

Insource-Outsource

A Quest for “Right-Sourcing”

5 Principles

General William Tuttle (Ret)

May 26, 2011

Principles to Guide Right-Sourcing

1. Insource “inherently governmental activities” e.g., policy development, program management, formation and management of contracts, engaging in military combat and diplomatic activities.

Note: Contracting for analyses to develop options should not be considered “outsourcing.”

Right-Sourcing Principles

2. Consider outsourcing-wholly or partially-- government operations not inherently governmental, e.g., life cycle support of weapons and other systems, supply, facilities.
--Example: OSD sponsored study of 10 Performance Based Logistics agreements found that they “reduce DoD’ costs per unit of performance while simultaneously driving up the absolute levels of system, sub-system and component readiness/availability.”—certainly justifying DoD’s continued commitment to such product support arrangements.

Right-Sourcing Principles

3. Perform Business Case Analyses of Outsourcing Candidates.

- Objective: Achieve necessary effective operations at least cost.

- Make explicit non-economic assumptions such as a preference for government employees but conduct **objective** cost comparisons to illuminate the costs of the preferences.

Right-Sourcing Principles

4. Seek politically acceptable ways to implement Business Case Analysis conclusions, e.g., public-private partnerships. Change operations to take advantage of contract performance where it is cost-effective:

Example. Limit maintenance and repair in combat organizations to component replacement--to be performed by military personnel. Send repairable components to a contractor facility which repairs and returns the components to the supply system.

Right-Sourcing Principles

5. Create contractual arrangements such as the PBL agreements for *all* BCA outsourcing candidates whether the operations are to be performed by contractors or government personnel—or a blend.
 - Focus on performance metrics as well as costs.
 - Re-compete periodically.

Right-Sourcing Principles- Summary

- Insource “inherently governmental” activities.
- Consider outsourcing-wholly or partially-governmental operations not “inherently governmental”.
- Perform Business Case Analyses of outsourcing candidates.
- Seek politically acceptable ways to implement Business Case Analysis conclusions.
- Create contractual arrangements such as PBL agreements for *all* BCA outsourcing candidates whether the operations are to be performed by contractors or government personnel—or a blend.