, I did this always the different way and it went well and the project was somehow also finalized und they ask: Why I should need that?</p> <p>There are just as before colleagues, both here and in the administrations on site who say: I have done this before and it I did gain experiences and some even use it for conventional projects and are open for it.</p> <p>However, others might be there that say even with a view on both projects: I find this all superfluous. Why do you that?</p>
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			<p>Why we must do that now</p> <p>Of course there are also those, which are not the first time in the risk industry but perhaps also for a third time, like the Bavarians or Thuringian or so. For them is already a certain routine which will become easier on the way, which is a good thing and they don't start anymore at the beginning. You can't paint them all black or white, they are so or so. This is to heterogenic</p> <p>our public procurement law</p> <p>Know How for the Project initiation and planning supports the later procurement procedures drastically</p> <p>Meanwhile on the administrative side there is a huge Know How accumulating, which supports again the projects of the second level</p>
Risk %	Delivery Risk	4%	<p>There are over 120 individual risks and each point needs to be discussed</p> <p>the risk industry</p>
	Governance		
Organizational politics	Personal politics	62.2%	<p>However, others might be there that say even with a view on both projects: I find this all superfluous. Why do you that? Why we must do that now?</p> <p>It is surely as always in life, there are people, who are open-minded. Checking out something new, this is not the time yet, to make a decision, there are people who say: I have done always like this, I'll do so also in future. This was good, and they don't open up for something new. Of course that is here the same. These people sitting at most</p>

			<p>different places.</p> <p>That's the way in life; there are just such and such people.</p> <p>There are just as before colleagues, both here and in the administrations on site who say: I have done this before and it I did gain experiences and some even use it for conventional projects and are open for it.</p>
Political Agenda / Politics	Service Delivery (Quality, Access, Control),	10.8%	<p>This sounds good to the customer</p> <p>a good build quality, which is the important factor from the users' user's view. There will be for a longer term no building sites lead to traffic impairments</p> <p>As a user I see that the A8 was expanded extremely rapid</p>
	Alignment to Political Ideology	1.5%	also supports the job distribution
Innovation	Cross-Fertilization for Public Administration		

The above data analysis is summarised in the following table:

Nodes	Variables	% coverage			Average
		Kunz	Frau T	Hellen S	BMVI
RBV	Value				0%
	Rarity				0%
	Imitability				0%
	Resource constraints				0%
TCT	Opportunism				0%
	Asset specificity				0%
	Measurability	55.90%	45.5%	8.70%	37%
	Uncertainty				0%
Convention	Mimetic	24.50%	75.1%	43%	48%
Risk	Delivery Risk	10.50%		4%	5%
	Governance				0%
Org politics	Personal politics	24.80%	51.9%	62.20%	46%
Politics	Service Delivery (Quality, Access, Control),	5.00%		10.80%	5%
	Alignment to Political Ideology	1.00%	20.3%	1.50%	8%
Innovation	Cross-Fertilization for Public Administration	1.10%	39.1%		13%

Figure 90: BMVI research results

The interviewed senior stakeholders argue that the main driver for outsourcing in the Public Construction (BMVI) has been a constant adherence to Public Legislation and establishing the associated measurability (in line with the maturity of the construction domain).

So the decision to outsource public road construction is based on a classical TCT view (as per McIvor framework) but whilst no mentions are made about capabilities and competencies, this is in line with the fact that de facto, those construction capabilities do not exist anymore in the public sector itself and that effectively, the construction sector is an appropriate example to understand the other factors in the outsourcing decision making process.

Overall RBV and TCT are represented as expected but the other factors are where we will focus our next analysis.

The analysis of the interviews results shows that the decision to outsource road construction takes into account six criteria that go beyond RBV and TCT, namely: a mimetism effect (48%), personal politics (46%), innovation opportunities (13%), influence from the political agenda (8%), delivery risks (5%) and service delivery quality (5%).

Mimetism effect

With an average of 48% conventions mechanism are strongly influencing the DMP. It is interesting to note that learning from other outsourcing engagements is a key mechanism on how the DMP is run. Some quotes exemplify this both in terms of procurement procedures but also from general mechanisms adopted by individuals regularly involved in the DMP:

“have become accustomed to the structure of the procurement procedure”

“thus is of course a routine created by those new procedures”

“It is important that these ideas have been implemented already here”

“Of course there are also those, which are not the first time in the risk industry but perhaps also for a third time, like the Bavarians or Thuringian or so. For them is already a certain routine which will become easier on the way, which is a good thing and they don't start anymore at the beginning.”

“There are just as before colleagues, both here and in the administrations on site who say: I have done this before and it I did gain experiences and some even use it for conventional projects and are open for it.”

“Meanwhile on the administrative side there is a huge Know How accumulating, which supports again the projects of the second level”

Personal politics

With 46%, personal politics play a significant role in a culture that effects procedure to be the single factor but that is clearly also dependent on people. Some quotes render this very well:

“However, others might be there that say even with a view on both projects: I find this all superfluous. Why do you that? Why we must do that now?”

“It is surely as always in life, there are people, who are open-minded. Checking out something new, this is not the time yet, to make a decision, there are people who say:

I have done always like this, I'll do so also in future. This was good, and they don't open up for something new.”

“this is again a very individual matter”

“This is like always in live, humans tend to have different views to things and this reflects also to our house, on section level and includes other administrations in the counties and onsite. There we find different opinions. Many are supporting us; they see precisely, it's an alternative.”

“However, there are also some other voices within the administration. This is the same, as in many other places”

Innovation opportunities

Bringing innovations is presented as important in the DMP (13%), but one may question how this really turns in the actual process. The desire is well expressed in some quotes but in the same time, the actual reality is that it appears more of an aspiration than a well-defined part of the process, and the process seems to be here to learn:

“we want innovations”

“big innovations”

“which innovations are proposed by the bidder and I can't tell him, how I will evaluate his proposal”

“So I say the top-notch, great and big innovations in technical we have not seen in our agency yet”

“many significantly innovations come from below”

“so innovative approaches are tried once”

“even if they were not lucky with the A1 project but the administration in Lower Saxony, one hears again and again, was quite pleased as well as the users. It was because a 4-year traffic impairment. At least now, after less than 4 years, the traffic interference is resolved”

Influence from the political agenda

The interest fact of the influence of the political sphere is that it appears to be a real dialogue where administration has strength to reply back to the influence. This agenda is obviously there (8%), but it is interesting to see how the dialogue is in place:

“In the recent coalition agreement”

“There definitely exists a directive from above “

“you need the political backup”

“you cannot use political influence to pressure”

“The politic has got to obey this and so far, all obeyed our decision”

“This is quite a politically matter and so one has made the swing, a decisive factor, in one way or other direction, and then they have to decide between the one or the other”

Delivery risks

Risks evaluation appear to have a part in the DMP (5%) but more as part of a procedural process, some quotes provide this insight:

“There are over 120 individual risks and each point needs to be discussed”

“the risk industry”

Service delivery quality

Whilst it is quoted as a factor (5%), it also appears as a natural outcome of what is expected of the outsourcing process:

“This sounds good to the customer”

“a good build quality, which is the important factor from the users’ user's view. There will be for a longer term no building sites lead to traffic impairments”

“As a user I see that the A8 was expanded extremely rapid”

Documentary Analysis

	Title	Description	Date
BMVI			
1	Better Regulation of Public-Private Partnerships for Transport Infrastructure	This report is based on discussions at an International Transport Forum Roundtable ¹ convened in September 2012 to review experience with the regulation of public private partnerships (PPPs) in the transport sector. Conclusions from the debate are developed with reference to the literature, particularly in relation to managing the risks associated with forecasting traffic. The report focuses on actuarial, structural and behavioural approaches to improving the regulation of PPPs and containing liabilities created by PPPs for public finance. It also examines the potential for private financing of infrastructure by treating packages of transport projects as regulated utilities. The report aims to clarify the objectives of PPPs, their impact on public finance and the different types of risk that need to be managed	Jun-13
2	Better Regulation of Public-Private Partnerships for Transport Infrastructure	Review of the €150bn framework investment plan for transportation and the role of PPPs	Jul-03
3	Öffentlich-Private-Partnerschaften – Am Beispiel des Bundesfernstraßenbaus	Review of the road building with Öffentlich-Privaten-Partnerschaft (PPPs)	Jul-11
4	Public-Private-Partnership und öffentliche Infrastruktur	Review of contracts of PPPs in German road building	Jul-12
5	BMVI internal report	Presentation of BAB Ulm-Augsburg (Bavaria), extension Model, 41 km, contract volume: 1,3 billion	Jul-12
6	Federal Transport Infrastructure Plan 2011	Presentation of the overall plan for the infrastructure sector	May-09
7	Federal Transport Infrastructure Plan 2015 Methodological evolution and research projects	Presentation of the overall plan for the infrastructure sector	May-12
8	16-541 IT-Projekte Bund Herkules	Lessons learnt of IT outsourcing project Herkules	Feb-06
9	Business Services PPP (ÖPP – Öffentliche Private Partnerschaft) and Outsourcing for the German Public ICT Market	Overview of outsourcing contracts in Germany 2012-13	Jun-13
10	The public service in Germany	This present a synthetic view of the public sector in Germany across the different levels of service delivery	May-13
11	Transport Infrastructure Investment: Options for Efficiency	This report examines key principles that should be considered by governments in deciding how to provide and pay for surface transport infrastructure, with a view to best serving societies' needs and employing public resources. It also considers the key issues that must be resolved in making more use of private financing and expertise.	Feb-08

