Purpose

The U.S. government finds itself in a bit of a paradox. Federal agencies’ mission scope is evolving and expanding on a daily basis, while their budgets remain stagnant, regulations keep them perennially understaffed, and new technologies necessitate unique and in-demand skill sets. As a result, agencies are increasingly turning to three forms of outsourcing—contract personnel, shared services, and business process outsourcing (BPO)—to help close this widening capabilities gap. While most government employees are likely familiar with contract personnel, professionals employed by private firms who perform services for the public sector, other forms of outsourcing like shared services and BPO are perhaps less understood. Shared services, as practiced in the federal government, are applications or business processes that are centralized and provided, either across a single department or agency, or by one federal agency to other departments and agencies. In both cases, shared services are oftentimes supported by a commercial provider. BPO, on the other hand, refers to the process of handing over the execution of a specific function or business process to a third-party commercial provider, which is often located off-site.

However, questions remain about whether agencies are pursuing outsourcing on an ad hoc basis, or whether they are adopting a more strategic approach that takes into account the unique strengths and limitations of contract personnel, shared services, and BPO.

Methodology

To assess the perceptions, attitudes, and experiences of federal managers regarding the ways their agencies use different forms of outsourcing, Government 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.
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Executive Summary
Executive Summary

All agencies use outsourcing, though federal managers’ awareness of the different types varies

Nearly all respondents indicate that their agency outsources services. Contract labor is the most common form of outsourcing according to respondents, even though it can cost as much as 80% more for a contractor to perform comparable functions to an agency employee. Eighty-six percent of respondents say that their agency relies on contract personnel for mission-focused or mission support work, while 65 percent say their agency outsources services to third-party vendors (BPO). Information technology, performance management, and logistics are among the most commonly outsourced services. Despite the fact that all agencies use shared services, respondents are the least familiar with this type of outsourcing. Just 12 percent of respondents indicate that their agency uses services provided by another department/agency.

Agencies use outsourcing primarily to acquire outside knowledge and technology

Whether it is contract personnel, shared services, or BPO, respondents say the top reasons their agency turns to outsourcing are to leverage external knowledge and expertise, and to gain access to external technologies and business processes. In addition, respondents say they believe shared services can help standardize processes across agencies, and that both contract personnel and BPO can help agencies bypass headcount restrictions on full-time employees. Respondents’ greatest concerns are that BPO (62%) and shared services (56%) will cause their agency to overpay for services. Senior-level managers are less likely to be concerned about job losses than their mid-level counterparts, worrying instead about losing institutional memory and operational control.

Federal managers rate their experience with outsourcing between satisfactory and good

When asked to grade their experiences with outsourcing on an A – F scale, on average respondents give contract personnel a “B-,” shared services a “B-,” and BPO a “C+/C.” Outsourcing is also graded more favorably by senior-level managers (GS/GM-14 and above) than their mid-level counterparts (GS/GM-13 and below). More specifically, senior-level managers graded their experiences with contract personnel (“B/B-”) and BPO (“C+/C”) roughly half a letter grade higher than mid-level managers (“B-/C+” and “C+/C”, respectively).
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Respondent Profile
Almost half of survey respondents are senior-level managers, mostly from civilian agencies.

43% of respondents are GS/GM-14 and above senior-level managers.

All respondents
Job Grade n=381, Department/Agency n=385
Respondents represent a wide variety of job functions

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program/project management</td>
<td>18%</td>
</tr>
<tr>
<td>Acquisition and procurement</td>
<td>13%</td>
</tr>
<tr>
<td>Finance</td>
<td>10%</td>
</tr>
<tr>
<td>Technical/scientific</td>
<td>9%</td>
</tr>
<tr>
<td>Administrative</td>
<td>8%</td>
</tr>
<tr>
<td>Human capital</td>
<td>7%</td>
</tr>
<tr>
<td>Agency leadership</td>
<td>7%</td>
</tr>
<tr>
<td>Information technology</td>
<td>5%</td>
</tr>
<tr>
<td>Policy research</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
</tr>
</tbody>
</table>

