Outsourcing: two case studies from the Victorian public hospital sector

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Abstract

Outsourcing was one process of privatisation used in the Victorian public health sector in the 1990s. However it was used to varying degrees and across a variety of different services. This paper attempts to answer the questions: Why have managers outsourced? What have managers considered when they have decided to outsource? The research was carried out in a rural hospital and a metropolitan network in Victoria. The key findings highlight the factors that decision makers considered to be important and those that led to negative outcomes. Economic factors, such as frequency of exchange, length of relationships between the parties, and information availability, were often ignored. However, other factors such as outcome measurability, technology, risk, labour market characteristics and goal conflict, and political factors such as relative power of management over labour were often perceived as important in the decision-making process. Negative outcomes from outsourcing were due to the short length of relationships and accompanying difficulties with trust, commitment and loyalty; poor quality; and excessive monitoring and the measurement of outcomes.

Aust Health Rev 2007: 31(1): 140–149

What is known about the topic?

While service outsourcing has been used by many health service organisations, there has been little study of the outsourcing decision-making processes.

What does this paper add?

This paper presents the results of a qualitative study of a rural hospital and metropolitan health network that found that often the decision to outsource was based to a large extent on political factors, with consideration of only some of the potential economic factors. Negative outcomes from outsourcing were due to the short length of relationships and accompanying difficulties with trust, commitment and loyalty; poor quality; and excessive monitoring and the measurement of outcomes.

What are the implications for practitioners?

Health service managers and policy makers should ensure a complete understanding of the economic and political factors with a potential impact on any outsourcing decision, particularly as the negative outcomes for outsourcing found in this study were largely related to the inability to build effective relationships and a lack of understanding of the economic factors which actually favoured internal servicing.

THROUGHOUT THE 1990S, outsourcing, market testing and structural change occurred in the Victorian public health sector as part of the privatisation agenda. Managers displayed agency in their decisions, and the use of outsourcing was varied. A case study method was used to explore the outsourcing decision in the public sector in a rural hospital and a metropolitan network. Multiple case design was chosen to provide an analysis which might produce similar or contrasting results.[1,2] The information was pooled across the health organisation, enabling multiple outsourcing decisions to enhance the analysis. Interpretative measures were used to provide insight into the question: Why outsource? Interpretivism "stresses the subjective aspects of human activity by focusing on the meaning rather than measurement of social phenomena"[3] and is appropriate in situations where real-life experiences are studied by participation in order to better understand and express their values, details and features.[4]

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Box 1 Reasons for outsourcing and the factors likely to impact on the outcomes of the decision

Desire to reduce costs and increase efficiency[8,9]

- transaction frequency
- asset specificity
- uncertainty
- hierarchical costs
- threat of opportunism
- information and information systems
- outcome uncertainty
- risk aversion
- goal conflict
- task programmability
- outcome measurability
- length of relationship

Desire to focus on core competitive advantage[10]

- core competencies
- frequency of transaction
- asset specificity
- environmental uncertainty

Desire to introduce workforce flexibility[11]

- labour market characteristics, such as functional and numerical skills
- environmental uncertainty

Desire to improve management of industrial relations problems[12,13]

- power of management and labour
- labour market characteristics
- culture

Desire to satisfy decision makers' personal objectives[14,15]

- relative power of management
- opportunism or self-interest of decision makers

Desire to adhere to the ideology of government[16,17]

- environmental uncertainty
- government ideology
- political or fiscal environment
- power of management and labour

Initially, interviews were conducted with the Chief Executive Officers of the organisations, using semi- and unstructured questions to ascertain the reasons for, extent of, and processes used in outsourced and non-outsourced areas. Further interviews with decision makers and staff in these respective areas were then conducted. Interviews were held over a 2-year period, covering all levels of hospital management, as well as proprietors and staff of the outsourced areas, and union officials.

The research does not attempt to weight the respective outsourcing reasons, but rather assumes that they are interlinked. Furthermore, it does not objectively measure the outcomes of outsourcing, but, rather, proposes a framework to assist decision makers and researchers uncover the reasons for outsourcing.

Reasons for outsourcing

As has been reported previously,[5,6,7] the theoretical and empirical outsourcing literature identifies six reasons for outsourcing:

- to reduce costs;
- to focus on core competitive advantage;
- to introduce workforce flexibility;
- to manage industrial relations problems and the associated increase in the power of management over labour;
- to satisfy personal objectives; and
- to shape public sector agencies to align with the agenda of the government providing the funding.

