Knowledge Management Strategies in the Context of Public-Private Partnerships

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Abstract

For the public organizations the knowledge management is of utmost importance for a couple of reasons. Most important the nature of the public policies assumes that the public organizations fulfill their missions mainly through processing of information. In this article we research the knowledge management practices that the Bulgarian public organizations employ when they outsource ICT services to private vendors. As result of the conducted case studies we identify distinguishable strategies for knowledge management and review them in the context of minimizing risks of losing knowledge through outsourcing.

Introduction to Knowledge Management

For the last couple of years the knowledge management stream is gaining significant attention within the management literature. Stepping on the theoretical fundamentals of various fields – public administration, economics, organizational science, management, sociology, law and the like, many authors adopt the assumption that the knowledge is gradually turning into a major resource center for the organizations (Martensson, 2000). As basic factors contributing for that change are distinguished globalization, rapid development in the fields of information and telecommunication technologies, increase in complexity, volume and scope of the contemporary organizations, ever expanding competition, changes in the volumes and structure of demand and the ensuing changes in the political and economic structures (McKern, 1996). As a result of these changes the competitive advantages of the organizations alter as well and the knowledge more and more is shaping as such advantage. From a knowledge management perspective the research focus is shifting towards the practices and methods the organizations are employing in order to manage the accumulated knowledge. The process of intentional knowledge management used to improve the organizational performance can be traced in the design, development and application and automated means for collection and processing of information as well as in the interaction between the people and units of the organizations. Grant describes this organizational perspective on the social organizations through the notion of “organizations as institutions for integration of knowledge” (Grant, 1996).

For the public organizations the knowledge management is of utmost importance for a couple of reasons. First the nature of the public policies assumes that the public organizations fulfill their missions mainly through processing of information. The capacities of the public organizations to collect, process and disburse information effectively are determining how well these organizations will perform. Secondly, the role of the public administration in the policy formulation (Lindblom, 1995) presumes that the “knowing” public organization, that not only possesses information but also transforms it into knowledge, will choose the best alternative amidst the possible options for solving a particular social problem. In that respect the knowledge management can be regarded as just another stream of the New Public Management, but on the other hand the increased capacity of the public organizations through knowledge management is a safeguard for democratic governance and high-quality services that correspond to the citizens’ needs.

The Knowledge Management Concept

The need for research of the process of accumulation of knowledge in the organizations stems from the importance of knowledge for the development and survival of organizations. According to Douglas the knowledge in organizations is more than a pure competitive advantage: “organizational knowledge makes possible collective action” (Douglas, 1986). Cayert and March (Cayert and March, 1963) assert that the organizational knowledge is “the understanding for cause and effect relationships, which is based on experience and is stored both in shared human mental models and activities, standard procedures, rules and traditions in the organizations”. Other knowledge sources in the organizations are the knowledge of employees and managers (Leonard-Burton, 1995), the clients of the organizational outputs (Pettrash, 1996), the organizational structures (Sveiby, 1997). Similar concept to the organizational knowledge is the concept of organizational memory. The latter is defined as “unstructured concepts and information, which exists in the organizational culture and minds of the organizational members and can be partly presented through memory integration mechanisms such as data

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bases (Morison, 1997). A good deal of the knowledge in the organizations is created and stored at individual level in people and groups of people who work in the organizations. From a knowledge management perspective it is interesting to investigate the willingness of these individuals to share knowledge and thus to integrate it in the organizational knowledge. The willingness to share knowledge is not only a subjective factor, but to a large extend is influenced by the managerial approaches to identify, capture and integrate that knowledge, the award and punishment system, relevant to the willingness to share, the organizational procedure for assessment of the individual performance. The intentional involvement of managerial approaches for transformation of the individual knowledge into an organizational knowledge is a substantial part of the concept of knowledge management in the organizations.