“Other” includes communications, investigation/law enforcement, logistics functions

All respondents, n=381
Most frequently represented agencies

Department of the Army
Department of the Air Force
General Services Administration
Department of Homeland Security
Department of Defense
Department of Health and Human Services
Department of Veterans Affairs
Department of the Interior
Department of Transportation
Department of the Navy
Department of Agriculture
Department of Energy
Department of the Treasury
National Aeronautics and Space Administration

Department of Commerce
Department of Justice
Department of Housing and Urban Development
Environmental Protection Agency
United States Marine Corps
Department of Labor
Department of Education
National Science Foundation
Social Security Administration
Department of State
Agency for International Development
Office of Personnel Management
Nuclear Regulatory Commission

Agencies listed in order of frequency
3
Research Findings
i. The Federal Outsourcing Experience
Nearly all federal managers say their agency currently outsources services

Does your department/agency currently outsource any services?

- Yes: 92%
- No: 4%
- Don’t know: 4%

All respondents, n=385
Federal managers are aware that their agency employs contract personnel

Does your department/agency currently employ contract personnel to augment its staff of federal employees?

- Mission-focused work: 18%
- Mission support work: 30%
- Both: 38%
- No: 8%
- Don’t know: 6%

86% of respondents say their agency employs contract personnel for mission-focused or mission support work.

All respondents, n=385
The answer choices for “mission-focused work” and “mission support work” are not mutually exclusive.
Federal managers are also aware that their agency uses business process outsourcing

*Does your department/agency currently outsource services to third-party vendors (entities outside the federal government)?*

- **65%** of respondents say their agency uses BPO for mission-focused or mission support services.
- 11% of respondents say their agency uses BPO for mission-focused services. 
- 29% of respondents say their agency uses BPO for mission support services.
- 24% of respondents say their agency uses BPO for both mission-focused and mission support services.
- 15% of respondents say their agency does not outsource services.
- 20% of respondents do not know if their agency outsources services.

All respondents, n=385

The answer choices for “mission-focused services” and “mission support services” are not mutually exclusive.
Federal managers are much less aware that their agency utilizes shared services

Does your department/agency currently use services provided by a Federal Shared Service Center (FSSC)?

- Mission-focused services: 3%
- Mission support services: 7%
- Both: 2%
- No: 28%
- Don’t know: 60%

Only **12%** say their agency uses shared services for mission-focused or mission support services

All respondents, n=385
The answer choices for “mission-focused services” and “mission support services” are not mutually exclusive.
However, all federal agencies use shared services in one form or another.

<table>
<thead>
<tr>
<th>Shared Service Providers</th>
<th>Core Services Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of the Interior</strong> – Interior Business Center</td>
<td>HR &amp; Payroll, Financial Management, Acquisition Services</td>
</tr>
<tr>
<td><strong>Department of the Treasury</strong> – Administrative Resource Center and Shared Services Programs</td>
<td>HR &amp; Payroll, Financial Management, Acquisition Services, Data Center Hosting</td>
</tr>
<tr>
<td><strong>General Services Administration</strong> – Shared Services Center</td>
<td>HR &amp; Payroll, Financial Management, Data Center Hosting</td>
</tr>
<tr>
<td><strong>Department of Transportation</strong> – Enterprise Services Center</td>
<td>Financial Management, Data Center Hosting</td>
</tr>
<tr>
<td><strong>Department of Agriculture</strong> – National Finance Center</td>
<td>HR &amp; Payroll, Financial Management, Data Center Hosting</td>
</tr>
<tr>
<td><strong>Department of Health &amp; Human Services</strong> – Program Support Center</td>
<td>Financial Management, Real Estate and Logistics, Acquisition Services</td>
</tr>
<tr>
<td><strong>Department of Defense</strong> – Defense Finance &amp; Accounting Services</td>
<td>Financial Management, Payroll</td>
</tr>
<tr>
<td><strong>Department of Defense</strong> – Defense Civilian Personnel Advisory Services</td>
<td>Human Resources</td>
</tr>
</tbody>
</table>

www.performance.gov/content/shared-services#progress-update
Contract personnel are the most common means of outsourcing, say federal managers

Types of Outsourcing Used by Federal Agencies

- Contract personnel
- Business process outsourcing
- Shared services

Respondents who say their agency uses outsourcing
1. Project on Government Oversight, 2013. For an explanation of the methodology used, click here.

