

Using Competitive Sourcing (or Privatization?) to Improve Performance and Deliver Results

Geoffrey Segal

Director of Government Reform

Reason Foundation

Definitions and Messaging: Change the Paradigm

- Privatization
 - Negative connotation
 - Not well understood – nor is it accurate
 - Stay away
- Competitive Sourcing
 - Everyone understands competition at a basic level – easy to find real-world examples
 - Best choice

Competition Realities

Competition is just a policy tool, it can be done well or poorly.

- Enough studies find things either way on any dimension of success to make us certain it can go either way
- Descriptively we see many examples of good and bad
- Like all tools, success comes from how well you use it.

Benefits: Delivering Value, Results and Customer Satisfaction

- Initiatives are NOT just about costs
 - *Compete to meet specific needs or challenges*
 - *Buying Something Different*
 - *“Shop Around” and find the “Best Value”*
 - Quality and/or Customer Service
 - Flexibility and/or Speed
 - Access to Personnel or Skills
 - Innovation
 - Small or Minority Business Participation
 - Costs are important – long-term avoidance is often overlooked

Designing a Competitive Sourcing Agenda: Where Do You Start?

- What Can You Compete?
 - Perhaps a better question is what can't you?
 - Jeb Bush's Guiding Principles
- The Yellow Pages Test
 - Commercial Activities vs. Inherently Governmental
 - Core vs. Non-Core but Necessary and Non-Core
- The Media or Customer Service Test
 - Problem Programs
- Look Elsewhere
 - Don't Reinvent the Wheel

Examples of Opportunities

- Information Technology
- Solid Waste
 - Collection and Disposal
- Education Support Services
- Water and Wastewater Operations
- Maintenance
 - Road and Highway
 - Vehicle and Building
- Human Resource and Back Office Functions
- Parks and Recreation
 - Golf Courses
- Jails
- Welfare Administration
- Enterprise Data Center Operations
- Library Management
- EMS
- Building Inspections
- Lab Work
- Design and Construction

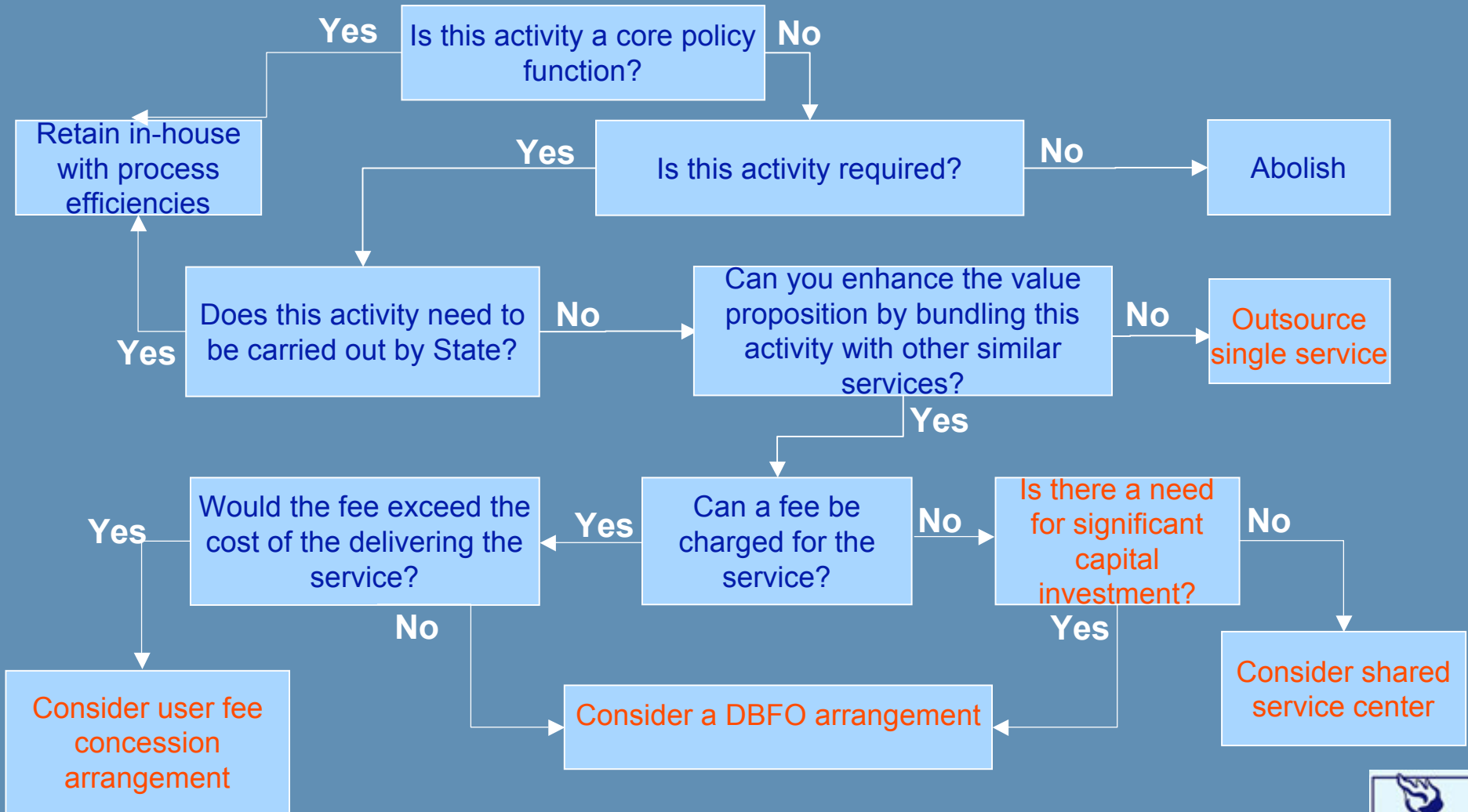
Designing a Competitive Sourcing Agenda: How Do You Do It?

