Government Business Council

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Inside Services Contracting

Best Practices for Staff Augmentation and Shared Services

Federal agencies are finding themselves stretched increasingly thin, pulled in one direction by a mounting list of mission objectives, and in another by budgetary uncertainty limiting the resources available to achieve them. As a result, many are turning to different types of services contracting, including staff augmentation, intra- and inter-agency shared services, and commercially-provided managed services, to acquire additional flexibility, expertise, and scalability. Leveraging external parties for services delivery is now considered common practice across the federal government. Nevertheless, the major challenge for agencies moving forward is ensuring their portfolio of services meets or exceeds their needs in terms of flexibility, cost, and operational control.

To explore how federal agencies are using external parties to help meet their goals, Government Business Council (GBC) and Accenture Federal Services conducted a survey of 385 federal managers, including those at the GS/GM 11-15 levels and members of the Senior Executive Service, representing 34 civilian and defense agencies. In addition to the survey, GBC interviewed a handful of high-ranking officials from across the federal government to gain an even more in-depth perspective inside the world of federal outsourcing.

The Federal Context

In the context of the federal government, services contracting refers to the practice of allocating responsibility for a given job function to an outside party – whether via contract personnel, often referred to as staff augmentation, intra- or inter-departmental shared services, or managed services provided by a commercial firm.

According to the survey, one of the principle reasons organizations utilize contract labor is to leverage outside knowledge and expertise on a temporary basis. Staff augmentation provides agencies access to highly-skilled personnel possessing technical knowledge that they may lack or be unable to develop in-house within a short period of time.

For Andrew Jackson, Assistant Secretary of Education for Management, it was this very combination of expertise and agility that he needed. When Jackson joined Education in 2014, he noticed that the department employed fewer full-time classification experts than they needed on staff, which was creating a months-long backlog and considerable pain for the

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of federal managers surveyed say their agency uses contract personnel to bypass headcount restrictions

organization. Unsure whether he had the time or the resources to hire additional fulltime employees (FTEs), he chose to bring on contract personnel to help lighten the load: "The staff augmentation model made sense for us because we weren't sure what our long-term needs would look like," says Jackson. "We definitely had a short-term crisis, and staff augmentation gave us a very flexible hiring model and expertise on demand."

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>
> **Ned Holland, Assistant Secretary of Health and Human Services for Administration**

Nevertheless, Jackson recognized that there is a tradeoff to using contract personnel, since in the long-run it is typically more cost-effective to hire FTEs to perform comparable functions: "Where we see we have a long-term need, we can usually acquire expertise through full-time employees and lower our costs by bringing them onto our payroll. But that's the tension: either more flexibility or more stability in the role and potential cost savings."

One of the major factors exacerbating the tension between flexibility and cost savings are federally-mandated limits on the number of FTEs available to each agency. As agencies' missions continue to evolve and expand while their number of FTEs remains fixed, many face the possibility of personnel shortages. As a result, the ability to hire experienced contract personnel quickly and on an as-needed basis can prove an attractive option. In the GBC study, 37 percent of federal managers indicate that the need to bypass federal headcount restrictions contributes to their agency's reliance on contract personnel.

Staff augmentation via contract personnel is not only the most expensive way to contract for services, but high contractor turnover means that agencies are responsible for constantly training individuals who within a few months may take their talent and institutional memory with them when they leave the job. Further, relying too heavily on contract personnel may ultimately forestall agencies from taking a more systematic and creative approach to staffing.

Benefits of Shared Services and Managed Service Models

In many ways, the expansion of federal shared services over the last decade reflects the government's desire to find such a creative approach. Federal shared services aim to accomplish two objectives:

1. To eliminate major capital outlays for agency-specific applications by requiring agencies to leverage another agency's platform as well as to reduce associated maintenance and operations support.

2. To reduce transaction-related services by taking advantage of centralization, specialization, and scalability, allowing a single business unit to provide services quickly and affordably, either within its own department or agency, or across the federal government as a whole.

Although it may take months or more for an agency to hire the personnel and acquire the expertise necessary to stand up a new business process in-house, one can often acquire the same capabilities through a shared service agreement in as little as thirty days or less.