However, contract personnel are also the most expensive:

Contract personnel can sometimes cost federal agencies as much as 80% more than federal employees to perform comparable functions.1 Shared services and BPO, on the other hand, are able to leverage efficiencies from scale and specialization, and are often able to deliver a lower average cost for a given service.
Federal managers rate their overall experience with outsourcing as satisfactory

How would you grade your department/agency’s experience with each of the following modes of service delivery?

- Contract personnel: B-
- Shared services: B-
- Business process outsourcing: C+

Respondents who say their agency uses outsourcing ("don’t know" omitted)
Contract personnel n=295, shared services n=49, BPO n=201
However, senior-level managers are more satisfied with their outsourcing experience.

How would you grade your department/agency’s experience with each of the following modes of service delivery?

<table>
<thead>
<tr>
<th></th>
<th>GS/GM-14 and Above</th>
<th>GS/GM-13 and Below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract personnel</td>
<td>B/B-</td>
<td>B-/C+</td>
</tr>
<tr>
<td>Business process</td>
<td>C+</td>
<td>C+/C</td>
</tr>
<tr>
<td>outsourcing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average letter grade, respondents separated by GS/GM grade level
GS/GM-14 and above sample: Contract personnel n=145, BPO n=106
GS/GM-13 and below sample: Contract personnel n=150, BPO n=95
Response for shared services was too small for valid statistical inference.
ii. Why Agencies Outsource
The literature on outsourcing reveals that each has its own strengths and limitations.

<table>
<thead>
<tr>
<th></th>
<th>Contract Personnel</th>
<th>Business Process Outsourcing</th>
<th>Shared Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor cost per output</td>
<td>HIGH</td>
<td>LOW</td>
<td>MODERATE</td>
</tr>
<tr>
<td>Access to specialized expertise/infrastructure</td>
<td>MODERATE</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>Standardization across business units</td>
<td>LOW</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>Short-term flexibility</td>
<td>HIGH</td>
<td>MODERATE</td>
<td>LOW</td>
</tr>
<tr>
<td>Retention of in-house skills</td>
<td>HIGH</td>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>Retention of in-house operational control</td>
<td>HIGH</td>
<td>LOW</td>
<td>MODERATE</td>
</tr>
<tr>
<td>Relative information security risk</td>
<td>MODERATE</td>
<td>HIGH</td>
<td>LOW</td>
</tr>
</tbody>
</table>

Attributes considered relative strengths are highlighted in green, while potential limitations are in red.

See Federal IT Shared Services Strategy, 2012,
GAO, “Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services,” 2013,
Contract personnel help agencies gain useful expertise and bypass headcount restrictions

Top Reasons Agencies Employ Contract Personnel

- Leveraging external knowledge/expertise: 41%
- Bypassing restrictions/headcounts on federal labor: 37%
- Leveraging external technological infrastructure/business processes: 34%
- Addressing short-term fluctuations in workload: 29%
- Allowing department/agency to focus on core competencies: 23%
- Achieving cost savings: 20%
- Standardizing processes across federal business units/agencies: 13%
- Other: 18%
- Don't know: 14%

Respondents who say their agency employs contract personnel, n=334
Respondents were asked to select all that apply.
Senior-level managers perceive greater benefits of using contract personnel

Top Reasons for Employing Contract Personnel, by Job Grade

Respondents who say their agency employs contract personnel
Respondents were asked to select all that apply
Aggregate n=334, GS/GM-14 and above n=160, GS/GM-13 and below n=174
BPO also helps agencies gain useful expertise and bypass headcount restrictions