Other relationships, that can be regarded as sources of knowledge in the organizations can be the relationships with suppliers, partnering organizations, consultants and the like. Very important knowledge bases are the automated information systems. In these systems are stored data and connections between data, which are often erred with the organizational knowledge. The computer systems based knowledge is susceptible to different forms of processing. Automated information systems, which support the knowledge management in the organizations, can be viewed as infinitive combinations of hardware, software and telecommunication technologies and the extent of integration of these technologies in the organization structure and environment. Examples of software applications, that can be labeled as tools of knowledge management in the organizations are:

- Document management systems;
- Data bases, applications for statistical analysis and data mining;
- Enterprise resources planning systems;
- Customer relationship management systems;
- Accountancy and financial management systems;
- Groupware applications;
- Applications of the Internet and intranet technologies;
- Messaging systems etc.

Of particular importance for the knowledge management process is the level of homogeneity and interchange of information between the automated and analogous information systems in the organization. The integration of human knowledge with the knowledge within from the computerized information system is another important facet of the knowledge management concept. An organization can have computerized information system with high level of integration but at the same time this system can exist alongside with other sources and transformers of knowledge of analogous nature. Example for such an heterogeneous system is an organizational environment where it is hard to process and interchange digital and analogous information. Such a “Chinese Wall” between the information flows in the organizations is one of the symptoms of underestimation of the knowledge management as a tool for rationalization of the organizational functioning. In the Bulgarian public sector the examples for such fragmentation are abundant.

In the literature can be distinguished the concept of organizational forgetting – the reverse process of the organizational learning. Forgetting organizational knowledge is “the process in which the organizations loose capabilities, that they had had before” (de Holan et al., 2004). The lost of organizational knowledge can be both negative and positive phenomenon based on the properties of the knowledge that is being lost. Bad habits, cultural layers or rules can be forgotten and deleted from the organizational memory through active management of the process.

Knowledge Management Activities

Above we discussed the necessities for management of the organizational knowledge and gave definition of the term “knowledge management”. In the current paragraph we will review particular examples of the knowledge management in the organizations. Examples for such processes, in which the collected information can be processed and transformed into knowledge are: decision making, problem solving, experiments or cross-sectional studies, definition of processes within the organization, assessment of offers etc. These processes are part of the intentional efforts trough which the organizations fulfill their goals and missions. According to the theoretical bases of the knowledge management stream these goals and missions can be achieved more effectively and efficiently given that the activities are conducted in environment of full, current and reliable information. The theories state that the organizational knowledge can be source of managerial information. Integration of information from the different sources in and out of the organization not only will increase the organizational knowledge and organizational memory, but will also reflect into better administrative decisions.
Rationality of the administrative decision on its own is dependant on the existence and accessibility of information, that can be re-organized into organizational knowledge.

For the transformation of facts and information from the different informational sources are required a chain of particular actions. Some of these actions are common for both the automated and non-automated information systems, but a significant number of the processes that can generate organizational knowledge are relevant only to the digital information. Alavi (Alavi, 1997) sees as such processes for transformation of the information into organizational knowledge the following actions:

- Collection of information (creation of information and development of contextually meaningful content);
- Indexing;
- Filtering;
- Linking information and putting it into a context (sub-processes here can be: scanning, classification, categorization, integration etc.);
- Dissemination;
- Usage of the created knowledge;

Of particular importance is the process of knowledge collection in the organizations. The process consist of identification of information which can be internal or external for the organization and then transformation of that information in a way which will allow for reproduction, processing and usage (Holsapple, 1998). Collection of information is preceded by the important managerial decision on the importance of the particular knowledge. The public manager must make a judgment concerning what information the organization will need to achieve its short, medium and long-term goals. Amidst the infinitive number of data and facts, must be filtered those that are seen as the best ration between collection cost and benefits from the usage of the information. From a knowledge management perspective important factor influencing the managerial judgment is the existing organizational information and the opportunities to integrate the new-coming information into the body of the organizational knowledge.

Choo (Choo, 1996) employs similar classification scheme for the processes of transformation of existing information into organizational knowledge, but from a perspective of the organizational processes. He states that the following activities for processing of the information into organizational knowledge can be distinguished:

- embedding meaning (contextualization of the information);
- creation of knowledge from the existing information;
- decision making, based on the organizational knowledge.

