



The Hidden Cost of Insourcing

By Nick Wakeman

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Over the past few months, I've come to believe that insourcing – the conversion of contractor jobs to government jobs – is not going to take away significant business from government contractors, particularly information technology contractors.

Yes, there have been instances where contracts have been terminated for cause and jobs converted. And several executives have told me that even if a contract has not been canceled, they are seeing more intense recruitment of contractor employees by the government.

But I think the government is not able to hire enough IT people quickly enough over a long enough period of time to have a substantial effect on projects and contract awards.

However, that doesn't mean that insourcing and the philosophy and motivation behind it won't have an impact.

And the impact will be felt in an area in which government contractors have long taken pride – the ability to form close partnerships with their customers.

Speaking Tuesday at an Ingram Micro event produced by Washington Technology, former Office of Federal Procurement Policy official Robert Burton said the attitude of government is increasingly that government doesn't need contractors, so forming partnerships is nearly impossible.

Sharing the stage with Burton was John Nyce of the Interior Department's National Business Center, who disagreed with Burton's assessment. He wants to form partnerships with industry because he relies on it for the success of his organization, which provides services to other agencies. In other words, Nyce is running a business. He's not like most other government customers.

I think Burton is onto something. I bounced the idea off an executive I spoke with after the event, who agreed.

He's not worried about losing business, but about the damage that is being done to the relationships he has with his customers.

There is an atmosphere of distrust that is rising and that may last longer than the desire to insource.

I'm not saying that industry and government should have a cozy relationship. Far from it. Contractors need to be held accountable.

At the same time, there needs to be a healthy relationship, particularly when you think about the problems the country is facing.

Without that relationship, managing existing contracts gets tougher, and you might as well forget about trying to write better requirements if industry and government can't have an open dialogue. Distrust will drive the cost of government up, and as a nation we can't afford that.

I'm curious if people think I'm headed in the right direction or if I'm off base. Let me know.

For the record, I'm pretty sure Burton would disagree with my opening premise that insourcing won't take significant work from contractors. Now an attorney at Venable, he's formed a coalition to help small businesses fight back when their contracts get insourced.