**Top Reasons Agencies Use Business Process Outsourcing**

- Leveraging external knowledge/expertise: 44%
- Bypassing restrictions/headcounts on federal labor: 39%
- Leveraging external technological infrastructure/business processes: 37%
- Addressing short-term fluctuations in workload: 27%
- Achieving cost savings: 24%
- Allowing department/agency to focus on core competencies: 21%
- Standardizing processes across federal business units/agencies: 9%
- Other: 13%
- Don't know: 13%

Respondents who say their agency uses BPO, n=250
Respondents were asked to select all that apply
Senior-level managers perceive greater benefits of using BPO

Top Reasons for Using BPO, by Job Grade

- External knowledge/expertise: Aggregate 59%, GS/GM-14 and Above 44%, GS/GM-13 and Below 31%
- Bypassing headcounts: Aggregate 45%, GS/GM-14 and Above 39%, GS/GM-13 and Below 31%
- External infrastructure/processes: Aggregate 37%, GS/GM-14 and Above 34%, GS/GM-13 and Below 31%
- Addressing workload fluctuations: Aggregate 27%, GS/GM-14 and Above 18%, GS/GM-13 and Below 20%
- Achieving cost savings: Aggregate 27%, GS/GM-14 and Above 24%, GS/GM-13 and Below 27%

Respondents who say their agency uses BPO Respondents were asked to select all that apply Aggregate n=249, GS/GM-14 and above n=123, GS/GM-13 and below n=126
Shared services helps agencies gain useful expertise and standardize processes

<table>
<thead>
<tr>
<th>Top Reasons Agencies Use Shared Services</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardizing processes across federal business units/agencies</td>
<td>47%</td>
</tr>
<tr>
<td>Leveraging external technological infrastructure/business processes</td>
<td>47%</td>
</tr>
<tr>
<td>Achieving cost savings</td>
<td>43%</td>
</tr>
<tr>
<td>Allowing department/agency to focus on core competencies</td>
<td>42%</td>
</tr>
<tr>
<td>Leveraging external knowledge/expertise</td>
<td>40%</td>
</tr>
<tr>
<td>Addressing short-term fluctuations in workload</td>
<td>24%</td>
</tr>
<tr>
<td>Bypassing restrictions/headcounts on federal labor</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
</tr>
<tr>
<td>Don't know</td>
<td>7%</td>
</tr>
</tbody>
</table>

Respondents who say their agency uses shared services, n=53
Respondents were asked to select all that apply
Standardization and cost savings are associated more with shared services than contract personnel or BPO

**Reasons for Outsourcing, by Type**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Contract personnel</th>
<th>Business process outsourcing</th>
<th>Shared services</th>
</tr>
</thead>
<tbody>
<tr>
<td>External knowledge/expertise</td>
<td>41%</td>
<td>44%</td>
<td>40%</td>
</tr>
<tr>
<td>Bypassing headcounts</td>
<td>37%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>External infrastructure/processes</td>
<td>34%</td>
<td>37%</td>
<td>47%</td>
</tr>
<tr>
<td>Standardizing processes</td>
<td>13%</td>
<td>9%</td>
<td>47%</td>
</tr>
<tr>
<td>Achieving cost savings</td>
<td>20%</td>
<td>24%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Respondents who say their agency uses outsourcing
Respondents were asked to select all that apply
Contract personnel n=336, BPO n=250, and shared services n=53
iii.

What Agencies Outsource
Federal managers report that contract personnel provide a wide range of services.

Respondents who say their agency employs contract personnel were asked to describe the services contract personnel provide. Words used most frequently appear largest.
Federal managers report that BPO is used for a range of services, including IT.

### Top Services Outsourced to Third-Party Vendors (BPO)

- **Custom IT services**: 67%
- **Commodity IT services**: 52%
- **Performance management**: 44%
- **Logistics**: 34%
- **Human capital**: 34%
- **Advisory services**: 34%
- **Content management**: 29%
- **Acquisition services**: 26%
- **Financial management**: 23%
- **Claims, eligibility, and appeals processing**: 15%
- **Grants and loans processing**: 8%
- **Other**: 15%
- **Don't know**: 2%

Respondents who say their agency uses BPO, n=251

Respondents were asked to select all that apply.
Federal managers report that shared services are also used for a wide range of functions.