Figure 91: BMVI documentary analysis - list

Based on the documentary analysis carried out using the same analytical grid, the following table was created to summarise the key supporting evidence

	Variables	Verbatim
Nodes		
RBV	Value	
	Rarity	
	Imitability	
	Substitutability	
	Resource constraints	
	Opportunism	
	Asset specificity	
	Measurability	<p>We have attached great importance to making the revision process as transparent as possible</p> <p>the modernized evaluation procedure</p> <p>the methodology has been modernised</p> <p>a new and objective method of evaluating the almost 2,000 individual projects:</p> <p>numerous studies</p> <p>uniform evaluation based on:</p> <ul style="list-style-type: none"> - benefit-cost analysis - environmental protection and nature conservation - regional planning including urban development
TCT	Uncertainty	
Convention	Mimetic	<p>The International Transport Forum at the OECD is an intergovernmental organisation with 54 member countries. It acts as a strategic think-tank, with the objective of helping shape the transport policy agenda on a global level and ensuring that it contributes to economic growth, environmental protection, social inclusion and the preservation of human life and well-being</p> <p>The International Transport Forum organises an annual summit of Ministers along with leading representatives from industry, civil society and academia</p>
	Delivery Risk	<p>At one extreme, the risk is relatively low for new capacity in a currently congested network and for which there are no direct alternatives.</p> <p>a coordinated regulatory and investment policy</p>
Risk	Governance	<p>Purely public provision suffers from government failures including stop-go funding cycles that undermine planning for long term investment and often results in neglect</p> <p>The costs of many PPPs have been inflated by renegotiation of contracts. Renegotiation can result from a range of factors: Weaker than expected economic growth undermining traffic levels and toll revenues or undermining the ability of government to make availability payments; Revision of over-optimistic revenue forecasts afflicted by optimism bias as a result of incentives to get the project launched; Strategic misrepresentation, where over-optimistic revenue forecasts are used by creditors to launch a project with the expectation that more favourable terms can be extracted from government under the pressure of the political costs of cancellation or delay and the financial costs of re-letting the contract; Ministers avoiding funding limits or legislative approval for spending by negotiating contract extensions for work that could have been foreseen under initial contracts.</p>
	Personal politics	
Org politics		
	Service Delivery (Quality, Access, Control)	<p>PPP's are usually promoted on the grounds that they can deliver infrastructure more efficiently than conventional public procurement and that they relieve strained public budgets. Experience with PPPs has, however, been mixed</p> <p>PPP's can potentially improve efficiency relative to pure public procurement in three ways. They bundle operation and construction under a single contract creating incentives to minimise costs over the lifetime of the concession. They bundle construction contracts together under the responsibility of a single company, in principle transferring coordination risks out of government and benefiting from the project management expertise of a private sector developer with a good track record. And PPPs protect maintenance budgets by making payments conditional on service quality and availability</p> <p>it must not be used in a way that could suggest that the Federal Government was taking sides in favour of individual groups</p> <p>we have to create the transport infrastructure that will be necessary to manage cross-border traffic in Europe as it enlarges</p> <p>A framework investment plan of such significance, involving costs totalling some €150bn, cannot be successful unless it enjoys wide-scale support among various groups in society</p> <p>Modern means of communication, such as the internet, have helped us here</p> <p>We have not been afraid to engage in discussions</p>
	Alignment to Political Ideology	<p>extensive consideration given to all interests</p>
Innovation	Cross-Fertilization for Public Administration	<p>New transport technologies can also make a major contribution</p> <p>PPP's can sometimes achieve major cost savings through innovation involving radical redesign of projects and changes in construction techniques. For this to happen developers have to be freed of the detailed specification typical of public procurement, and indeed typical of many PPP projects. In some cases project costs have been reduced by a third through innovation although in many projects the scope for innovation is actually very small</p>

Figure 92: BMVI documentary analysis summary output

3.2.3.4 German Road Construction transcripts in appendix B

3.3 Summary of the Research Results

Based on the overall case study analysis, the summary findings for each case study can be expressed as:

Nodes	Variables	% coverage				Average HSL
		K Russ	P Davies	C Neilson	E Morland	
RBV	Value	10.54%	4.62%	2.16%	8.53%	6.46%
	Rarity	4.66%	1.37%	0%	10%	3.90%
	Imitability	8.37%	3.64%	0.06%	11.58%	5.91%
	Substitutability	11.30%	4.25%	0.06%	6.80%	5.60%
	Resource constraints	3.68%	3.51%	4.58%	0.00%	2.94%
TCT	Opportunism	4.27%	3.63%	0	0.0304	2.74%
	Asset specificity	12.78%	0.08%	0.06%	10.78%	5.93%
	Measurability	8.41%	0%	3.84%	0.00%	3.06%
	Uncertainty	5.15%	1.56%	0%	0%	1.68%
Convention	Mimetic	18.49%	8.29%	4.67%	1.77%	8.31%
Risk	Delivery Risk	15.13%	4.26%	0%	6%	6.28%
	Governance	10.10%	6.46%	0%	6%	5.58%
Org politics	Personal politics	10.06%	14.05%	24.15%	4.68%	13.24%
Politics	Service Delivery (Quality, Access, Control),	3.99%	3.76%	2.42%	4.16%	3.58%
	Alignment to Political Ideology	0.08%	8.66%	14.42%	3.04%	6.55%
Innovation	Cross-Fertilization for Public Administration	0.08%	0%	0%	4%	1.02%