One of the most important processes of transformation of information into knowledge in both mentioned classification is the placement of the information into a social context. Nonaka (Nonaka, 1996; 1991) calls that process “socialization” or “internalization” of knowledge. Both processes are based on the concept of existence of tacit and explicit information. According to Nonaka (Nonaka, 1991) tacit is that information which cannot be codified, or otherwise said information that cannot be easily classified and described. Tacit information is what we know but cannot say (Polyani, 1958). On the other hand explicit is the information that can be classified and codified. This property of the explicit information makes it easier to integrate at different organizational levels and to transform in into an organizational knowledge. The most often example of explicit information in the public organizations is the legal framework of the organizational structure and the relationship of the organization established by the substantial and procedural legal norms. The explicit nature of the normative information makes it susceptible to transformation into organizational knowledge. The Constitution, organizational laws, standing orders and other legal acts are informational sources that usually quickly become part of the organizational knowledge. On the other hand the administrative information or the information regarding the application of the abstract legal rules to particular situations is less susceptible to codification. As result of that the administrative information is often stalled at individual level or to a fragmented part of the organizational system. The process of knowledge “socialization” means translation of the tacit information into explicit and its integration to the organizational body of knowledge. The reverse process of “internalization” consists of transformation of the codified information into knowledge which is oriented to the organizational context. With such means through knowledge processing the organizations add to their knowledge resources. The outcome of the knowledge creation is highly dependent on the deliberate and careful management of the whole process.

**Specifics of Knowledge Management in the Public Sector**
Major characteristic of managing knowledge in the public organizations is the existence of additional information sources and transformers of information. For instance of utmost importance in the public organizations is the knowledge that is being accumulated, stored and processed within the relationship of the administrative authorities and the political actors with whom the public managers are in direct dependence. Usually this type of knowledge is highly unstructured and hard to systemize and automate. The specific of the administrator-policy maker relationship is such that in most of the cases the knowledge is being created at individual level, which makes it difficult for codification, standardization and linkage to other sources and transformers of knowledge in the public organizations.

Next peculiarity of the public sector organizations that is in a cause and effect connection with the political bias over the implementation of the public policies, is the cyclic nature of the public organizations management. Underlying factor in the cyclic development is the political establishment and process. Although the legal framework of the civil service which stipulates for an impartial and merit-based civil service, there is strong unilateral influence of the political sector in the functioning of the public organizations. This reflects directly on the process of accumulation and management of the knowledge in the public administration. Personal, legal and procedural changes caused by the political dynamics often cause interruption in the process of knowledge management and downgrade the process to expert level process as opposed to the need to elevate this aspect of the organizational administration at managerial level.

**Research Question**

In our work we review the particular case of public sector knowledge management in the context on outsourcing of service to external vendors. To furthermore focus the research we concentrated on the outsourcing of information and communication technologies (ICT) services. In order to operationalize the concept for public organization we employ the definition of the Law of Administration – “administration of a central executive authority”. So defined the range of organizations excludes numerous classes of organizations that are financed with public funds (universities, hospitals) or fulfill judiciary or law-making function. The reason for this particular scope for the research was dictated by our desire to have comparable organizations as research population. Another limitation was the need to select only central organizations in order to reduce research costs associated with the travel expenses.

The delegation ICT service provision or infrastructure development to external vendor is process with intensive dynamics from a knowledge management point of view. Many authors (Jurison, 1998; Jae-Nam, 2001; O’Looney, 1998; Henderson and Lee, 2000; Lacity and Hirschheim, 1995) identify as a major risk for the ICT outsourcing the loss of organizational knowledge with regard to planning, design, production, control and evaluation of the outsourced services. Transferring the service delivery to external organization can diminish the organizational capacity to produce the service on its own. As a result the public organizations not only loose the hierarchical control over the process of service delivery but also loose technological knowledge how to organize the service process. This loss of knowledge can take the form either of transfer of talented people from the IT unit to the vendor or in reformulation of the IT unit mission. In the case of outsourcing the IT unit retains the functions in strategic planning, monitoring and evaluation of the contractor’s performance, but the very production and delivery of the ICT service is conducted by the vendor.

