IIT Stuart School of Business
Article review: Competitive Sourcing: The Controversial Initiative?
By Denise Lindsey Wells

Student: Rinor Kurteshi

Professor: Gregory Jackson
Competitive Sourcing: The Controversial Initiative?
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Competitive sourcing tends to be a very indefinable topic in president’s management agenda. Competitive sourcing seems to have many skeptics as supporters. In the 2002 Performance Conference of the National Academy of Public Administration (NAPA) many talked about competitive sourcing in terms of change management and the efficiencies that can result, others suggested that the progress used for OMB Circular A-76, “Performance of Commercial Activities.” is regarded with skepticism by many.

The Terminology
According to Michael Del-Colle, former director of the competitive sourcing center for the Department of the Interior (DOI), who says that competitive sourcing is about change management, something the government has not yet accepted. Angela Styles, administrator at Office of Federal Procurement Policy says that competitive sourcing can make real and lasting change to the way we manage the federal government, but it asks us to make hard choices that affect people. She also said that permanent and lasting change has to come from the top.

Outsourcing, Competitive Sourcing, Privatization
The difference between outsourcing and competitive sourcing according to William Wood, acting director of acquisition and sourcing management at the General Accounting Office (GAO) is that outsourcing presupposes an outcome, whereas competitive sourcing means that the private industry and the government bid against each other to perform certain functions.

According to Adrian Moore, vice president of research for the Reason Foundation, privatization is different from the two above in the spectrum of means by which some responsibility or ownership is transferred from government to the private sector. So, there is no bidding here as it was at competitive sourcing. Joan Kraft says that privatization normally includes turnover of the associated assets.
The Competitive Sourcing Methodology (Circular A-76)

Jack Kalavritinos, associate director for federal procurement, OMB, believes that taxpayers win when the agency embraces competitive sourcing. He cited statistics from the Center for Naval Analytics that show benefits of 30-40 percent regardless of who wins the competition, the contractor or the government’s most efficient organization (MEO). He notes that agencies need an infrastructure for competition to take place continuously as it does within the Department of Defense (DOD).

Stan Soloway, president of the Professional Services Council, pointed out that taking care of the people who lose their jobs as a result of competitive sourcing could be one of the source selection criteria.

The Commercial Activities (CA) Panel

According to Styles, the report issued by the commercial activities panel is fair and confirms that public-private competition saves taxpayer dollars. Due to this fact, a working group has been established to make the A-76 more readable and make it a system that works.

According to Woods and Soloway from 11 meetings, participants detailed the 10 fundamental principles that the panel developed to guide sourcing decisions. Soloway on the other hand said that the current version of A-76 does not align with these principles. However, the panel settled on them and additionally they recommended an integrated competition process and emphasized the need to develop and demonstrate a new process for conducting public-private competitions under the Federal Acquisition Regulation.

Best Practices and Lessons Learned

Linda Heine, chief of competitive sourcing, Defense Logistics Agency said that 10 A-76 studies DLA completed turned to be successful. She also said that having consistent trainings for everyone is paramount for this process. She also said that they have to keep customers involved so that 1) they can be confident that they will continue to get high level of product or service, and 2) they can help develop the requirements and evaluate the commercial offers.
Next Steps

**A-76 Revision**

Kalavritinos says that no matter what changes are undertaken, A-76 will make some people unhappy.

**Collaboration Between Civilian Agencies**

Diana Rose, director, office of acquisitions support, Social Security Administration, recommended a resource for collaboration, the Procurement Executive Council, which has an A-76 working group to share information across the agencies.

**Change Management Strategy**

Del-Colle said that agencies cannot wait for OMB to make changes to the A-76 circular but they must start their efforts now. He said that there should be consistency among human resources rules, contracting rules and performance work statement rules for the competitive sourcing to be successful.

**Conclusion**

According to the article, competitive sourcing is of great benefit to taxpayers since it saves taxpayer dollars. Except being beneficial to taxpayers, the work done through competitive sourcing (government/private industry competition) is 30-40 percent more effective than without the factor of competitive sourcing. Though the benefits according to the authors are manifold, the disadvantage of this process is that many people will be left without a job and this is of great concern to government authorities.

In a progressive economy firing public employees might not engender great concern but in a developing economy firing public employees due to more advanced and efficient processes might engender great concern and protest because a governmental job is of paramount importance to the sustenance of his/her family.

Moreover, while competitive sourcing is expected to encourage innovation and improve efficiency and performance, it represents a major management change for most agencies (U.S. Government Accountability Office, p. 401). This change not only will effect the layoff of
governmental employees, it also will need to create a new culture of doing things inside the structure of the governmental organizations and to do so the willingness of governmental employees might not be taken for granted. Governmental employees tend to be risk averse and adopting to a new culture might create great discomfort (Albury, 2005). Governmental employees are used to feel secure and now that through competitive sourcing more effectiveness and efficiency is required makes them feel unsecure at their job environment (Chen and Bozeman, 2012).

In conclusion, competitive sourcing is of predominant importance in becoming more innovative, effective and efficient, however implementing it takes a tremendous change on the way governmental employees perceive their job.
Bibliography