Box 1 summarises these reasons for outsourcing and lists the factors that the literature sees as important for the decision to be successful.

In making an outsourcing decision the theories suggest that the factors surrounding the decision will either advance or hinder the outcomes. These factors are listed in Box 2, and show when outsourcing or internal production are favoured. The factors are also listed under economic and political headings on the basis of their general link to respective groups of theory.

Rural public hospital

The hospital serves a regional population of around 60 000[18] people. In 1999, it treated about 13 000 inpatients and 73 000 outpatients. Between 1993 and 1996, the hospital contracted out pathology, radiology, dental technician and gardens and grounds services.

Pathology

Before outsourcing, the pathology laboratory staff of 18 serviced the hospital inpatients, casualty and outpatients (interview, 23 May 2000). In the year 1992–93, 77 027 pathology attendances occurred, including 54 380 outpatients. In 1993–94 the service was outsourced. A director elucidated the reasons. Firstly, the private sector became increasingly interested in public hospitals due to changes to the Medicare Benefits Schedule (MBS) as well as increasing profitability from a growing ageing market and changing technology (interview, 11 Nov 1998). Secondly, the industrial relations situation was increasing the cost of public provision through increasing medical scientists' rates of pay, while resisting flexible work practices (interview, 14 Dec 1999). Thirdly, an existing private hospital opening a competing laboratory produced fear of reduced market share (interview, 23 May 2000). The unpredictable nature of the market was reflected in the reduction of pathology outpatient attendances by 55%

2 Factors favouring either internal or outsourced production

Factors	Internal	Outsourced
Economic		
Frequency of exchange	High	Low
Length of relationship between principal and vendor	Short	Long
Length of relationship between principal and employee	Long	Short
Asset specificity	Specialist to organisation	Specialist to vendor
Hierarchical costs	Low	High
Information availability	Monitor behaviour	Monitor contingencies
Task programmability	High	Low
Outcome measurability	Low	High
Human asset specificity or labour market characteristics		Introduce functional and numerical flexibility
Technology	Available internally	Available in market
Vendor opportunism	High	Low
Risk aversion of vendor	High	Low
Risk aversion of principal	Low	High
Internal goal conflict	Low	High
Clan control/trust	Internal — high	Internal — low Strong relationship with vendor
Core competencies	Core	Peripheral
Political		
Principal opportunism	Self interest aligns with organisation	Self interest aligns with vendor
Third party opportunism	High	Low
Relative power of management over labour	High	Low
Culture	Strong	Weak
Ideology	Public sector	Private sector
Political or fiscal environment	Stable funding	Decreasing funding
Environmental uncertainty	High	Low

between 1992–93 and 1993–94. Alongside this, increased risk was apparent in the decline in numbers of paying patients as they increasingly elected to be admitted as public patients (interview, 11 Jan 2001).

Each of the tendering organisations provided a discounted price, compared with internal costs, to conduct the hospital's public patient tests in return for access to private outpatient work (interviews, 11 Jan 2001, 23 May 2000). The contract was awarded to a large multi-national private company, with the price reflecting their economies of scale (interview, 11 Jan 2001). A union official believed that not all transaction costs were included. Redundancy packages, for example, were offered to all employees and, as such, "staff were granted a golden handshake to change their name tags" (interview, 11 Aug 2000). Overall, the hospital saved about $200 000–$300 000 per annum (interview, 23 May 2000). A director (interview, 11 Jan 2001) added that by making the service available to public inpatients at a lower cost, the private laboratory passed on to the hospital some of the financial benefits it obtained from the Federal Government. However, he also argued that the private laboratory earned profit from the contract; money which had been previously used to fund medical equipment.

Alongside the cost savings, the hospital retained the benefits from the laboratory's on-site location (interview, 14 Dec 1999). Another benefit was a reduction in staff management problems, particularly in the areas of selection (interview, 23 May 2000). Staff flexibility was achieved through changes to working hours and rosters. Notwithstanding lengthy discussions between the union, staff and management, staff reductions of 22% followed as tests were rationalised with some being transferred to the city laboratory (interview, 24 Nov 1999).

Radiology

In 1992–93, before outsourcing, three radiologists and six technologists staffed the radiology department. The radiologists were employed as visiting medical officers, and fees raised from servicing private patients were shared between the radiologists and the hospital (interview, 23 May 2000).