Figure 93: UK – HSL

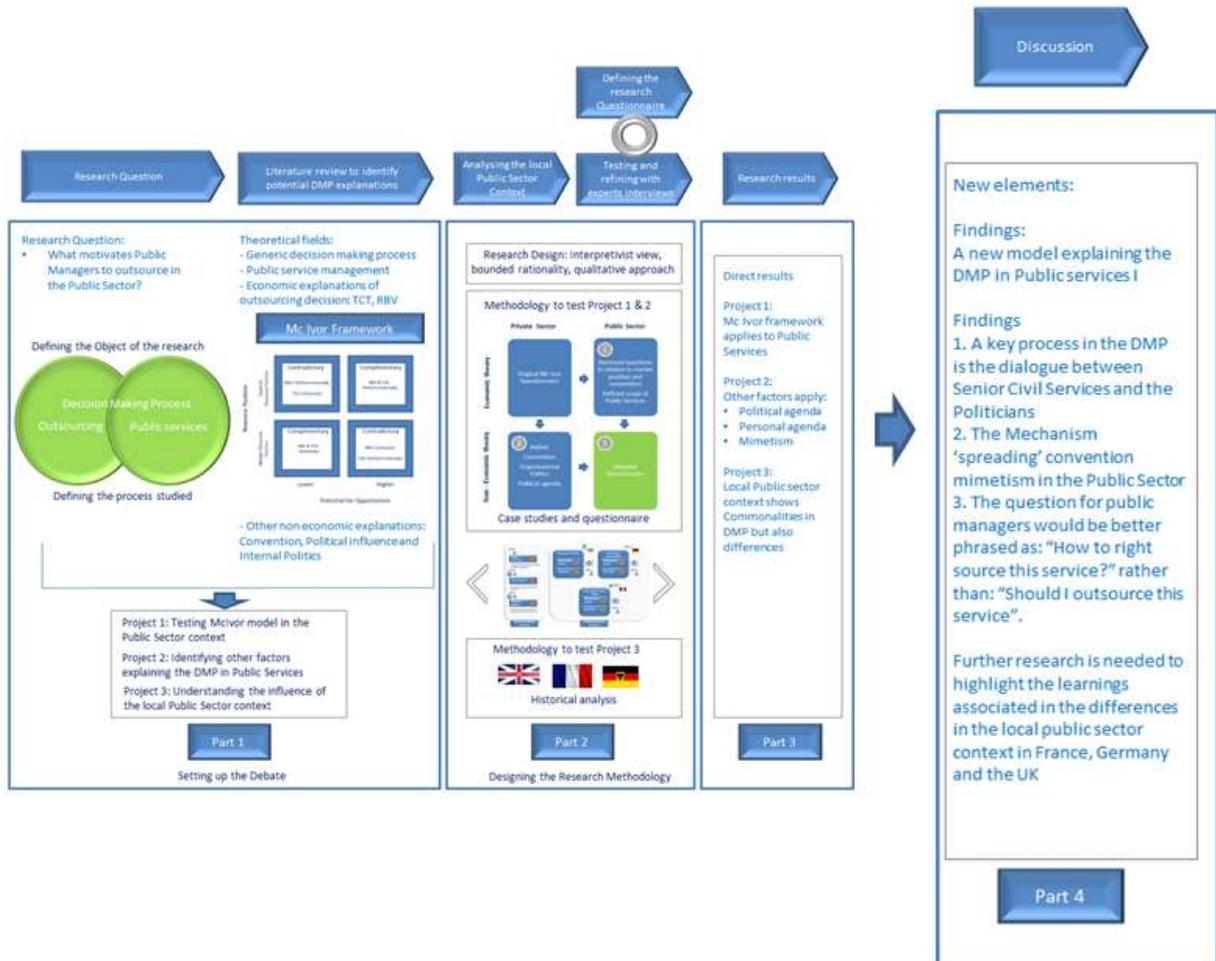
Nodes	Variables	% coverage				Average Codah
		Chaboche	Colombel	Fidelin	Fonteneau	
RBV	Value	6.44%	17.70%	14.94%		9.77%
	Rarity	1.23%	14.50%			3.93%
	Imitability	1.23%	14.50%	8.87%		6.15%
	Substitutability	2.43%	19.15%		0.59%	5.54%
	Resource constraints		6.09%			1.52%
TCT	Opportunism	2.43%	1.45%	3.94%		1.96%
	Asset specificity	1.23%				0.31%
	Measurability	2.53%	4.25%	1.50%		2.07%
	Uncertainty					0.00%
Convention	Mimetic	4%	2.08%	39.93%	21.50%	16.88%
Risk	Delivery Risk	8.35%	4.80%		2.26%	3.85%
	Governance	0.44%	4.11%	7.94%	17.44%	7.48%
Org politics	Personal politics	3.11%	7.07%	18.19%	22.23%	12.65%
Politics	Service Delivery (Quality, Access, Control),	2.57%	5.39%	7.94%	9.45%	6.34%
	Alignment to Political Ideology	6.48%	10.75%	24.75%	15.09%	14.27%
Innovation	Cross-Fertilization for Public Administration	4.76%	9.85%	14.65%	9.45%	9.68%

Figure 94: France - Codha

Nodes	Variables	% coverage			Average
		Kunz	Frau T	Hellen S	
RBV	Value				0%
	Rarity				0%
	Imitability				0%
	Resource constraints				0%
TCT	Opportunism				0%
	Asset specificity				0%
	Measurability	55.90%	45.5%	8.70%	37%
Convention	Uncertainty				0%
Risk	Mimetic	24.50%	75.1%	43%	48%
	Delivery Risk	10.50%		4%	5%
Org politics	Governance				0%
	Personal politics	24.80%	51.9%	62.20%	46%
Politics	Service Delivery (Quality, Access, Control),	5.00%		10.80%	5%
	Alignment to Political Ideology	1.00%	20.3%	1.50%	8%
Innovation	Cross-Fertilization for Public Administration	1.10%	39.1%		13%

Figure 95: Germany BMVI

Part 4: Discussion



4.1 Analysis and summary of findings

As highlighted in part 3, the research has yielded insights on all three research projects. The following section summarises the analysis overall starting with a summary of the case studies results and then an analysis of each 3 projects.

	Variables	Average HSL	Average Codah	Average BMVI	Average experts
Nodes					
RBV	Value	6.46%	9.77%	0.00%	7.71%
	Rarity	3.90%	3.93%	0.00%	4.10%
	Imitability	5.91%	6.15%	0.00%	3.38%
	Substitutability	5.60%	5.54%	0.00%	4.83%
	Resource constraints	2.94%	1.52%	0.00%	6.96%
TCT	Opportunism	2.74%	1.96%	0.00%	1.80%
	Asset specificity	5.93%	0.31%	0.00%	5.89%
	Measurability	3.06%	2.07%	36.70%	1.86%
	Uncertainty	1.68%	0.00%	0.00%	0.29%
Convention	Mimetic	8.31%	16.88%	47.63%	6.56%
Risk	Delivery Risk	6.28%	3.85%	4.83%	3.24%
	Governance	5.58%	7.48%	0.00%	2.41%
Org politics	Personal politics	13.24%	12.65%	46.30%	8.53%
Politics	Service Delivery (Quality, Access, Control),	3.58%	6.34%	5.27%	3.11%
	Alignment to Political Ideology	6.55%	14.27%	7.60%	7.81%
Innovation	Cross-Fertilization for Public Administration	1.02%	9.68%	13.40%	1.18%

Figure 96: Summary of findings across case studies and experts

Project 1

First we seek to analyse when the case study highlights whether the decision takes into consideration RBV or TCT factors – sub-questions Q1 and Q2

P1	Testing McIvor model in the Public Sector context	
	Theoretical axis	Questions
Q1	Resource Based View	Does the DMP take into account Value, Rarity, Imitability, Substitutability and Resource constraints as criteria to the decision?
Q2	Transaction Cost Theory	Does the DMP take into account Opportunism, Asset specificity, Measurability and Uncertainty as criteria to the decision?
Q3	Risk	Is delivery risk a factor influencing the DMP? Is governance risk in an Agency theory context a factor explaining the DMP?

To refocus the understanding of the importance of RBV or TCT, one must consider the difference between Core Competence (RBV) and Asset specificity (TCT)

Asset specificity

Asset specificity refers to the inter-party relationships of a transaction. It depends on the investments made to support a particular transaction were it has a higher value to that transaction than it would if the asset were redeployed for any other purpose

An asset is 'specific' if it makes a necessary contribution to the production of a good or delivery of a service and it has much lower value in alternative uses (Klein et al., 1978).

There are various kinds of specificity including physical asset specificity, location specificity, human asset specificity, dedicated assets (Williamson, 1985,p. 55) and temporal specificity (Masten et al., 1991,p. 9; Pirrong, 1993).

Core competency

A core competency is a concept in management theory originally advocated by two business authors, C. K. Prahalad and Gary Hamel. In their view a core competency is a specific factor that a business sees as central to the way the company or its employees work. It fulfils three key criteria:

- It is not easy for competitors to imitate.
- It can be reused widely for many products and markets.
- It must contribute to the end consumer's experienced benefits and the value of the product or service to its customers.

Summary of the framework

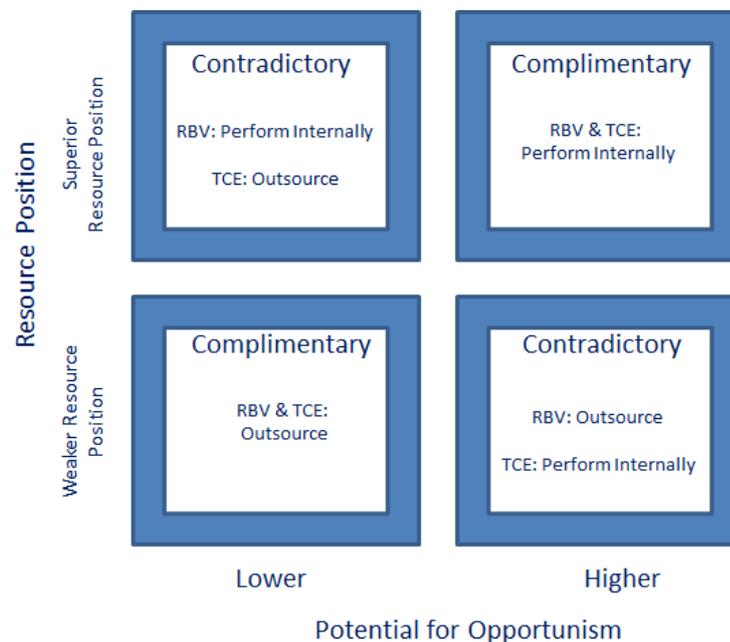


Figure 97: Prescriptions of the RBV and TCE in outsourcing decisions - Complimentary and Contradictory prescriptions

TOP RIGHT QUADRANT

When a service is a core competence i.e. a superior resource position the framework concludes that the service should be kept internal and not outsourced.

