



# Outsourcing of G2E Applications – The Next Potential Wave for Public Private Partnership Initiatives in India

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## ABSTRACT

*Outsourcing is a contracting transaction through which one organization purchases services from another while keeping ownership and ultimate responsibility for the underlying processes. When viewed in the context to Government, it is not same as privatization but the Government still has the accountability for the services. Governments today are increasingly looking at PPP initiatives to bring in cost-effectiveness, enhanced social services, clear customer focus and increased revenues. The first wave of such interventions in India has mainly encompassed the citizen centric services related applications and outsourcing of the backend IT infrastructure. However, as the application of technology to Government and Governance evolves, the need to align the strategic vision of the departments with the outsourcing initiatives is assuming prominence. While outsourcing has been used as a tool for G2C and G2B services by Government departments in India, the importance of addressing the G2E services through outsourcing is critical to allow Government departments to focus selectively on their core service delivery processes. G2E services include, besides others, Human Resource Management, administration, stores and procurement, e-learning and project management services. This paper is an attempt to present a suggestive outsourcing model for G2E services in Indian Government departments and organizations. The paper is an attempt to establish the need for outsourcing of non-core, non-critical G2E applications, identify the candidate applications for outsourcing, the pros and cons of outsourcing of G2E applications, the suggestive model and SLAs for outsourcing G2E applications and an action plan for success in G2E outsourcing.*

**Keywords:** G2E, Outsourcing, Government Process Outsourcing, Government Resource Planning, PPP

## 1. Outsourcing in Government

Outsourcing is defined as a contracting transaction through which one organization purchases services from another while keeping ownership and ultimate responsibility for the underlying processes<sup>(4)</sup>. When viewed in the context to Government, it is not same as privatization but the Government still has the accountability for the services. Outsourcing of management of Government services in the G2C and G2B domain and also the infrastructure services is not a new concept anymore in India and a number of success and failure stories exist for reference.

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### *What can be and is being outsourced?*

Outsourcing in Government can be viewed at three broad levels –

- a. IT infrastructure outsourcing – This would include services like data centers, enterprise and distributed servers, networking, desktops, web hosting, help desk and disaster recovery.
- b. Business Application outsourcing – Including the application management services for business applications
- c. Business Process Services – Includes BPO services

Some of the recent examples in PPP mode include:

#### G2C

- Land Records
- Property Registration
- Births and Deaths
- Transport

#### G2B

- MCA21
- E-Biz
- Excise and Customs
- Commercial Taxes

#### Infrastructure

- Components – CSCs
- State Wide Area Networks (SWANs) and State Data Centers
- Infrastructure for portal applications such as data centers, facilities management etc.

The National e-Governance Program has successfully provided a framework for enhanced private sector participation in Government service delivery process through IT enablement and management of IT applications. Projects like MCA21, Customs and Excise have proven that private sector participation can lead to increased efficiency, speed for development and deployment and a faster response to changes. Projects like Passport sewa, National ID, Police modernization etc. are on the anvil for private sector participation.

## **2. Need for Outsourcing G2E Applications**

While there is a continuous focus on outsourcing business applications and technology infrastructure in G2C and G2B domain, the support applications in the G2E domain in a majority of departments in state and central Governments are still constrained by complexity of issues concerning development, maintenance and management. It is a common thing to note that employee and administrative support services are still handled manually or being managed through island of disparate applications which vary across the spectrum in ownership, age and features and normally not integrated. Key areas that need attention in the Indian Government domain include workflow automation, file tracking and management, messaging, procurement, and asset management etc. The attributable reasons for relatively less attention to this domain stem from the traditional set of constraints such as individual led initiatives, non-standard platforms, ineffective or no integration, poor sustainability, technological obsolescence and change management etc. This has a cascading effect on G2C and G2B applications also as the required information for supporting decisions on G2C and G2B is not obtainable in accurate and current form.

The generic G2E applications include Human Resources, budget and finance, administration, procurement and stores management, e-learning, messaging and workflow and project management. A number of initiatives in India are now a pointer to an increased Governments' focus on G2E services. Some of these include:

- The packaged application deployment for G2E applications in MCA21.
- The Mission Mode Project on e-Office is being formulated by the Department of Administrative Reforms and Public Grievances, Ministry of Personnel, Government of India.
- The e-Secretariat initiative by Government of Rajasthan, Gujarat and others.
- Government Resource Planning by Ministry of Commerce, Government of India and similar other initiatives.

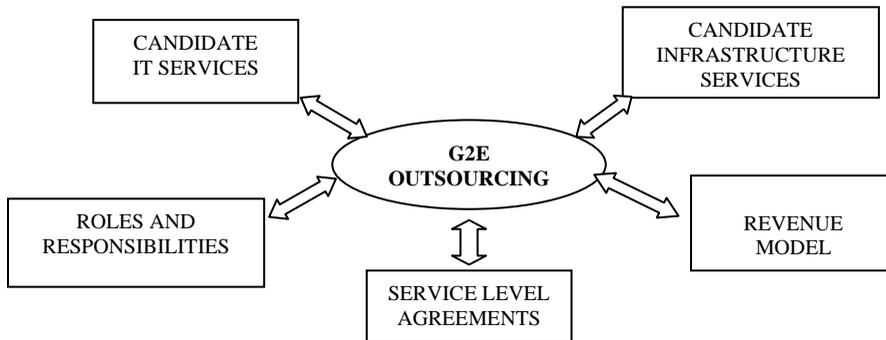
An interesting case study wherein private partner implemented packaged G2E application as a part of the G2B and G2C is MCA21 wherein an ERP package has been implemented to manage the G2E applications like HR, Payroll and Finance as a support to the overall initiative. The private player manages the packaged implementation alongwith the customized G2B application. The last few years have seen a number of IT vendors evolving applications specific to the requirements of Indian Government departments which encompass all the Government processes and procedures in a packaged implementation mode. The initial implementation experience by few Government departments of these packages (sometimes referred to as GRP or Government Resource Planning) has provided a solid foundation for maturity towards adoption by other departments.