A couple of reasons require objective investigation of the knowledge management process in the outsourcing. First the dynamics of the ICT sector is highly intensive, which makes the grasp on the technological development a significant factor for the capacity of the public organizations to harness to a full extent the technological opportunities. ICT industry change assumes existence of expert knowledge in the public organization either for the independent production and delivery of the ICT services or the process of planning, monitoring and evaluation of the external vendors’ performance. The intensity in the ICT sector is positively correlated with the importance of the ICT services and infrastructure for the public organizations. Numerous policy documents (namely the Strategy for E-government, adopted with Ministerial Decree N: 866 of 28/12/2002 and eEurope2005: an Information Society for All) at national and supranational level emphasize the significance of the digital technologies as an environment for leveraging the public management. This means that the public organizations face constant demand to democratize and optimize their activities and the ICTs are envisioned as one of the key means to achieve that aim.

Another factor, that underlines the importance of the ICT outsourcing in the public sector and necessitates the research and analysis of the knowledge management practices is the turnover of talented ICT personnel in the public sector. Survey of ComputerWorld Weekly (ComputerWorld, 2003) shows that the remuneration, career
perspectives and self-esteem of the private ICT sector explains a good deal of the transfers. As a result of the abovementioned trend, the public organizations are constantly endangered of loss of valuable knowledge. The outsourcing is used as a meant to utilize the increasing capacities of the commercial ICT organizations in Bulgaria. However again emerges the risk of devolution of knowledge as result of the outsourcing.

A counter thesis of the loss of knowledge resulting from the ICT outsourcing in the public sector can be regarded the opportunities that the outsourcing is offering in terms of access to know-how, new technologies and IT talent that the private sector has. Using the potential of the private sector the public authorities can bridge the gaps in human and financial resources, technological experience. Access to the private sector knowledge overlaps the potential dangers of the outsourcing and to bring significant benefits for the public organizations. To reap these benefits public organizations must have articulated strategies how to replace the different types of knowledge. From the implementation of these strategies to large extent depends the success of the ICT outsourcing providing that the latter does not lose its ICT capacity. Namely these strategies and mechanisms for their implementation are the main research question in the current article.

Research Hypotheses

To research the stated problem we have to formulate research hypotheses, which will allow us to make conclusions from the empirical data. The adopted methodology (see ch. Methodology) of case studies allows the research to skip formulating null hypotheses for each research hypothesis since these type of hypothesis setting is not suitable for qualitative research).

From the theories we can formulate the principal hypothesis that in the ICT outsourcing the public organizations in Bulgaria employ compensating strategies to minimize the risks from loss of knowledge towards the external vendor. If we had to state a null hypothesis here, the most appropriate formulation would had been that in the ICT outsourcing the public organizations loose knowledge as result of the lack of deliberate knowledge management.

The second research hypothesis states that the public organizations manage the process of loosing certain type of knowledge and gaining other types of knowledge through establishment of system for monitoring the behavior and outcomes of the external vendors. In support of such proposition is the concept of the “contracting” public administration according to which in the contemporary environment has less and less to do with physical resources but achieves its goals mainly through managing relationships (contracts) with independent actors.

Third research hypothesis is connected with the perceptions of the IT managers in the public administration regarding the management of the organizational knowledge under the conditions of outsourcing ICT services outside the boundaries of the organization. The risk of downgrading the capacity of the organization in the ICT field as a result of loss of specific knowledge is supposed to be identified at the level of ICT manager. In some of the Bulgarian public organizations there is a specific position of ICT manager – rarely as directors of ICT directorates, more often as heads of units. In other organizations, predominantly of smaller size, this function is executed by an expert, who does not have managerial responsibilities. In both cases however is assumed that exactly the ICT managers or experts are the organizational level which must identify the risk and to formulate strategies for its mitigation.