Similarly, when there is high risk opportunism (i.e. the service requires an asset specific i.e. a rare machine/skillset then there could be high opportunism with outsourcers blackmailing the client), the service should be kept internally

There is complementarity between TCT and RBV

BOTTOM RIGHT QUADRANT

When a service is not a core competence RBV suggests to outsource, however

If the asset is also quite specific and the client does have strong asset resource but few outsourcer have that asset, then the risk for opportunism is high hence TCT suggest the service should not be outsourced

There is contradiction between TCT and RBV

TOP LEFT QUADRANT

When a service is a core competence, RBV suggest not to outsource, however

If the asset for the service is not specific, there are a lot of potential providers, the service could be found to outsource with a low risk of opportunism

There is contradiction between TCT and RBV

BOTTOM LEFT QUADRANT

When the service is not a core competence, RBV suggest to outsource and

If the asset for the service is not specific, there are a lot of potential providers, the service could be found to outsource with a low risk of opportunism

There is complementarity between TCT and RBV

Applying the framework to the case study analysis

HSL

Service management is not a core competence of the agency so RBV suggests that HSL should outsource its service management.

The analysis shows that RBV is a factor in the decision, with the 'Value' variable scoring 6.46% which confirms the framework prediction.

Also, during the analysis, we concluded that there were many external suppliers with the adapted asset which means a low risk of opportunism and TCT predicting outsourcing.

In the analysis, TCT is also quoted as a factor for the decision, the Variable 'Asset specificity' scoring the highest in TCT with 5.93%

The HSL case study concurs with the Bottom left quadrant of the framework.

HSL outsources its service management when the TCT and RBV agree. Both RBV and TCT are taken into account in the decision.

German Road construction

For German road construction, the lander have a very mature market to operate outsourcing and de facto represent the case of the lower right quadrant where RBV and TCE conclude on outsourcing

CODAH

Public transport is not a core competence of the agglomeration so RBV suggests that Codah should outsource its transport service.

The analysis shows that RBV is a factor in the decision, with the 'Value' variable scoring 9.77% which confirms the framework prediction.

However, during the analysis, we concluded that there was only one external supplier with the adapted asset which creates a high risk of opportunity.

In the analysis, TCT however was not quoted as a factor for the decision, the Variable 'Measurability' scoring the highest in TCT was only 2.07%

The Codah case study concurs with the Bottom right quadrant of the framework.

Codah outsources its transport service when the TCT and RBV contradict. RBV is taken into account but not TCT in the decision

Finally, very interestingly when investigating further in the Transport sector in France, the researcher identified an alternative view to the one of Codah, as in Poitiers, the same service is kept internally.

This indeed corresponds to the top right quadrant whereby the authority considers having a superior resource position and that opportunity for opportunism is too high.

Experts view

The group of experts also confirms the importance of taking into account RBV and TCT in the decision making process with the variable 'Value' being the highest for RBV with 7.71% and the variable 'Asset specificity' the highest for TCT with 5.89%.

The field research confirms three of the predicted outcome of the McIvor (2009) framework but further field research is required to analyse the final quadrant.

Indeed, the conclusion is that when a public authority believes it has a superior research position, the economic rationale itself (represented by TCE) will not be sufficient to contradict the resource view and as such the Top Left quadrant is not encountered in public services across the three countries studied.

Project 2

P2	Identifying other factors explaining the DMP in Public Services	
	Theoretical axis	Questions

Q1	Convention	Is mimetism a mechanism explaining the DMP?
Q2	Organisational politics	Do organisational politics influence the DMP?
Q3	Political Agenda / Politics	Does the DMP depend on the Political ideology? Does service quality to the user influence the DMP?
Q4	Innovation	Is the opportunity to innovate a factor influencing the DMP?

The insight provided by the research into the context of the Public service in regards to the McIvor Framework was not the primary objective of the research.

It is a contribution and also a test of the research design but the important analysis regards the testing of the research P1, Q3 and P2, sub-questions Q1 to Q4:

The result of the three case studies confirm the validity of the added factors being taken into account for the DMP

	Variables	Average HSL	Average Codah	Average DE road	Overall
Nodes					
Convention	Mimetic	8.31%	16.88%	47.63%	24.27%
	Delivery Risk	6.28%	3.85%	4.83%	4.99%
Risk	Governance	5.58%	7.48%	0.00%	4.35%
Org politics	Personal politics	13.24%	12.65%	46.30%	24.06%
	Service Delivery (Quality, Access, Control),	3.58%	6.34%	5.27%	5.06%
Politics	Alignment to Political Ideology	6.55%	14.27%	7.60%	9.47%
Innovation	Cross-Fertilization for Public Administration	1.02%	9.68%	13.40%	8.03%

The three most important factors being:

- Conventions mimetism (P2 Q1) – 24.27%
- Organisational Politics (P2 Q2) – 24.06%
- Alignment to Political Ideology (P2 - Q3a) – 9.47%

But also with a positive match for:

- Innovation (P2 Q4) – 8.03%
- Service Delivery (P2 Q3b) – 5.06%
- Governance and delivery risks (P1 Q3) – (4.35% & 4.99%)

The direct results for each project can be summarised as:

Project 1:

Mc Ivor framework applies to Public Services. The following summarises how the various case studies confirm the private sector findings:

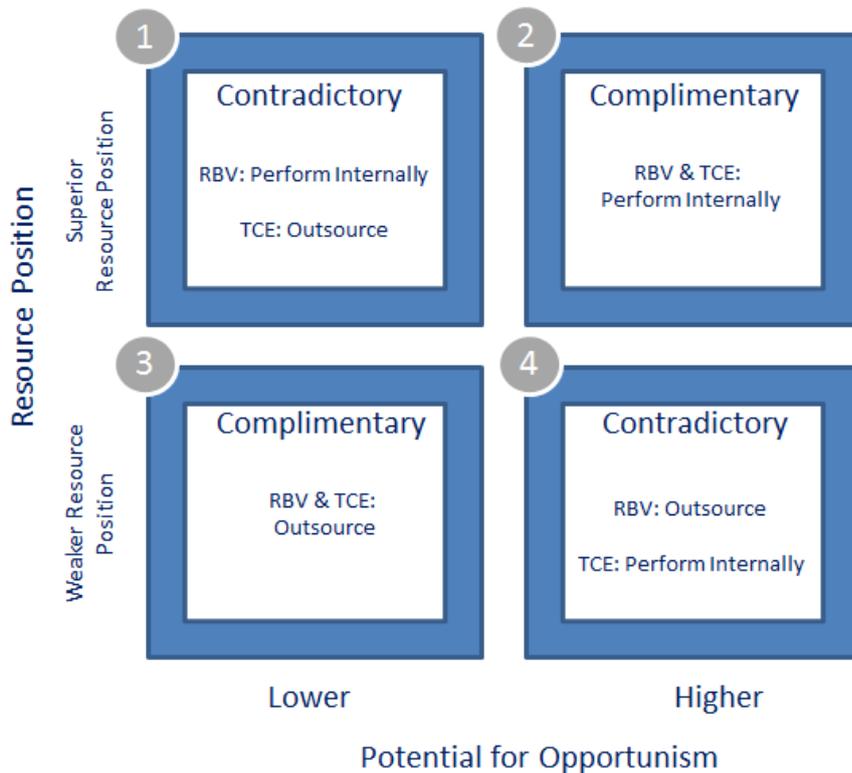


Figure 98: McIvor framework including quadrant numbering 1-4

As seen with the results of each case study, three quadrants are confirmed as predicted.

Overall RBV and TCT are represented as expected but the other factors are equally interesting and presented as a result to Project 2.

Quadrant from Mc Ivor Research	Description	Case example	Research findings
1	RBV – Perform internally TCE - Outsource		The findings indicate that when a public authority considers possessing a superior resource view, it will not decide to outsource on economic grounds only
2	RBV and TCE - Perform internally	Transport Codah - Poitiers	The authority considers having a superior research position and that

			the potential for opportunism is high
3	RBV and TCE – Outsource	UK HSL and Germany BMVI	In both cases, the authority considers that it has a lower resource position than the market but also that the potential for opportunism is low as the market for the given service is mature
4	RBV – Outsource TCE - Perform internally	Transport Codah	The authority believes that it has a weaker resource position but despite a high potential for opportunism (with a restricted choice for vendor) still decide to outsource on capability grounds

Figure 99: summary of public sector findings in adherence to McIvor framework including quadrant 1-4

Project 2:

Other primary factors apply in the DMP:

- Political agenda
- Personal agenda
- Mimetism

For HSL: The analysis of the interviews results shows that the decision to outsource some HSL functions took into account four criteria that go beyond RBV and TCT, namely: personal politics, a mimetism effect, an external political pressure and risks.