### Top Federal Shared Services by Line of Business (LOB)

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT infrastructure</td>
<td>63%</td>
</tr>
<tr>
<td>Financial management</td>
<td>61%</td>
</tr>
<tr>
<td>Human resources management</td>
<td>59%</td>
</tr>
<tr>
<td>Email, help desk, &amp; collaboration</td>
<td>46%</td>
</tr>
<tr>
<td>Information security systems</td>
<td>42%</td>
</tr>
<tr>
<td>Budget formulation/execution</td>
<td>27%</td>
</tr>
<tr>
<td>Performance management</td>
<td>26%</td>
</tr>
<tr>
<td>Grants management</td>
<td>11%</td>
</tr>
<tr>
<td>Case management</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>21%</td>
</tr>
<tr>
<td>Don't know</td>
<td>4%</td>
</tr>
</tbody>
</table>

Respondents who say their agency uses shared services, n=54
Respondents were asked to select all that apply.
Agencies are turning to outsourcing for cloud services as well

For which, if any, of the following cloud computing services does your department/agency contract with third-party vendors?

- Software-as-a-service (SaaS) - 43%
- Infrastructure-as-a-service (IaaS) - 36%
- Platform-as-a-service (PaaS) - 35%
- Business Process-as-a-Service (BPaaS) - 23%
- None of the above - 43%

Business Process-as-a-Service involves the practice of deploying cloud-based software, platforms, and infrastructure to automate and simplify an end-to-end business processes.

All respondents ("don't know" omitted), n=172
Respondents were asked to select all that apply
iv. Concerns with Outsourcing
High costs, poor quality, ceding governmental functions top the list of concerns with BPO

Concerns with Outsourcing Business Services to Third-Party Vendors (BPO)

- Overpaying for services: 62%
- Contractors performing "inherently governmental" functions: 48%
- Decline in service quality: 48%
- Loss of institutional memory: 42%
- Loss of operational control: 41%
- Federal job losses: 40%
- Information security concerns: 36%
- Vendor lock-in: 31%
- Project delays: 30%
- Other: 6%
- None of the above: 10%
- Don't know: 12%

All respondents, n=379
Respondents were asked to select all that apply

"Inherently governmental" functions are those related to policy-making, regulating, and managing federal employees. These functions must be performed exclusively by federal employees.
Respondents’ leading concerns with BPO vary based on their level of seniority

Top Concerns with BPO, by Job Grade

<table>
<thead>
<tr>
<th>Concern</th>
<th>Aggregate</th>
<th>GS/GM-14 and Above</th>
<th>GS/GM-13 and Below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpaying for services</td>
<td>62%</td>
<td>59%</td>
<td>68%</td>
</tr>
<tr>
<td>Inherently governmental functions</td>
<td>48%</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>Decline in service quality</td>
<td>48%</td>
<td>49%</td>
<td>47%</td>
</tr>
<tr>
<td>Loss of institutional memory</td>
<td>51%</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Loss of operational control</td>
<td>41%</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>Job losses</td>
<td>40%</td>
<td>40%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Senior-level managers tend to be more concerned with losing institutional memory, and less concerned with job losses, than their mid-level counterparts.

All respondents were asked to select all that apply.
Aggregate n=377, GS/GM-14 and above n=163, GS/GM-13 and below n=214
Federal managers’ concerns with shared services are largely the same

<table>
<thead>
<tr>
<th>Concerns with Using Shared Services</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpaying for services</td>
<td>56%</td>
</tr>
<tr>
<td>Loss of institutional memory</td>
<td>40%</td>
</tr>
<tr>
<td>Decline in service quality</td>
<td>39%</td>
</tr>
<tr>
<td>Loss of operational control</td>
<td>36%</td>
</tr>
<tr>
<td>Information security concerns</td>
<td>35%</td>
</tr>
<tr>
<td>Departmental job losses</td>
<td>30%</td>
</tr>
<tr>
<td>Project delays</td>
<td>24%</td>
</tr>
<tr>
<td>Vendor lock-in</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
<tr>
<td>None of the above</td>
<td>11%</td>
</tr>
<tr>
<td>Don't know</td>
<td>16%</td>
</tr>
</tbody>
</table>

All respondents, n=384
Respondents were asked to select all that apply

However, of respondents who answered that their agency currently uses shared services, 43% cite cost savings as a top motivator for turning to shared services.
Respondents’ level of seniority also affects their biggest concerns with shared services.