For Ned Holland, Assistant Secretary of Health and Human Services for Administration, whose department oversees HHS's Program Support Center

73%

of all federal government grants were managed by HHS's Program Support Center in FY 2013

(PSC), the benefits of shared services are clear from a cost perspective. “Among the 40 to 50 services we provide,” says Holland, “our rates for just about all of them are going down.” Among its portfolio of services, PSC provides traditional back-office functions, “ranging from paper shredding and mail processing, to disposal of excess property,” as well as mission-focused activities like grants management. In FY 2013, PSC managed approximately 73 percent of all federal government grants, resulting in estimated cost savings of $11 million.

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“We endeavor to provide our internal customers – within HHS and the federal government as a whole – continually shrinking costs so that they can devote their resources toward other things.”

Despite the advantages that shared services can offer federal agencies, concerns surrounding the perceived loss of operational control and the federal government’s relative inexperience with managed services contracting may in some cases impede further adoption. According to the GBC survey, many federal managers believe switching to a shared services model or contracting with a commercial provider will lead to lost institutional memory and operational control. “If I’m a program manager,” says Jackson, “I’m really reluctant to lose those skills and expertise in-house, because if I turn that function over, it atrophies and it’s harder to regain those abilities later on down the road.”

However, recent benchmarking results from the Office of Management and Budget indicate that some agencies continue to fall short of their cost reduction and performance goals. Although most federal managers value operational control, reducing costs and improving performance can be compelling reasons to adopt or expand managed services.

This is true of frequently-outsourced domains like IT, as well as newer ones such as human resources management. “There have certainly been discussions of expanding HR shared services,” says Jackson. “The amount we’re spending on HR is somewhat disproportionate to the level of service that our customers expect to get from us.”

Nevertheless, he continues, agency leaders often have the difficult task of bringing program managers on board with the decision to shift to shared or managed services. And in some cases, talk of potential cost savings may not be enough to persuade those who may be reluctant to relinquish operational control. In such cases, it can be crucial that agency leaders speak to shared services through the lens of performance. Articulating that there are incentives to using managed services – just as there are costs of not doing so – can be extremely important, concludes Jackson: “Program managers are much more willing to go out on a limb with you if you have a really big carrot.”

Another concern expressed by federal leaders is that many agencies currently lack experience writing contracts and negotiating service level agreements (SLAs) with providers. This inexperience can become evident when agencies look to explore newer forms of managed services, such as cloud-enabled business process as-a-service (BPaaS).

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Rick Lattimer, Program Analyst, U.S. Department of Commerce’s Economics and Statistics Administration

“The biggest thing, in my experience, is that the contracting process is not well understood by those who use it, especially concerning how to write a good contract for something like BPaaS,” says Rick Lattimer, a program analyst with the U.S. Department of Commerce’s Economics and Statistics Administration. “There needs to be an educational component on the part of agencies if BPaaS is going to take off.”

In the face of expanding mission objectives and stagnant budgets, federal agencies will continue to rely on a range of services solutions that meet their unique requirements for expertise, flexibility, and scalability. Moving toward a more strategic approach will require that both public and private sector service providers understand and clearly articulate the benefits and challenges associated with utilizing contract personnel, shared services, and commercially-provided managed services.

"In an ideal world," explains Lattimer, "you would find a way to effectively reorganize your workforce and then do an analysis of what functions are best performed by contractors and what functions are best performed by FTEs, either operating under a shared service model or otherwise."

Methodology

To assess the perceptions, attitudes, and experiences of federal managers regarding the ways their agencies use different forms of outsourcing, overnment Business Council (GBC) and Accenture deployed a survey to a sample of Government Executive, Nextgov, and Defense One online and print subscribers in September 2014. The pool of 385 respondents includes employees at the GS/GM 11-15 grade levels and members of the Senior Executive Service (SES). At least 34 federal and defense agencies are represented. The findings included here are weighted by department/agency to more fully reflect the composition of the overall federal workforce.

In addition, GBC conducted qualitative interviews with three current government officials with expertise on federal service contracting issues: Andrew Jackson, Assistant Secretary for Management, Department of Education; Ned Holland, Assistant Secretary for Administration, Department of Health and Human Services; and Rick Lattimer, Program Analyst, Economics and Statistics Administration, Department of Commerce.

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Accenture Federal Services is a U.S. company, with offices in Arlington, VA, and is a wholly owned subsidiary of Accenture LLP. Accenture's federal business has served every cabinet-level department and 30 of the largest federal organizations with clients ad defense, intelligence, public safety, civilian, and military health organizations.

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