For Codah: The analysis of the interviews results shows that the decision to outsource Codah's transport functions took into account six criteria that go beyond RBV and TCT, namely: a mimetism effect, influence from the political agenda, personal politics, innovation opportunities, governance risks and service delivery quality.

For BMVI: The analysis of the interviews results shows that the decision to outsource road construction takes into account six criteria that go beyond RBV and TCT, namely: a mimetism effect (48%), personal politics (46%), innovation opportunities (13%), influence from the political agenda (8%), delivery risks (5%) and service delivery quality (5%).

Project 3:

P3	Understanding the influence of the local Public Sector context	
	Theoretical axis	Questions
Q1	Public Management	Are there commonalities explaining the DMP?
Q2	Public Management	Are there differences explaining the DMP?

Local Public sector context shows Commonalities (P3 Q1) in DMP but also differences (P3 Q2)

With the results of the case studies analysed, some richer findings have come through which are presented as part of the Discussion in Part 4. The extra non-Economic factors are actually broadly common to all three countries. The output is that some factors account more in some countries than others – but this would need to be further researched more systematically.

For instance in the UK a “doctrine” for outsourcing has been developed with a definition of outsourcing activities and the inclusion in the policies and legal framework, the research highlight a much lower hit on ‘Alignment to political ideology’ than in France – scoring 6.55% in the UK versus 14.27% in France; which is similar in Germany where the adherence to procedure and law also shield more the administration from political influence and a lower score of 7.60%.

Furthermore, with a more mature but also more commoditized outsourcing sector in the UK, Innovation is not seen as a factor in the UK with a very low 1.02% whilst in France, where outsourcer are still maturing and differentiated on value more than on cost, it is a high 9.68% and in Germany some importance with a high 13.4%

The other outstanding element in Germany is the high mimetism effect, supported by strong adherence to convention culturally and a focus on constantly updating procurement laws with the learning from increasing codified decision making processes.

Discussion of the findings

Having explored the results against the original projects, before starting with the research discussion, we review the research design and some key criteria:

Construct validity: the research process, the number of documentary analysis and interviews (upfront and in the case studies), the number of DMPs covered, the coding structure (including a double coding calibration), and the semantic saturation are all warrant of the construct validity of this research

Internal validity: The relationship between variables determines internal validity of the research. In this case, a quantitative test of the framework will be required to confirm.

External validity: when the framework is confirmed, its applicability to other organisational context can also be confirmed (outside of the three case studies)

Reliability: the epistemological posture, the recording and transcriptions of the interviews, the coding protocols in Nvivo and the possibility to give data to further research are all warrant to the reliability of this research.

Some findings which through this research do not match with the above tests require a more in depth discussion which are presented in the next section:

- Dialogue between the Political class and Public Managers (senior civil service)
- Mechanism 'spreading' convention mimetism: Procurement and association
- Rightsourcing vs Outsourcing

4.2 A new proposed model for the outsourcing DMP in the Public Sector

One may ask why the researcher intends to put forward a new model, the answer is twofold:

- As a professional consultant, being able to communicate about your findings in a simple manner to the academic community appeared important
- Capturing a model onto which other can build on appeared to the researcher a key contribution to academic work.

Having reviewed the literature proposing explanations of the DMP for outsourcing, the researcher first observation was that most were positivist and most were piecemeal i.e. contemplating only one domain: economy, psychology, political sciences...

It became apparent to the researcher that the DMP for outsourcing is a complex multi-level process involving interactions between the self, the institution and the market where:

- Self represents the importance of the decision maker itself, this relates more to the psychological element of the process

- Institution represents the fact that the decision maker operates with a multitude of stakeholders including politicians, in relation to the conventions existing in a given environment
- Market goes back to the economic explanation where indeed the law of supply and demand drive the contractual part of the process.

The following diagram captures this:

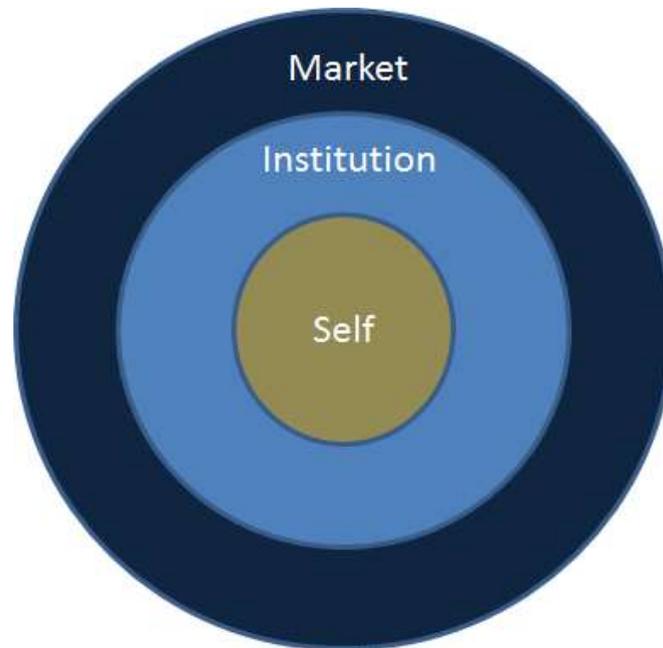


Figure 100: three levels of criteria for the Decision Making Process

The three levels defined in the framework of self, institution and market show the multi-level functioning of the Decision Making Process.

Taking the case study of HSL, it was clear that part of the decisions were the territory of battle for two of the directors (Self), one trying to gain power as a new director and the other trying to keep its empire by avoiding outsourcing of some of the functions he had responsibility for. But this internal confrontation was influenced by the external market forces (Market) pushing the British government to incentivise public service agencies to outsource where it was not their core competence in order to save cost. This two way interaction was arbitrated by the rest of the decision making stakeholders in the organisation (Institution) and followed the path most other public service institutions follow as a convention in the current trend of outsourcing facility management and associated services.

Continuing on this path of synthesizing the research findings, through the analysis, something became apparent about how a model could be derived; it could not be linear. The criteria for the decision were more like ingredients in a formula with more or less strength.

On the one end the economic theory key criteria of:

- Resource position
- Opportunism
- Risk

- Service Delivery
- Innovation

And on the other, the non-economic criteria of:

- Internal Politics
- Mimetism
- Political Ideology



Figure 101: Proposed model explaining the outsourcing Decision Making Process

4.3 Discussion of additional findings

4.3.1 Dialogue between Politicians and Public Managers

As established through this research, Public motivations have a unique dimension in regards to the dialogue between Politicians and Public Managers.

It is in the UK that this agenda is the most transparent where the drive to reduce budgetary spending by the government is directly quoted as a driver and that a structure is in place with the Cabinet Office to facilitate the dialogue:

- "It is in the context of reducing budgetary spending"
- "I mean there is a political dimension at the moment obviously because austerity measures, which is perhaps changing some of the motivations or desires internally to outsource"
- "making the public sector smaller"
- "I think it depends on the government view of the day of how to run the public sector. So I suppose politics with a capital P"
- "We have to put it to the minister or to the minister's office"

- "I think there's a political – it's a massive politics, and I do believe that in the U.K. a lot of the drivers are from cabinet office"

On this last point regarding the structure within which the dialogue takes place, it is also interesting to note that in Germany the role seems well balanced – more so than in the UK and France where the dialogue appears more unidirectional:

- you need the political backup
- you cannot use political influence to pressure
- The politic has got to obey this and so far, all obeyed our decision

But it is also clear that the ideological aspect itself is more debated in France

- « L'externalisation que vous appelez, d'abord ça a été voté d'unanimité je crois que c'est important de souligner, qui que ce soient les cotés politiques parce qu'il est clair que si je prends les Communistes, notamment, ils ont plutôt tendance à passer en régie de façon à favoriser les services public plutôt l'emploi public »
- « Puis, ensuite, il y a eu un choix des élus de soit de continuer la DSP pour une partie du territoire et de, de maintenir la régie sur l'autre partie du, du territoire »
- « On a une relative tradition, qui correspond aussi aux traditions de Gauche sur les Poitiers en 1977, qui est après tout la gestion par le public que ça soit en directe ou en gestion légèrement déléguée. C'est un beau mode de gestion. Ça c'est le contexte un peu général»

One would want to explore further the dynamics of that dialogue but two key points keep recurring whereby:

- The politician seems to have a lack of understanding of the delivery of public services to the point that their involvement in decision making does not add value to the outcome
- The senior civil servant in charge of the decision making do not use the service delivery arguments they should and instead enter the dialogue on the Political level

The discussion is then brought onto how to improve that dialogue to make it more constructive and lead to better outcomes.