The last hypothesis reads that external for the organizational environment factors can have impact on the process of knowledge management in the context of outsourcing of ICT services to external vendors. Above we discussed the direct link between the political environment and the administrative structures that apply the public policies. As other external for the public organizations factors can be regarded the media, pressure groups, non-governmental organization and other factors that can impact the knowledge management in the case of outsourcing.

Methodology

In order to collect empirical information to test the formulated hypotheses we choose a case study methodology. In contrary to the experimental and cross-sectional designs the case study methodology provides for better control on the internal validity of the research at the account of the external validity (Yin, 1994). In the current research the qualitative research method is justified both because of the lack of previous research and because our goal here is to identify particular strategies for knowledge management in the Bulgarian public organizations.
According to our respondent the abundance of cheap highly qualified labor in Bulgaria allows the IT managers resources management applications, Oracle data bases, Virtual private network, e-mail server etc. The core of the manager was selected for interview. EA procures a set of different ICT services – accountancy and human ramified structure of local branches. This also explains the size of their IT unit – 10 people of whom the IT The Employment Agency (EA) like the NFO is one of the big public organizations in Bulgaria due to their approach are contributing to the organizational development and the incremental accumulation of knowledge in view these technologies are not always the best solution, in EPA are conscious that through favoring this specific organizational efforts to monitor and evaluate vendors’ performance. Although from a pure cost/benefit point of that way the respondent shared that in all cases of applications outsourcing they aim to formulate contractual clause stipulating the vendor to deliver the source code along with the executable files. Another mechanism for retention of organizational knowledge that was outlined by our respondent at NFO is the requirement for submitting the product’s source code. The source code in that context is being viewed as a mechanism to elicit information regarding the application. This information can be acted upon in such a way as to permit the respondent to study, change and develop the product further – either in-house or through outsourcing. In the reverse hypotheses, in which only the executable files are delivered to the public organization the staff of the ICT unit will be able only to study the functionalities of the application but will not be able to generate knowledge about the fundamentals of the application and the mechanisms used in its development. In that way the respondent shared that in all cases of applications outsourcing they aim to formulate contractual clause stipulating the vendor to deliver the source code along with the executable files. Environmental Protection Agency (EPA) is subordinated to the Minister of Environment and Waters. There are 4 experts in the IT Unit of whom for the case study we interviewed the unit manager. Similarly to NFO EPA outsource mainly development of complex applications needed for the organizational information system despite some small applications are being developed with in-house resources. As a rule of thumb the IT management of EPA requires the vendors to supply the source code as part of the deliverables under the procurement contracts. Additionally in EPA have the rule to require detailed documentation of the source code. The access to the source code is seen as tactic for avoiding getting into dependence relationship with the vendor. In the course of the interview we found out that except the source code requirement the external vendors are asked to stick to certain technologies that are regarded as familiar in EPA. For instance if data base is being procured the EPA IT team will put in the Request for Proposals explicit reference to Oracle data bases, while for software development is used the Delphi development platform. The reason for this reference to particular technologies is the knowledge that the IT staff has in them. having knowledge in the technology is regarded as instrumental in the organizational efforts to monitor and evaluate vendors’ performance. Although from a pure cost/benefit point of view these technologies are not always the best solution, in EPA are conscious that through favoring this specific approach are contributing to the organizational development and the incremental accumulation of knowledge in the organization.