Throughout the early 1990s, the radiologists had not been supportive of the hospital and opened a private practice in competition, referring private patients from the hospital to their clinic, which was viewed as unethical (interviews, 24 Nov 1999, 23 May 2000, 1 Sep 2000, 26 Sep 2000).

All requests to the hospital for equipment upgrades were refused, with lack of funds cited (interview, 26 Sep 2000). Staff morale declined due to the actions of the radiologists and declining patient numbers. Decreasing private revenue added to the problems of insufficient funds to replace outdated equipment. Staff were exposed to job insecurity, reduced workload, poor equipment and conflicts of interest between the medical radiologists and the hospital (interview, 26 Sep 2000). On awarding of the contract to a Melbourne-based practice, technical staff were transferred to the contractor and the contractor became responsible for attracting professional staff. "Inland hospitals struggle to find staff. Staff attraction and retention is better for larger multinational companies that can contract across the state. If professionals are scarce, that becomes a reason for outsourcing." (Interview, 14 Dec 1999.)

The hospital's 1994–95 Annual Report stated, "The Hospital looks forward to a *long* and mutually beneficial relationship" with the private organisation [italics added] (page 7). The proprietor of the private radiology firm explained: "Building up a practice is a long-term job ... I believe that a profit will eventually be made, but if a 5-year contract was all that was offered, we would be 3 years into it and still making a loss." (Interview, 1 Sep 2000.)

The CEO claimed that the process turned a "liability into a strength [when] it injected $3 million of equipment into the hospital department and resulted in the best radiology service outside the capital city." Additionally, staff numbers increased and morale improved (interview, 24 Nov 1999) as patient numbers increased from 35 to 100 per day (interview, 1 Sep 2000).

Staff were granted a salary increase of 10% in recognition of adopting a private-practice, customer-focused mentality (interview, 1 Sep 2000). Staff were offered their existing hours as a minimum, with some new positions created (interview, 26 Sep 2000). However, if this involved a demotion, compensation was offered. Work intensity amplified, with staff working over lunch and evening breaks to cope with increasing numbers and to ensure satisfaction from general practitioners. Waiting periods disappeared, and while overtime was paid, the viewpoint of the staff was, "It is now a private department and staff are responsible to the private firm, so if they don't bring in the dollars they would not be happy." (Interview, 26 Sep 2000.)

Dental technician

Although only one employee operated the dental technician service, variable demand rendered internal provision uneconomical (interview, 11 Jan 2001), so in 1996 the service was put out to tender. Although the existing staff member bid for the contract, it was awarded elsewhere on the basis of costs, and the staff member took a redundancy package. The contract was subsequently awarded to different providers a number of times, illustrating the competitive nature of the market. The two major private dental laboratories, with their significant volume of work, could achieve economies of scale (interview, 11 Jan 2001).

Gardens and grounds

With gradual attrition over 20 years, staff numbers were reduced from 20 to two, and in 1996 the contract was awarded to a local community provider on the basis of costs (interviews, 15 Mar 2000, 11 Jan 2001). Management negotiated a reduced size and scope, and the two staff members were retrenched (interview, 11 Jan 2001). Even though no detailed cost–benefit analysis was completed, the director stated that he doubted the hospital would have been able to run the service at the price that the contractor tendered (interview, 11 Jan 2001).

Discussion

Economic factors

Economic reasons for outsourcing were to reduce costs, focus on core competencies and increase labour flexibility. Costs were decreased by introducing flexible work practices, changing conditions of work and reducing employment in gardens and grounds, dental technician services, pathology and radiology. In addition, contractors provided updated equipment in radiology and pathology. However, in gardens and grounds a reduced scope of service was integral to the savings made.

The idiosyncrasies of the rural labour market, including lack of expertise and recruitment problems, were a factor in the decision. In general, rural areas suffer from both a distance and expertise disadvantage. The distance to major cities and other sources of labour makes it difficult to gain numerical flexibility.

Environmental uncertainty and risk were also important, with increasing competition, a decline in fee-paying patients, decreased government funding and problems in acquiring skilled staff. To somewhat reduce such uncertainty, contracts were used to lock-in costs, staffing and technology. As all incumbents were likely to regain the contracts, this provided for continuity of relationships, equipment and stability of employment for staff.