Three areas seem to require further enhancement:

- Education
- Guidance
- Communication

Education

There is a need to improve education of the political elite in what is often terms as 'the plumbing' of public services; With an increase in complexity in service delivery and significant pressures on both outcomes and budgetary levels, this education is urgently needed.

The new ways of structuring services and the impact it has on the social fabric must be better understood by the political classes.

Guidance

Related to better education, central advisory departments need to play a more active role not just in reporting cost of failure and pointing the finger on obvious consequences but also looking at the outcome of the decision on the social aspect associated with public service outsourcing.

Practical measures can bring new forms of guidance like what Francis Maude in the UK is putting in place: “We are offering free access to experts in the private sector to work with civil servants to improve their expertise”¹⁹²

Communication

Despite the increasing transparency of decision making in the public sector, the type of information shared about outsourcing decisions remain limited to a cost benefit analysis. It does not consider element of political nature nor the broader institutional and social impact.

Indeed whole sectors are now run privately like facilities management and the shift from civil servants to private sector employee may not have impact on the service delivery but it does in terms of the social fabric of those previously considered as civil servants who are now coined as the precarious proletariat¹⁹³

4.3.2 Mechanism ‘spreading’ convention mimetism

The public procurement process and both European and local legislation have come as a key mechanism ‘spreading’ conventions.

It is most prevalent in Germany where it is presented as a very procedural environment but where in reality the soft aspect of procurement are critical in the exchanges and the diffusion of learning through the BMVI itself:

- “Know How for the Project initiation and planning supports the later procurement procedures drastically”
- “Meanwhile on the administrative side there is a huge Know How accumulating, which supports again the projects of the second level”
- “have become accustomed to the structure of the procurement procedure”
- “thus is of course a routine created by those new procedures”
- To learn for conventional procurement, for conventional implementation and the different perspectives

And this is also apparent in the UK:

¹⁹² The Times, 14th October 2014

¹⁹³ <http://www.bbc.com/news/uk-22007058> BBC seven new social classes

- "I think [the public sector] it is happy to go down a particular route, whether it's outsourcing or something else, when somebody else has done it and has proven that it is beneficial"
- "We learned a lot from their experience"

But this drive is very apparent in France where both governmental structure and non-governmental ones play a role in the diffusion of conventions:

- « L'expérience dans les autres villes, c'est-à-dire qu'en réalité dans certaines villes ils ont eu des difficultés. Toutes les difficultés qu'ils ont du avoir dans les autres villes qui nous permet justement d'éviter ce genre de choses »
- « c'est quelque chose qu'on commence à regarder nous et puis on va s'appuyer sur l'expérience de Nice. Euh à Rouen par exemple, ils ont euh ... afin Transdev avait fait une convention avec la Banque »
- « ça nous permet de bien regarder d'une manière attentive, on a essayé de regarder ce qui se passait par ailleurs, tout simplement pour nous donner une idée, notamment pour les personnes handicapées infrastructures dans le cadre du DSP »
- « Le site internet s'appelle Agir-transport.org. Qui regroupe ensemble des réseaux qui sont en gestion en régie autonome. Et vous avez une carte vous allez voir que la carte elle est assez... il y a des réseaux départementaux des réseaux agglomérations. Mais vous avez quelques agglomérations qui ont récemment passées ; Marseille est une régie. »

Procurement in the public sector was primarily established for two reasons:

- To avoid abuses in contract allocations
- To drive cost down by fostering more transparency and increasing competition

The unintended effect of being a vehicle to spreading social conventions within a core group of actors and their institutions in the market is what interest us here.

In effect successive legislations have been passed in the EU¹⁹⁴ and increasingly are used to frame decision making with new models such the one of competitive dialogue. Up to June 2009, more than 80% of the award procedures using competitive dialogue have been launched in two EU Member States i.e. France and the United Kingdom

But whist this drives to improve procurement practices also influences decision makers in three ways:

- Provide case studies
- Document solutions
- Connect public servants together

Provide case studies

The entries into the official journals are not just a way for private sector suppliers to identify new business opportunities. It also offers a wealth of examples to public service decision makers.

¹⁹⁴ Bovis, Christopher H. (2007). *EU Public Procurement Law*. Elgar European Law Series.

Document solutions

But more than just simply capturing the 'stories' of what is being procured elsewhere it also provides insights about the way solutions are being procured. For instance it will define the structure of the various lots, showing what part of a service is outsourced versus what part is kept in house.

For instance, it will provide insight about the service associated for an IT platform and applications where typically, the requirements definition and design work will be carried out internally whilst the build, test and often maintenance of the IT platform and application will be outsourced

Connect public servants together

It is remarkable to observe that most senior public servants in central governments and associated politicians have no 'equivalent' in a country. Indeed, directors (for HR, operations or most business) in the private sector have counterparts and meet and discuss about the latest trend in their industry.

Mimetism is facilitated by industry mechanisms but this is not the case for a director of a tax or benefit office that will have little visibility of what their other country counterparts do.

Procurement acts as a mechanism to progressively connects the public service industry which until recently was considering itself as necessarily different from anywhere else

4.3.3 Rightsourcing vs Outsourcing

A reflection in light of the examined case studies and empirical material also revealed that the approach to outsourcing has shifted and should continue to shift in the direction of a pragmatic analysis of this instrument of public management.

Rather than conceiving of outsourcing as a categorically wrong choice or a panacea, a pragmatic view centres around the key variable of quality of service delivery, cost and innovation.

Preference should be given to the entity best suited to provide a service. This must be determined through fair, transparent and competitive processes. While solutions will vary from case-to-case and service-to-service, rightsourcing could be an effective instrument in the toolbox of public managers in charge of reforms.

And with a different instrument a more consensus based decision making could bring back together what today appears as polarised views at individual, institutional and also political levels.

A way to describe that change would be: From Ideology to Pragmatism - Rightsourcing as a consensual approach.

In the historical analysis the research has identified new models of outsourcing that are being developed, in the UK they are mutuals (3 way ownership and governance of an entity across

government, private sector and the employees), in Germany, it is Partnerschaften-Deutschland.

Numerous quotes describe well the dilemma for adopting a new model of service delivery and different decision making process asking the question that would provide better value to the Public Sector:

“whatever it means, outsourcing, pure outsourcing, business process outsourcing or shared services” (Expert Mota)

“I think that blending, and what could take that at almost any level, it can be at a very modest level, a particular public or quasi-public agency needs a particular skill set which it doesn’t have in house, doesn’t want to have in house, or decided not to host in house, then it brings in that particular skill set” (Expert Mawson)

“outsourcing is seen to be a kind of a one hit activity when in fact it should be a move to blend skills and expertise and capacity and resources from across a range of different types of host agency” (Expert Mawson)

“think outsourcing, the conflict to outsourcing for me is how does one blend the skills which sit in a range of that – of location, be it in the public or the private sector, that the – if you like, the one go environment, all of which have skill sets which are to be cherished and enriched and developed and used in combination” (Expert Mawson)

“I think at the end of the day a mix of delivery models that give better solutions overall” (Expert Davies)

“right outsourcing strategy put into play” (Expert Davies)

So a key finding is that public managers ask the wrong question and as such are asked to take the ‘wrong’ decision. The question should not be whether to outsource or not but to systematically evaluate all functions and ask what is the right model including new ownership structures with the third sector and employees. The question is how to right source.

The decision tree in the public sector is arguably more complex than in the private sector. The core challenge for effective outsourcing lies in connecting public managers’ motivations with the correct and adapted service delivery model (governance level, risk management, policy field).

The purpose of New Service Delivery Models are tailored to enable governments to adapt to citizens’ demands at increasingly lower costs

Thus meeting citizens’ expectations and lowering costs enabling a closure of the gap between supply and demand.

