

Statement of

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for the Commercial Activities Panel

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Overview

- Introduction of CPPE
- Explanation of how CPPE was borne out of the belief that the entire "Outsourcing and Privatization Program" in DoD missed the boat -- that tremendous, win-win possibilities are there but a transformation framework must be established and transformation pursued from the top-down and holistically across government
- Will provide some observations, myths and recommendations

Observations

- In 1995 the DoD, in a desperate attempt to redirect billions of dollars from support activities to modernization, shortsightedly jumped on the poorly understood and woefully executed A-76 bandwagon
 - Strategic sourcing based on commercial best practices was urged by some as early as 1995 but was ignored until the A-76 program revealed its many shortcomings, including its inability to deliver savings already reprogrammed for modernization
 - The Strategic Sourcing introduced by the Navy in 1999 and only reluctantly and partially adopted by OSD falls far short of a truly strategic approach but has been a healthy event for further accentuating the shortcomings of A-76, leading in part to the GAO Task Force
 - The Strategic Sourcing Program that is being introduced slowly in DoD will be sub-optimal until it becomes more strategic and holistic across all business strategies -- a fundamental transformation in business practices is still essential for this to be possible
 - The Federal government and DoD have been allowed to fumble around with a lack of leadership and vision from OMB regarding the whole area of commercial activities, allowing politics to play a disproportionate role in what should be compelling business transformation across government
 - We are a lot further along then when we started the outsourcing program, as

such, in 1995, but we remain embryonic and experimental, in dire need of a fundamental re-look at the entire program in terms of drivers, goals, implementation, etc.

- True, savings have been garnered, but so too have considerable ill will and bad business habits.

- It is not a question of the government work force being in any way inferior to a private sector one -- it is a question of different systems and which is more appropriate for the oversight and conduct of commercial activities

Myths

1. Strategic Sourcing and A-76 can be successful without a fundamental transformation of sourcing culture in the Federal government.
2. Success is about "better, faster, cheaper" for the current programs.
3. The current approaches lead to fundamental business process reengineering for all functions targeted in commercial activity studies.
4. A-76 was initially the only choice to wring savings out of support areas in the Federal government.
5. Strategic Sourcing, as currently crafted and conducted, is the answer to failed A-76 programs.
6. All you need for better A-76 programs is better trained teams.
7. All you need for better A-76 programs is better leadership.

Recommendations

1. Introduce a Transformation Framework predicated on:
 - Identifiable, accountable leadership at the top and every level of a new, comprehensive commercial activities program
 - A compelling and well-communicated vision, concrete goals, a master plan with firm milestones
 - Emphasis on strategic sourcing, strategic planning, human capital, expert teams, core competencies, benchmarking best practices and innovation
 - Trust and integrity at every level of the program
 - Agreed upon expectations, metrics and incentives aligned with desired actions and results throughout the study, transition and sourcing relationship.
2. Gain consensus across the Federal government for a new approach that includes a strategic vision of the future composition of the Federal work force in terms of commercial activities and built upon a better understanding of all sourcing and partnering options.
3. Nurture the will and stamina to reap the huge rewards of the tremendous potential for more coherency, effectiveness and efficiency in commercial activity and other installation programs.

4. In the meantime, attempt to better balance strategic sourcing and A-76 in terms of the complexity of functions and increase the use of streamlined approaches, waivers and direct conversions.
5. Look much harder at existing contracts for possible consolidation and resolicitation as performance-based platforms.
6. Manage the current contractors better -- there is tremendous potential for better synergy and performance without structural change at all.