

# **To Privatize or not to privatize, that is the question - Should outsourcing be a guiding idea for your organization - The New Zealand Story.**

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## 1. Background

The main task of the State Service Commission (SSC) is to appoint Chief executives and to make policies for the New Zealand government. SSC consists mainly of the following branches - Strategic Development Branch (SDB), Government Management Branch (GMB) and Corporate Services Branch (CSB). The CSB's function is to provide the strategic vision, glue, comprehensive HR policies and other support services. These support services to other branches are provided by Corporate Development Branch (CDB), a component of CSB. CDB keeps track of expenses of other branches, provides IT support, assists in preparation of budgets, keeps track of knowledge generated within the organisation through the operation of Data Management System (DMS), maintains the building & infrastructure and also provides library support for policy advisors. Over a period of time, the role of Corporate Services was diluted as branches gained additional prestige and power. This was mainly because of drive for privatization. CDB was the major sufferer in the 'slim down' which ensued.

## 2. Objectives

Within this context, this assignment has been formulated with the objective of -

Identifying the maladies affecting CDB as its performance was below acceptable standards

Examining whether it was worth retaining CDB or outsourcing the entire department

## 3. Scope

The study will focus on the following areas :

Analysing the key strategic issues relevant to CDB and relationship between them

Factors which contribute to these issues

## 4. Key strategic issue

The key strategic issue facing SSC is whether to outsource the entire CDB, as this department is perceived as a drain on its budget. This is a critical factor for the organization as senior managers from other departments within SSC find the services rendered by CDB to be of indifferent quality. CDB accounts for nearly one-fifth of the budgetary expenses of SSC and branch managers of other departments feel that this money could be spent better. SSC's top management feel that there should be a better

appreciation of linkages and dynamics of various factors within their resource system. They were worried about the low morale of staff within CDB and wanted to know the cause of their lacklustre performance.

## 5. Methodology

It is proposed to analyse these issues using Systems Thinking/Dynamics techniques. Systems thinking archetypes would pose questions such as 'Fixes that backfire, Shifting the burden, Success to the successful, Escalation etc. Conventional strategy techniques would have analysed the Cost-Benefit issues and come up with an answer. When 'Hard' and 'Soft' factors interact, it is 'the structure which shapes behaviour' of people in an enterprise leading us to conclude that there is 'no blame'. When complex interrelationships make a system's behaviour difficult to understand, decisions by top management could lean towards 'quick fixes' and an organization may not attempt to understand the unintended consequences of its decisions. With the current focus on market forces, privatization is the most fashionable thing to do. But to make any system work better it would be wise on our part to consider that 'every action produces a reaction' and to try and understand the causes of the problems especially the feedbacks which reinforce and counteract. This lead us to wonder should outsourcing be the guiding idea for SSC ?. We felt that SSC may need to reconsider its privatization drive and pause to reflect on its actions.