Political factors

Broader reasoning was apparent which included self-interest, or opportunism, the power of the union movement and government ideology. For example, the outsourcing of the radiology service negated the radiology incumbents' power and stopped their manipulation of the hospital processes to benefit themselves. In pathology, the ability to decrease the power of the Medical Scientists' Union was raised as a reason for outsourcing.

A cultural perspective would claim that the decision between hierarchy and market should consider values and relationships, and this was evident at this hospital. A clan, typically found within a

department, resolves conflict through group cooperation and relies on a strong culture to ensure that values are shared.[19] This hospital saw the value of clans and relationships in contract arrangements. Long-term relationships were important in the rural location and the transfer of employees from internal employment to the contractor allowed such relationships to be maintained.

Government ideology was also a factor. The Federal Government's introduction of National Competition Policy set the context for privatisation proposals, while the state government provided further impetus with reduced operating and capital funding.

Metropolitan public health network

This large inner city metropolitan health network chose in 1995, upon aggregation into the network structure, to market test all of the services of the Infrastructure Division and pathology and pharmacy departments. This resulted in the outsourcing of car parking, garden and ground maintenance and the management of supply to external contractors, and contracting of food services and engineering to internal teams (referred to as insourcing). The network serves a population of nearly one million people and offers a range of specialist services for the whole state. It operates 1200 beds and the major hospital is one of the state's leading tertiary teaching hospitals. In 1995–96 the network serviced 112 910 acute inpatients and 568 530 acute outpatients. In addition, it treated 3459 psychiatric inpatients, 83 170 psychiatric outpatients and 2125 aged care inpatients. At 30 June 1996, this network's accumulated losses were $39.6 million, and in 1996–97 the network budgeted for an operating loss of $23 million.

In cases where outsourcing was considered to be an option, the network's general philosophy was based on giving the in-house team the right to tender. Notwithstanding this, the priorities were to "... cull the departments, change work practices, bring the workforce into the 21st century and train them" (interview, 24 Jan 2002). It was claimed that the process changed the culture, as the staff were operating in a comfort zone, having worked for an average of 15 years, and looking forward to retirement. The culling process initially shook staff, but supporting successful internal bids lifted morale (interview, 24 Jan 2002). However, a manager of one of the network's user hospitals talked about the staff's decreased morale and lack of trust. She stated: "It took a long time to build trust ... and teams again" (interview, 5 Feb 2002).

Car parking

In outsourcing car parking, the aim was to reduce costs, increase efficiency and reduce risk through introducing expertise in systems, technology and management. Low trust existed between management and staff. It was claimed that internal bids were disallowed due to security issues with pilfering and non-payment of car parking spaces. Upon outsourcing, external audits paid for by the network reduced the ability of the contractor to act opportunistically, while the vendor introduced expertise to counter internal problems. Deception was proven, as within one month of the contract being awarded a sharp increase in fees occurred (interview, 24 Jan 2002). As another precaution, no staff were transferred to the contractor although ten of the 20 staff were transferred to other positions within the network (interview, 24 Jan 2002).

Gardens and grounds

The winning grounds contactor had numerous local government contracts and was awarded the contract on the basis of costs. However, the decision makers' nervousness, due to the low contract cost, proved to be well founded. After 2 years of poor service, the contractor terminated his staff, thereby negating the contract (interview, 25 Jan 2002). The service was brought back in-house with no consideration of using another external contractor, as "We just didn't want to get bitten again, considering the amount of time we were spending on managing the contract" (interview, 24 Jan 2002). "We couldn't find the contractor and we spent so much time going around to check if he'd done what he should have done in

accordance with the contract, it cost money" (interview, 24 Jan 2002). A director, in conclusion, said, "Fortunately it wasn't worth a lot of money, but it proved that, like it or not, it [the success of the arrangement] is still based around personalities, whether in-house or contracted out" (interview, 24 Jan 2002).

Supply

Goal conflict and power struggles were evident in the internal management of the Supply Department, and an outsourcing management contract was used to change the management style and work practices, introduce expertise and downsize the department (interview, 24 Jan 2002). Workplace change and increases in efficiency had been sought for two years prior but could not be produced with the management team employed at the time (interview, 5 Feb 2002). The contractor's supply manager concurred:

> One of the motivations in market testing was that the network believed an external change agent would be more successful than an internal staff member because they wouldn't have to protect the status quo. Self-preservation came in ahead of any other considerations. (Interview, 5 Feb 2002.)