To illustrate this point, the case of the Tax Agency in the United Kingdom offers recent learnings, Her Majesty’s Revenue and Custom (HMRC)

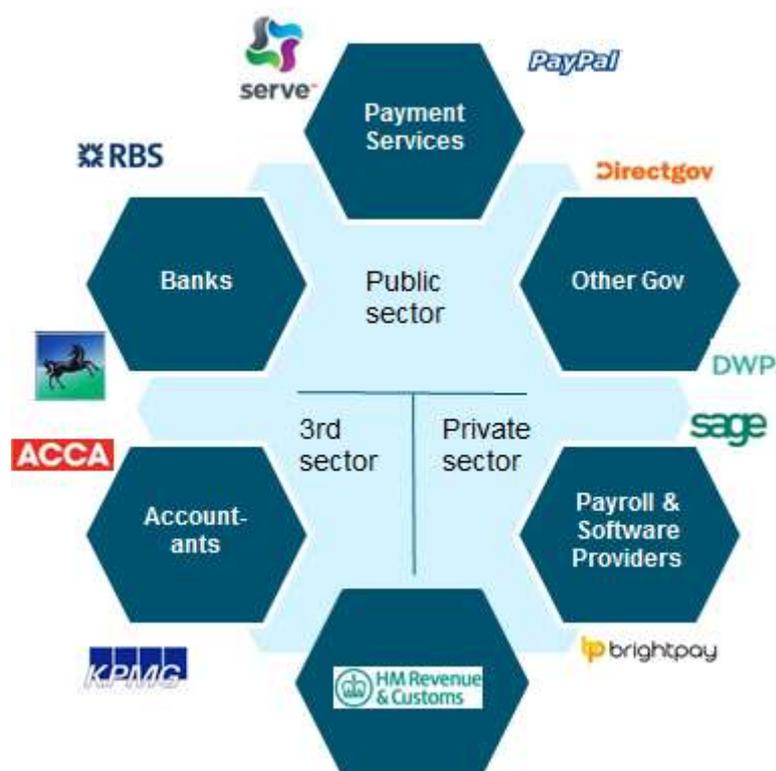


Figure 102: UK HMRC rightsourcing strategy

HMRC has been under significant pressure by UK government and the Treasury to reduce its cost to serve whilst improving customer services and through increased taxpayer compliance, also increase revenue collection.

To address this complex set of objectives, HMRC has established a systematic strategy to review who was performing what activities and what outcomes across its overall value chain.

The HMRC senior leadership team has hence reviewed from 2010 to the present days, the sourcing of each of its services.

This systematic review has taken into consideration the definition of what HMRC core competence are as well as the evaluation of various sourcing for its cost to serve.

But this review has also been influenced by political direction by the elected government.

One of the key strategic directions from UK government was the increased use of third sector organisations (Charities and Non-Governmental Organisations, NGOs). This agenda was heralded under the banner of “Big Society”.

The right sourcing strategy identify new ways to deliver services, for instance a partnership was formed with Directgov to supply internet based services to customer as opposed to developing the capability in-house or taking an outsourcing contract with an IT company.

Similarly, to provide advice to vulnerable customers – classified as ‘Needs-help’ in the segmentation strategy, HMRC partnered with local charities and Citizen-advice bureau to avoid having to take new cost in-house for that new customer service.

A review of other services led to innovative outsourcing contracts for instance with Payroll providers. Payroll providers in the UK tax model are critical as personal tax is collected at the source on the salary. The calculation of the payroll and the tax amount are hence critical information in the collection of the tax. HMRC improves its arrangement with the Payroll provider to obtain more 'Real time' information and hence close some of the inaccuracies in the information, ultimately leading to more timely revenue collection

The above demonstrate the drive for public service organisations to establish a right sourcing strategy and take all the benefits of New Service Delivery models.

More generally New Service Delivery models are an emerging trend that changes the dynamic between public and private organisations and shift their strategy from outsourcing to rightsourcing.

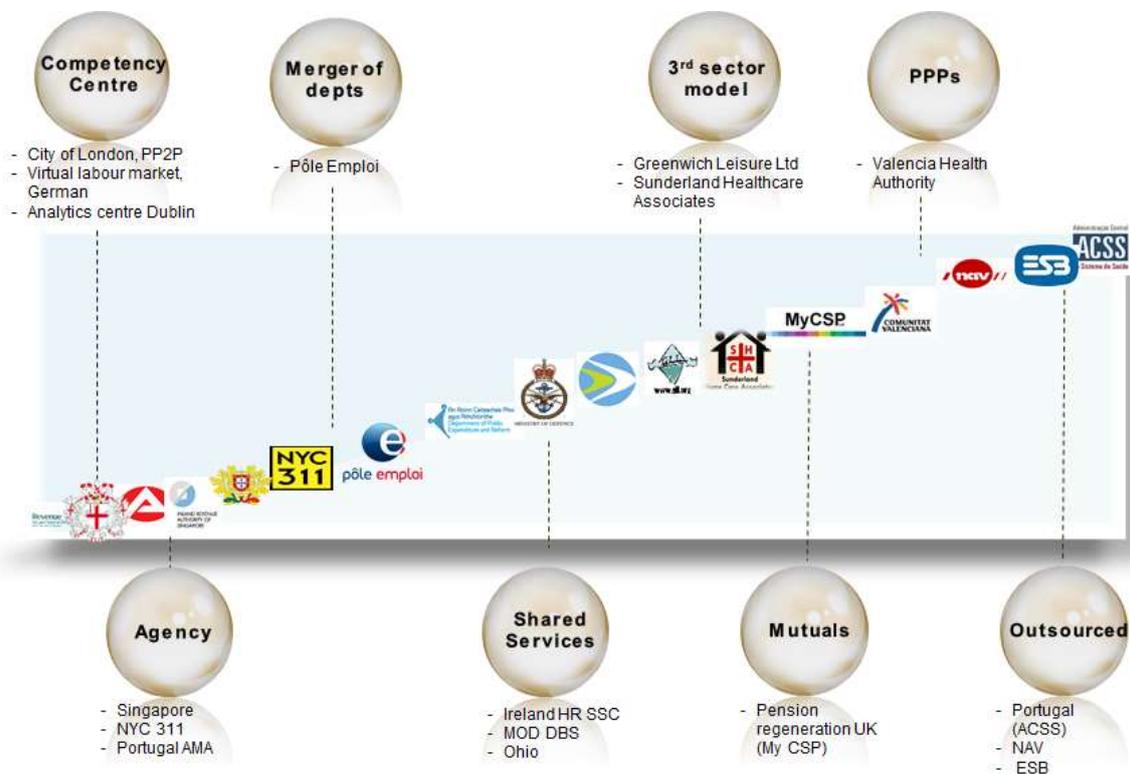


Figure 103: Spectrum of New Service Delivery models

Figure 103 depicts the spectrum of the available delivery model at the end of public sector organisations to deliver their services away from the binary decision: in-house versus outsource.

Example of a New Service Delivery Model: Analytics Competency Centre – Ireland Office of the Revenue Commissioners

- With the lack of key specialised resources, the Office of the Revenue Commissioners decided to co-fund a Competency Centre that would provide them with deep specialised services

- The project was implemented by a cross-industry analytics competency centre
- The centre introduced integrated predictive analytical modelling in day-to-day processing to risk score transactions and prevent high risk refunds and credit requests from issuing
- Development of a generic real time risk framework, incorporating analytic models and business rules
- Monitoring and measurement reporting to track and continuously improve the performance of models, rules and interventions

Agency Transformation – Portugal

Agency for Administrative Modernisation (AMA)

- The Portuguese government wanted to change the way it interacted with Citizens but did not want to create a service in every government departments so it created a centralised agency in charge of this new activity
- Market analysis, benchmarking and organisational and statistical research were conducted to ascertain citizen needs, expectations and habits
- From this, the project gained a particular focus around upgrading and centralising the Citizen Stores – a service for many administrative tasks including car registration, taxation, residency etc
- An integrated, customer focused, multi-channel platform was introduced providing information about state services and centred on enhanced access and functionality of the Citizen Stores

HR Shared Service Centre (HRSSC) – Ireland

Department of Public Expenditure and Reform (DPER)

- The Irish government wanted to improve the specialisation of its HR personnel whilst reducing cost to serve
- The project will take four years and will design and implement a Shared Service Centre for HR services across the organisations currently using HR Management System
- The HRSSC will manage the transactional elements of HR, allowing local HR units to focus on more strategic HR, relevant to each department/offices needs

Example of a New Service Delivery Model: Public Private Partnership – Valencia Health Authority - The Valencia Model

- The local government wanted to provide more modern health services but did not have the competencies required
- Alzira Model is a special form of PPP with public financing, control and ownership but with private management and delivery
- The model has developed into an integrated health service organisation known as the “Valencia Model”
- The Valencia model encompasses PPPs such as the Alzira model with publicly managed health structures

3rd Sector Model

Greenwich Leisure Limited

- The existing seven leisure centres were transferred to the new organisation – Greenwich Leisure Limited (GLL) in July 1993 which was under employee ownership
- Now runs as a social enterprise, reinvesting profits into the organisation
- GLL is now one of London's largest leisure service provider managing over 90 leisure centres in partnership with 27 Local Authorities