The Employment Agency (EA) like the NFO is one of the big public organizations in Bulgaria due to their ramified structure of local branches. This also explains the size of their IT unit – 10 people of whom the IT manager was selected for interview. EA procures a set of different ICT services – accountancy and human resources management applications, Oracle data bases, Virtual private network, e-mail server etc. The core of the information system – the job registration database with web interface is implemented by the in-house IT staff. According to our respondent the abundance of cheap highly qualified labor in Bulgaria allows the IT managers

Case Studies Analysis

National Forestry Office (NFO) belongs to the structure of the Ministry of Agriculture. NFO has extensive network of local branches which makes it one of the biggest employees in the Bulgarian public administration. The organization has a long history in the ICTs and currently the ICT unit has 7 employees which is relatively high number compared with the rest of the public sector organizations. The principal service that NFO outsource to outside vendors is design, development and implementation of software applications. The ICT manager who was interviewed shared his negative attitude concerning the outsourcing citing the argument that the delegation to external provider is always a trade-off between the needs for steady development of the organizational ICT capacity. He said that the only mechanism for the organization to fulfill its mission is to invest in in-house ICT capacity. Another problem of the ICT outsourcing that was shared was the lack of adequate attitude form the organizational leadership toward the process of knowledge management. Our respondent thinks that monitoring and control on the vendor’s performance is the major mean to collect and accumulate appropriate information on the outsourced service. With this information in hand the organization can generate technological, market, political and other types of knowledge and to retain it within organizational boundaries. The lack of adequate attitude from the leadership takes form of underestimation of the information collected in the process of monitoring the performance of the contractor.
of public organizations to provide qualitative and cheap ICT services with organizational resources. This thesis is somehow violating one of our main assumptions that the public sector will have difficulties to attract top IT talent. On the other hand the internal service provision is always a tradeoff with the quality that the private sector can offer. Although this balance between quality and price in EA share the vision that development of human and organizational capacity in the ICT sector is instrumental for the successful organizational development.

The last of the studied organizations - Principal Labor Inspection (PLI) has relatively short organizational experience in the field of ICT and a small IT unit of 3 people. Information was solicited from the unit manager. In 1997 PLI receive a PHARE project grant to procure the design, development and implementation of integrated information system for the central and local offices of the organization. Despite the good results registered in the first two years, the overall project is regarded as failure due to missed deadlines, cost increases and poor quality of the separate modules of the system. As reasons for the failure are seen the lack of experience on the vendor’s side, but also was confirmed that at the time PLI had had limited experience in the management of complex ICT projects and this might had caused some of the problems. Nevertheless all the problems our respondent claims that the software application was delivered and actually covered many of the technical specifications. At the time when PLI had to start the implementation of the application however occurred unpredictable circumstance which makes the delivered product more or less useless. Changes in the legal framework of the structure and responsibilities of the organization reshape drastically the information flows, sources and recipients of information as well as the type of the information that is collected, stored and processed within the organization. As a result of this, 6 years after the beginning of the project PLI had spent considerable resources for integrated information system which ultimately has not been acquired. Our responded introduced as an additional factor contributing to the failure the negotiations within the EU accession process. Another restriction according to her were the rigid PHARE rules in the area of procurement which did not allow the organization to overcome the problems with more flexible managerial approaches.

Despite the qualitative nature of the collected information to some extent we can use it to test our research hypotheses. The first hypotheses that in the ICT outsourcing the public organizations employ distinctive strategies for knowledge management tend to be confirmed by the data. Our observations allow us to outlay several strategic responses that the public organizations use in order to minimize the risk of loss of knowledge. At first place as tool for minimization of the tendency of diminishing organizational knowledge base, the public organizations use the monitoring and control mechanisms against ending up with “hollow” organizations. In the application of this strategy we see two forms – monitoring of behavior and monitoring of results. Although in the ICT services the first form for monitoring is hard to implement, the IT managers in the studied organizations see it as mechanisms for integration of critical knowledge regarding the technology of the outsourced service. Through monitoring of vendor’s behavior the public IT managers not only manage the procurement contract but also maintain certain level of knowledge in particular technologies, market development, future trends etc. Monitoring of results is somehow easier to implement and conduct because of the general availability of objective measurement indicators in the ICT sector. On the other hand this type of control also leads to accumulation of knowledge in the public organization predominantly in the area of relationship management with the external service provider. That is why in this case we can speak for transformation of knowledge – from knowledge how to produce and deliver particular ICT service towards knowledge how to manage relationship with external vendor.

