



Strong Guidance Needed for In-sourcing

In-sourcing creates unease, especially in the Defense Department, where weak guidance has produced a sense of confusion.

- By [Stan Soloway](#)
- Jul 02, 2009

In-sourcing has become the latest buzzword across the government, and its manifestation has several threads. Depending on which thread is ultimately pulled, the effects could be positive, or they could create serious disruptions and problems for government agencies.

The most obvious in-sourcing thread is political and is principally tied to the interests of the federal employee unions, for which in-sourcing is, at its heart, a business issue. Whereas companies define their market by the number of potential contracts, the unions define theirs by the number of government employees who are potential members. In neither case are those interests the right basis for public policy. Nonetheless, Congress passed legislation last year that establishes an in-sourcing preference across government. This year, Sen. Barbara Mikulski (D-Md.) has introduced legislation that would effectively require in-sourcing and obliterate the use of competition for vast amounts of commercial activities performed by or for the government.

The second thread is strategic and is best reflected by the Homeland Security Department's Efficiency Review Initiative. The review has many facets, but when it comes to in-sourcing, its focus is on workforce balance and alignment. Without presuming outcomes or mandating numeric targets, the review seeks to ensure DHS has the right workforce mix and ability to effectively manage its many missions. Although there undoubtedly will be vigorous debate over the conclusions the review might reach, its underpinnings are both thoughtful and strategic.

The third and most confusing thread is a combination of the first two, best reflected by the May 28 in-sourcing guidance issued by Deputy Defense Secretary William Lynn. That guidance combines the department's response to language in the National Defense Authorization Act of 2008, which calls for an in-sourcing review, and the April budget directive from Defense Secretary Robert Gates, which calls for the conversion of at least 11,000 contractor positions to civil servants and the hiring of thousands of additional federal employees.

Although the Gates directive left a lot of questions unanswered, it was founded on a strategic concern. But the May 28 guidance is far more troubling. Among other things, it is too limited in how it addresses the workforce balance that was the focus of the secretary's directive, the role of competition, the government's ability to hire and retain the requisite people for work being considered for in-sourcing, and the importance of considering total costs in making sourcing decisions.

The DOD guidance is already creating confusion in the field. Some components feel pressure to in-source activities, whether they believe doing so is desirable or not. Others are considering arbitrarily in-sourcing

work because they see the guidance as giving them license to do so, and still others are not sure what to do. All of this comes at a time when numerous DOD activities report substantial vacancies — as much as 25 percent or 30 percent — for positions they cannot fill.

Beyond inherently governmental positions, the in-sourcing-decision process — like the outsourcing-decision process — should be based on overall cost and performance, availability of workforce, and serious planning that aligns the government and contractor with the mission at hand.

That seems to be the thread being pulled at DHS; and it could still be the thread that characterizes DOD's review. But absent more detailed guidance and discipline, the effect of DOD's review could be similar to that of the more political thread. That is, when pulled, it could well lead to decisions that fail to ensure improved performance and efficiency or the kind of focused, strategic workforce restructuring that is so clearly needed. That's an outcome that serves no one's interests.

About the Author

Stan Soloway is president and chief executive officer of the Professional Services Council.



© 1996-2009 1105 Media, Inc. All Rights Reserved.