The outsourcing of G2E applications and the related infrastructure can be justified through the following:

- Need for Government Organizations to focus on core citizen centric services and the corresponding need to focus away from managing the non-critical, non-core support functions.
- Non-availability of IT Manpower and skill base in Government to develop and manage G2E applications
- High risk of failure in self development coupled with huge upfront investments involving public money
- Need for a standardized and unified application architecture for the department as a whole to bring in efficiency in application maintenance, management and upgradation
- Availability of a variety of packages to meet the generic G2E applications such as budget, finance, HR etc. in most of the Government Organizations
- Variety of exposure coupled with the technical expertise of the private player
- Technology obsolescence and long procurement time in Government

### 3. Suggestive Model for G2E Outsourcing

The G2E outsourcing can be viewed around the following:



**Figure1:** Suggestive Model for G2E Outsourcing

- a. Candidate IT Applications:
  - Human Resource Management
  - Stores and Procurement Management (including Asset Management)
  - Accounts and Finance
  - E-Learning
  - Project Management
  - Messaging and Mailing Solution

- b. Candidate IT Infrastructure
  - o Desktops/ Laptops
  - o Servers
  - o Networking and Internet Connectivity
  - o Data Center
  - o Help Desk
  - o Facilities Management
  - o Disaster Recovery
- c. Description of Services

*Role/Responsibilities of Private Player:*

- Design, development, testing and installation of a Application Software system for the Government department comprising of all functional modules as identified.
- Supply and Installation of the hardware and software for hosting the application and database
- Design and implementation of a Business Continuity Plan
- Ensuring the confidentiality of the sensitive data/information as shared during the course of the project
- Provide training and conduct user workshops (if required)
- Prepare & issue supporting documentation such as User Manuals, Maintenance Manuals, etc
- Ensure data migration from the existing stand alone application to the application
- Roll-out of the system
- Maintain the solution in conformity with the Service Level Agreement
- Ensuring the performance of the application, hardware and software as per the acceptable standards defined in SLA
- Provide ongoing maintenance support, upgrades and enhancements to the systems
- Submit periodic reports on the progress and monitoring of the project as and when called for.

*Roles/Responsibilities of Government Department:*

- Ensuring that all the participating departments/ agencies take active part in the project.
- Entering into a contract with the Implementation Partner
- Issuing of Orders, circulars, instructions, etc., to effect changes to existing procedures as a result of implementation of IMD, in participating departments/ agencies and such other matters as may be necessary from time to time and ensuring that any legal amendments are carried out to successfully complete the project
- Constituting a Project Management Team (PMT) for the implementation of project and deputing a senior official as the project coordinator for the project
- Coordinating with all the divisions to ensure timely completion of the project activities.
- Validation and verification of completion of various stages of the project and the final acceptance of the same.
- Releasing the payments due to private partner as per the conditions of the contract

- d. Service Level Agreements – broad areas –
  - Application Availability (uptime/total time)
  - Application Accuracy (Percentage errors)
  - Application Capacity (CPU Utilization)
  - Application Exceptions
  - Infrastructure Availability
  - Infrastructure Capacity
  - Security Timeliness

- Security Exceptions
- Disaster Recovery Availability
- Disaster Recovery Accuracy
- Support Timeliness
- o Hardware Maintenance
- o Application Maintenance
- o Installs, adds and moves of equipment
- o User Administration
- Quality of services
- o Audits
- o Reporting

e. Revenue Model:

A number of options exist for revenue linkages of the private player with SLAs. The standard practice of a fixed payment for upfront investment cost recovery and a variable component for the SLA compliance can work very easily for G2E based applications.

#### 4. Pros and Cons of G2E application outsourcing

In Favour	Against
Risk of failure gets minimized as investments are passed on to the private player	- Applications with sensitive employee data are difficult to be outsourced
Longer Lead times in procurements are offset.	- Selection of the right partner – a key to success for effective management of selection process is difficult in L1 situations
Ministries/Departments can focus solely on the core business applications	- Tendency of the private player to ensure that all applications are on their platforms which would mean a difficulty in subsequent integration of G2C and G2B applications – which could be developed by a different vendor.
Unified and standardized application architecture	- Integration of existing disparate applications on workflow, file tracking etc. may be difficult in an outsourcing mode and even call for discontinuation/ discarding of the existing applications
Faster response to employees' requests	- Change Management, a key to success may be difficult affecting private player's SLA compliance
The cultural change offers a pathway to success of business applications.	- Government's inexperience in such contract and SLA negotiations

#### 5. Conclusions and Recommendations:

- There is an increased shift in focus by Government departments on G2E initiatives and a number of Central and State departments have taken the lead towards the same. The following have been the drivers for the same:
  - o Managing risks of failures
  - o Selective focus on core activities of the departments
  - o Unified and standardized application architecture
  - o Cultural change required for success of other G2B and G2C initiatives.
- A number of products are now available which are based on processes and procedures of Indian Government Departments.
- The G2E application domain offers huge revenue potential for the private players.
- Following are the vital elements for success of G2E outsourcing initiatives:

- Clear definition of relationship which gets derived from the business need, linking the outsourcing with the IT strategy roadmap and initial preparation in benchmarking and learning from others.
- Effective negotiation and finalization of the outsourcing contract.
- Managing the change/ employee related issues
- Management of relationship on an ongoing basis.

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