Confirmation of the hypotheses that the public organizations are using the monitoring and control mechanisms as strategies to mitigate the risk of loosing knowledge can be found in the case of the PLI where the lack of well developed experience in the ICT project management resulted in problems with executing ex ante or ex post control over the vendor. The lack of initial knowledge in the outsourced service proves to make the transformation impossible or highly problematic because in that case the organization just starts to establish processes that lead to development of organizational knowledge.

Development of in-house organizational capacity can be regarded as precondition for the implementation of the first delineated strategy. In the cases of NFO and EA we that the managers see in a well functioning IT unit a safeguard for effective and efficient management of the relationships with the external vendors. Thus the viable IT unit can be viewed as an instrument for accumulation and management of knowledge. Respectively the decrease in IT capacity will reflect on the organizational potential to gain knowledge. In these particular cases the IT managers favor the information system, embedded in the expert knowledge and the underlying links at the expense of the automated system. Surprisingly the latter is highly underestimated by the IT managers in the process of ICT outsourcing.
The second strategy identified as a knowledge management strategy is the acquisition of the source code of the externally developed software applications. Obviously this strategy can be realized only to ICT services where the software development is the main component of the service. Important precondition to realize that strategy is the existence of organizational knowledge in certain technology. In the EPA substantial part of the strategy is the alignment to particular technologies in which the organization has strong capacity. This alignment represents a good example for knowledge management within the process of ICT outsourcing.

From a knowledge management perspective the access to source code of the application is a form of internalizing knowledge in the public organization. We define the process as internalization because without the source code the software would represent a form of tacit knowledge for the public organization. Without access to the source code the outsourcer would not be able to extract sufficient knowledge from the software and to incorporate it in the organizational knowledge. The access to the source code, on the opposite, allows the public organization to generate knowledge from the product of the outsourcing and to incorporate it in the organizational boundaries. In this way the tacit knowledge for the vendor is transformed into tacit knowledge for the public organization.

The third hypothesis regarding the perceptions of the IT managers towards the organizational knowledge in the context of outsourcing of ICT services were partially confirmed. From the collected data we see that the public managers realize the risk of loosing knowledge but do so indirectly through the construct of development of dependency with the vendor. This dependency is obviously a complex construct in which the loss of knowledge is only one facet. Although he IT managers do not disassemble the dependency to its forming ingredients they identify the risks of falling into dependencies. Based on that perception they formulate the need to employ knowledge management strategies in order to mitigate risk pf dependency.

The last hypothesis is confirmed by the dramatic failure the outsourcing project in PLI. Although the changes in the legal framework are not the only factor that caused the failure in the particular case, allegedly these changes were the cause of major problems including loss of organizational knowledge. The automated information system in the public organization is dependent to significant extent to the organizational structure and formal information flows, which are mostly established and regulated by legal norms. This need for alignment between the information system and the pertaining legal rules introduces much more risks that we observe in the private sector organizations for instance. Along with the changes in the national legal norms we have to add the adoption of the aquis communitaire of the European union the inevitable transfer of informal administrative practices and standards.

Conclusions

The research of the knowledge management practices in the outsourcing projects of the public organizations proves that there are distinguishable strategies for knowledge management. Although the results of the current study can hardly be generalized to similar public organization, the results point to conclusion that the concept of knowledge management exists at practical level and there is realized need to employ these strategies in a direction towards accumulation of a critical mass of knowledge, which must support the decision making process. The organizations studied also show that even though indirectly some public organizations treat their knowledge as a critical resource for their development and undertake efforts to keep and extend that knowledge. In the current work we put the focus on the outsourcing environment, but it is highly likely that the public organizations are employing similar strategies in other areas. Although we can not define the Bulgarian public organizations as “knowledge organizations” we also can rebuff the thesis that knowledge management is “white whole” for the public sector. The information gathered allows us to predict that the knowledge management practices exist also in other organizational functions such as human and financial management, relationship with the political establishment etc. Further studies can bring more information on these practices and to form an integrated picture of the knowledge management practices in the Bulgarian public administration.

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