Example of a New Service Delivery Model: Departmental Merger – France

Pôle emploi

- Administrative and financial merger at national and regional levels with 26 regional management units totalling 45,000 employees
- Detailed organisational integration planning supported by gap analysis and change management functions
- Deployment of new offer services, including a common jobseeker platform in all agencies
- Joint communications strategy to inform citizens of the details of the merger

Mutual – UK Civil Service Pensions (MyCSP)

Mixed ownership model

- My CSP is the first government mutual joint venture to be “spun-out”
- An Employee Partnership Council was formed, with members elected by employees and representing their interests. This is considered key to achieve the necessary balance between profitability and public service ethos
- Government retains a 35 per cent stake, private sector partner Paymaster owns 40 per cent
- 25% is reserved for employees which gives them board level representation and a share in profits

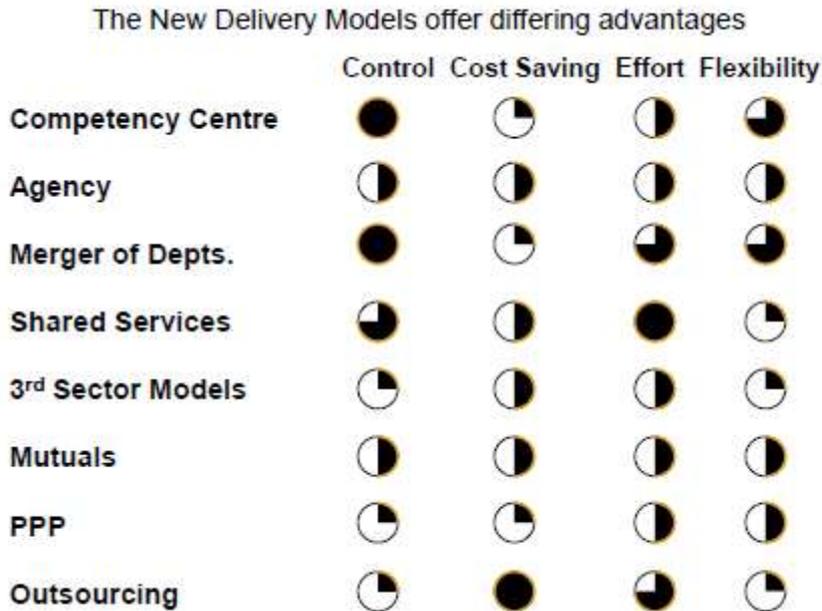


Figure 104: Types of benefits associated with right sourcing through a New Service Delivery Models

Interestingly the new right sourcing strategy enable public sector organisation to develop a portfolio approach of their service delivery model appropriate depending on new criteria:

- Control remaining in the service
- Cost saving
- Effort to establish the change in the service
- Flexibility remaining whilst the service is set up

4.4 Discussion for further Research

Existing literature propose a view on different motivations but this research attempted to bring a mutually exclusive and collectively exhaustive test for the public sector across all previously envisaged motivations. It also brings new questions, all getting into the next level of details:

- Is there a link between the outsourced service itself and the DMP?
- Is there a link between the Decision Makers background and the criteria that influence the DMP?

Is there a link between the outsourced service itself and the DMP?

An interesting question raised during the analysis is whether the DMP and the criteria that apply vary on the type of public service in question. The research has shown the importance of context in a decision making process and more particularly the importance for this research question of the local public sector context, but is the service itself a factor in how the DMP proceeds.

The project that comes out of the analysis is that some criteria apply more specifically to some areas of the spectrum of services:

- Political ideology play a more important role as the service in question is more core to the public service
- On the other end, innovation and service quality have more weight for non-core processes.

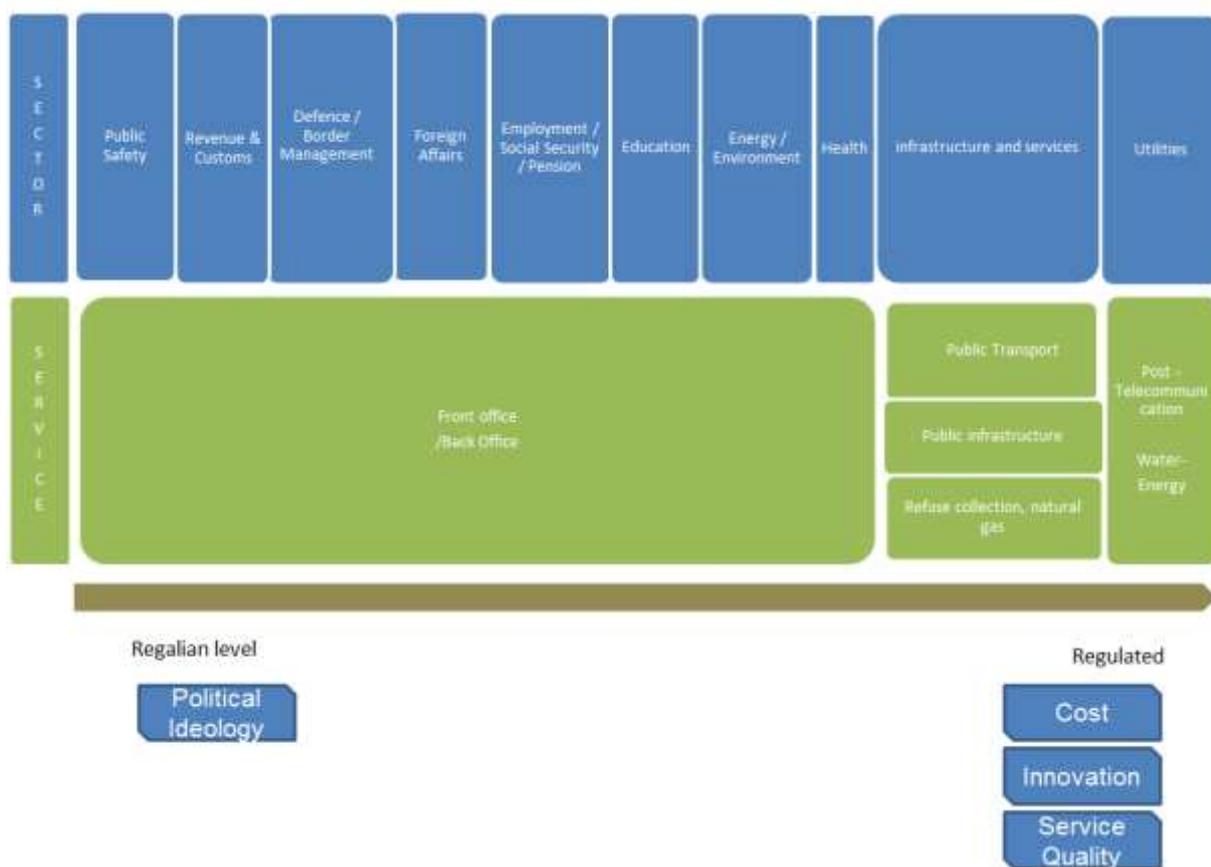


Figure 105: Spectrum of services to be outsourced from Regalian to Regulated - impact on decision criteria varying depending on the service

Is there a link between the Decision Makers background and the criteria that influence the DMP?

For instance, is a public manager with private sector experience more likely to be influenced through mimetism processes than a public manager with no private sector experience?

When taking a step back and noticing the importance of the individual itself, one start to consider the increasing movement of senior leadership between the private and public sector and as such ask whether the arrival of decision makers with private sector backgrounds influence the DMP.

Epilogue

For government officials this research puts the spotlight on the fact that when evaluating a potential outsourcing decision, one must look for all those different behaviours within the stakeholders. A business case and associated risk analysis – which are the standard taught at business school - are only a part of the process.

This research also calls on the public sector to define its core tasks: Public just like the private sector needs to define what its core tasks are, with a distinct profile (using different variables than the private sector - cultural, political..). One might express this as finding a new “regalian balance”.

Given that the recently increasing interest in outsourcing happens amidst a crisis, public managers may also factor in post-crisis conditions into a decision taken today. After the crisis, they may wish to keep the option of in-sourcing certain functions open. This option may, however, be reduced if human and organizational resources have not been used internally for a longer time due to outsourcing. In other words, the risk of “unlearning” a competence may negatively weigh on a present outsourcing decision of a public manager.

Whilst we have seen the importance of institutions, one would expect more structure – the absence of really defined structure between the Political and Administration is noteworthy and fit with the quote of one of the interviewees as the DMP being more a “Dark art” rather than a science.