



Insourcing is Not Just a Dollars Issue

By Phil Piemonte Aug 13, 2010

"We weren't seeing the savings we had hoped from insourcing," said Defense Secretary Robert Gates on Aug. 9.

He was referring to work DoD had brought back in-house from the private sector, and made the statement during a press conference to explain his sweeping new plan to cut overhead and make better use of the department's dollars.

But does the lack of big-time savings from insourcing really mean that "insourcing doesn't work"? Because that seems to be what some (media, contractors, etc.) have concluded from Gates's statement.

Or does the focus on expected dollar savings from insourcing obscure—lest we forget—the "inherently governmental" motive that also underlies many insourcing initiatives?

Let's take a step back.

Few would deny that contractors are an indispensable part of making things work. They allow the government to bypass huge capital investments to get access to the best solutions from the private sector. But when it comes down to basics, contractors—as private-sector entities—seek profits.

One fundamental premise of the whole "inherently governmental" rationale is that certain basic government functions should remain in-house because "insourcing" them eliminates the opportunity for profits ever to trump the public interest. It assures that the government's discretion is being applied to the most critical decisions.

So it would seem that insourcing that satisfies this objective—even if it costs the *same* as an outsourced solution—would be judged a success.

Or are we missing something?