Another objective was to increase the skill levels of the staff and at the end of the contract revert to internal management. "At the end of the contract the internal staff would be trained, and the people ... could be brought back while retaining the knowledge." (Interview, 24 Jan 2002.)

Staff who transferred were not disadvantaged financially, and as they gained new skills their wage rates increased, so that within 12 months all transferred staff were paid at a higher rate. Working conditions between internal and contract employees at the same level were similar, with identical wage rates. Despite this, as the contract staff tended to be working on more complex tasks their salaries were higher (interview, 5 Feb 2002).

Food services

Upon centralisation of the food services, staff numbers were reduced from 320 to 160. Staff felt demoralised: "They saw it as a takeover and even general managers of the hospitals were battling with their own loss of ownership" (interview, 25 Jan 2002). The food services were then outsourced to the internal team (insourced) due, it was claimed, to the good relationship between the staff and the network. The line manager claimed the committee looked favourably on the changes the inhouse team had already made in reducing staff numbers and transforming work practices (interview, 25 Jan 2002). A manager of a user hospital (interview, 5 Feb 2002) added that the service was sustainable and low risk compared with that offered by external contractors. The network did not want to change to a provider based in another locality, leaving the local communities reeling from high job losses and individuals with poor prospects of finding alternative work (interview, 5 Feb 2002).

Consultation with the unions ensued, and the line manager explained:

> I was constantly telling them we're not being sold down the river, we are being supported, because if we weren't, I wouldn't be here, someone else would be, and they slowly started to see that. (Interview, 25 Jan 2002.)

Although union density varied between sites, the central site had a strong presence of around 80%. The line manager regarded the union as militant (interview, 25 Jan 2002), however no industrial activity occurred as industrial pressure was being focused on services at other hospitals and networks that were contracted out to external contractors (interview, 7 Aug 2000).

On awarding the contract to the internal team, "wholesale workplace reform" resulted as all processes were investigated for change, from floor washing to pot scrubbing (interview, 24 Jan 2002). Major changes were made to rosters and "sweetheart deals" were abolished. Starting times were changed from 6 am to 6:30 am, thereby saving on penalty payments (interview, 25 Jan 2002).

A manager of a user hospital added that decreased morale was evident throughout this process as the staff felt "they had been sold out"

(interview, 5 Feb 2002). Nevertheless, the manager reasoned that staff accepted the changes without industrial activity as "the change was so massive they felt they really had to get in and do it, because if they didn't they simply wouldn't be here". Furthermore, these same staff were relieved when the internal bid was favourable as they had a "sense of knowing the people you were still working with while still working for the same organisation". This enabled trust to be re-established over a 12 month period, the manager claimed, as staff became savvy about the financial tensions and consequent increases in accountability which came from the contracting situation (interview, 5 Feb 2002).

Engineering

Similar downsizing occurred in engineering services. In 1995, before aggregation, staff numbers were 160, decreasing to 35 post-outsourcing (insourcing). Sub-contractors were used to conduct specialist engineering work and for the less specialised services when demand was high. Management claimed that the outcomes expected from this process focused on cultural change, with the staff expected to become more proactive, utilising their complete skill and knowledge base, without demarcation issues (interview, 25 Jan 2002).

Wage rates were higher for sub-contractors than the insourced staff. "Initially, the internal [insourced] staff felt insecure as external contractors learnt their trade, but now it is the internal employees who request external assistance" (interview, 25 Jan 2002).

Discussion

The Infrastructure Division was the first area subjected to the process, due to its peripheral nature and the perceived financial savings which could be made through changing work processes and downsizing.

Economic factors

The contracts for the provision of food and engineering services were awarded to the internal team, based on increasing efficiency through changing work practices and introducing new technology.

The outsourcing of gardens and grounds was due to the service's peripheral nature and the belief that costs could be substantially reduced. This, it was believed, could be achieved through the ability of the contractor to specialise, but it was unsuccessful due to poor quality and excessive monitoring. As such, the complete transaction costs were either not understood or ignored.

In outsourcing supply management the aim was to introduce expertise, increase efficiency through changes to management and work practices, and downsize. The contract for engineering services was awarded to the internal team in the belief the team had the capabilities to downsize, using contractors for specialist tasks, while the use of internal staff provided for the retention of corporate knowledge. In outsourcing car parking, the aim was to reduce costs, increase efficiency and reduce risk, through introducing expertise in systems, technology and management. Low trust existed between management and staff and external audits were used to reduce further opportunistic behaviour. Insourcing, rather then outsourcing, was used in food services to reduce risks of contract failure and poor quality.