Senior-level managers tend to be more concerned with losing institutional memory and operational control, and less concerned with job losses, than their mid-level counterparts.

Top Concerns with Shared Services, by Job Grade

<table>
<thead>
<tr>
<th>Issue</th>
<th>Aggregate</th>
<th>GS/GM-14 and Above</th>
<th>GS/GM-13 and Below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpaying for services</td>
<td>56%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Loss of institutional memory</td>
<td>55%</td>
<td>40%</td>
<td>31%</td>
</tr>
<tr>
<td>Decline in service quality</td>
<td>45%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>Information security</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Loss of operational control</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Job losses</td>
<td>42%</td>
<td>30%</td>
<td>24%</td>
</tr>
</tbody>
</table>

All respondents were asked to select all that apply.

Aggregate n=381, GS/GM-14 and above n=166, GS/GM-13 and below n=215.
However, federal managers tend to have greater concerns with BPO across the board.

### Top Concerns with BPO and Shared Services

<table>
<thead>
<tr>
<th>Concern</th>
<th>BPO (%)</th>
<th>Shared Services (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpaying for services</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>Decline in service quality</td>
<td>48%</td>
<td>39%</td>
</tr>
<tr>
<td>Loss of institutional memory</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>Loss of operational control</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Job losses</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Information security concerns</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Vendor lock-in</td>
<td>31%</td>
<td>23%</td>
</tr>
<tr>
<td>Project delays</td>
<td>29%</td>
<td>24%</td>
</tr>
</tbody>
</table>

All respondents
Respondents were asked to select all that apply
BPO n=379, shared services n=384
4

Final Considerations
Making outsourcing work for federal agencies:

Consolidate and scale existing functions using shared services and BPO to generate real cost savings

The survey data shows that federal labor restrictions and headcount quotas are major reasons why federal agencies turn to contract personnel. While staff augmentation can allow agencies to procure needed outside expertise on a temporary basis, using contract personnel to circumvent federal labor regulations is not an appropriate reason for outsourcing. Federal agencies would be better served by assessing their needs more holistically and identifying the appropriate mix of internal and external capabilities to address them. In many cases, it may prove to be more cost-effective to consolidate contractor functions and move them to a shared service center – particularly when there is value in standardizing processes across agencies. In others, it may be more efficient to move operations outside the walls of the federal government to a commercial provider that can provide unique expertise, technologies, or business processes quickly and affordably.

Articulate the costs and benefits associated with leveraging shared services and BPO

Every federal agency outsources. However, sixty percent of federal managers are not aware that their agency already uses services provided by a federal shared services center (FSSC). Both FSSCs and commercial services providers can and should clearly articulate the costs and benefits of shared services and BPO. Further, if the chief concern with outsourcing is fear of overpayment, then providers must do a better job of demonstrating evidence to the contrary.

Involve federal employees as stakeholders in a more efficient government

When deciding to outsource, agencies should ensure that the action and reasons for doing so are effectively communicated to employees. The lack of awareness regarding certain types of outsourcing – shared services and BPO – could be improved by making open channels of communication between senior-level leadership and mid-level managers a priority. Utilize case studies and objective performance data to show – not just tell – employees how outsourcing can have a positive impact on agency effectiveness.
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About GBC

Contact

Zoe Grotophorst
Manager, Research & Strategic Insights

Tel. 202.266.7335
zgrotophorst@govexec.com

govexec.com/GBC
@GovBizCouncil

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