- Centralized Approach
- Process is Critical
 - Borrow from the best
 - A-76 Circular (Federal)
 - GATE Management (Florida)
 - COMPETE (Virginia)
- Integrating Human Capital Management and Competitive Sourcing

Competitive Sourcing: Historical Challenges

- Weak Understanding of Outsourcing vs. Competition
- Few Trained Insiders
- No Performance Metrics or Measures for Success
- No Centralized Approach to Competition
- No Consistency in Competition or Contracts
- Not Enough Transparency for Stakeholders

Sample Decision Tree



Competitive Sourcing: Human Capital Management

- Perfect for “Right Sizing”
 - Know and understand the makeup of the workforce (e.g., core/non-core, ‘status’, future needs)
 - To allow additional competition, flexibility needs to be built into management plan
 - HR infrastructure must support new flexibilities
 - Develop transition and support plans ahead of time
 - Competitions should be designed to fill needs and demands, so that one of the solutions includes solving human capital challenges

Success Factors for any Reform Initiative

1. Need for Political Champion
 - Indiana OMB
2. Adopt a Comprehensive Approach
3. Don't Study (or Committee) it to Death
4. Create a High-level Unit to Manage the Process
5. Outline and Consider Desired Outcomes and Results
6. Design Public Employee Adjustment/Incentive Program

Resistance

- Where
 - Public Employees
 - Customers
 - General Public
- Why
 - Fear (Job Loss)
 - Lack of Understanding
 - “Change is Scary”

Overcoming Resistance

- Involve and Interact
- Dedicate Portion of Savings to Training and Assistance
 - Not just for RIF
- Transparency
- Messaging
 - Explain why there is a need, and how things will get better
- Public Employees SHOULD Embrace Competition
 - Provides an opportunity to prove their worthiness
- Limit RIFs Through the HR Process
 - Hiring freeze, attrition, find open slots

Call to Action

- Cannot Emphasize This Enough
 - Start Now, Don't Wait, Don't Study, Don't Establish a Task Force or Committee
- Leadership
 - Must start at the Top
- Ownership
 - Starts in this room

Contact Information

Geoffrey Segal

Director of Government Reform

Reason Foundation

geoffrey.segal@reason.org

202-306-0795