Political factors

The relationship between food services staff and management was one of the reasons given for insourcing food services. In the same vein, car parking was outsourced due to a lack of trust between internal staff and management. The gardens and grounds outsourced service suffered from difficult relationships with a risk of opportunistic behaviour, although the difference in costs between the internal and outsourced service was so great that the heightened risk was ignored. Even so, the operations of the contracted service proved to be a problem, and the contract was terminated. On re-awarding the contract to a previously employed staff member, expertise was retained while relationships were improved, thus ridding the network of the political problems.

Goal conflict and power struggles were evident in the internal management of the Supply Department. Similarly, food services experienced goal conflict, changing power structures and lack of trust, although the contract was awarded to the internal team, thus allowing for the relationships to be maintained.

The industrial relations environment was a factor, with outsourcing used to alter work practices and downsize employee numbers without "having to go down the track with the unions" (interview, 24 Jan 2002). A manager (interview, 25 Jan 2002) contended that change would not have occurred without outsourcing, due to union obstruction.

The power of middle managers was another factor that impacted on the decision making. When they were seen to be capable of making change, the departments were generally insourced, but when management lacked skills or power, external outsourcing occurred. The effects of these different processes, however, were similar. Departments were downsized, working conditions were altered, middle managers were removed, numerical flexibility was increased, staff became multi-skilled, costs were reduced and morale was reduced. And in outsourced departments problems of contract management and "cost creep" on re-awarding were identified. By awarding contracts to internal teams, the power of management increased through the continual threat of further outsourcing at the contracts' termination date. Furthermore, managers expected employees to repay them by minimising industrial relations activity.

Lessons learned and conclusion

The six reasons for outsourcing initially proposed focused on the desire to reduce costs, focus on core competitive advantage, improve workforce flexibility, adhere to government ideology, satisfy decision makers' personal objectives and improve industrial relations problems. But this research has also found that managers at the organisational level have used outsourcing to improve department management. Improved relationships between upper and middle management have been sought through introducing private sector managers or using the threat of outsourcing to induce change.

Factors highlighted in the theoretical economic literature[8,9] as optimising the decision between outsourcing and internal production were not usually raised as important to the decision. Some of these included frequency of exchange, length of relationships between organisation, contractor and staff, and information availability. However, other economic factors, such as asset specificity, outcome measurability, technology, labour market characteristics, risk aversion and goal conflict; as well as political factors, such as the relative power of management over labour, were often perceived to be important in the decision-making process.

Contracts were terminated due to problems with quality, monitoring, and inability to meet the specifications. Traditionally, in internal production with high exchange frequency, labour is monitored by input and process, through work schedules and labour figures. However, in a contract situation, outputs and contingencies became the focus of technological measurement devices. This was shown to be difficult when there was high exchange frequency as excessive measurement is costly, especially where the writing of specifications has been not adequately developed. Also, the length of relationships between the parties was important in relation to trust and loyalty.

The intricate nature of the health system and its political character suggest that the complexities are greater than those found in the private sector. Economic theories,[8,9] with their emphasis on costs and efficiency, do not always capture the complexity of public sector management; and it is only by adding a political perspective that managers' decisions can be understood. Political perspectives in public sector management arise from managers attempting to work within the expectations of government, boards of management, communities, unions and other pressure groups, managers and staff. A public sector organisation's reliance on government funding produces tension between policy makers and those who implement

the policy. Like any decisions made by public sector managers, the outsourcing decision is part of a political process. Managers work within the prevailing government ideology, taking into account the public perception of the role of a public sector organisation. The ability to juggle government and community expectations, while making decisions based on economic criteria within a decreasing funding environment, is clearly problematic.

Health service managers and policy makers should ensure a complete understanding of the economic and political factors with a potential impact on any outsourcing decision, particularly as the negative outcomes for outsourcing found in this study were largely related to the inability to build effective relationships and a lack of understanding of the economic factors which actually favoured internal servicing. It is clear that the complexity of the factors surrounding the decision needs to be understood in its entirety by managers for them to make an objective decision that succeeds in meeting their objectives.

Competing interests

The author declares that she has no competing interests.

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(Received 27/09/05, revised 19/02/06, accepted 9/05/06) □