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Research Title:

Evaluation of Transportation Organization
Outsourcing: Decision Making Criteria for
Outsourcing Opportunities

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Research Summary Series

*A series to disseminate results of research being conducted
by the Midwest Regional University Transportation Center
and the Wisconsin Highway Research Program*

Decision-Making Criteria for Outsourcing Opportunities



Research results in a quick and easy to read format

Government Outsourcing

Government agencies have begun outsourcing some non-core functions in an effort to improve efficiency and reduce costs. To date, state departments of transportation have neither succeeded nor failed in efforts to outsource transportation services. The decision to outsource a service can be a difficult one. This Outsourcing Decision Making Scorecard can be used as a guide for administrators to determine if a service has the potential for outsourcing.

“The most commonly outsourced services are information technology, asset maintenance, material distribution, warehousing, and fleet management.”

How to Use the Scorecard:

1. The purpose of the first set of questions is to indicate the institutional setting of the organization and to determine if there is potential for building an outsourcing relationship for the given service.
2. If the answers to the first five questions indicate that a relationship cannot be built, the service probably should not be outsourced.
3. If there appears to be the possibility of building a relationship, the next three sets of questions should be used to identify specific issues to be worked out in the outsourcing arrangement or any barriers that might prevent the service from being outsourced.

Before Outsourcing a Service:

1. Make sure that the service that will be outsourced is not a core competency. Core competency is a key service or function generally associated with the agency or department.
2. Assess the risks associated with outsourcing a particular service.
3. Place less importance on quality of service as a constraint to outsourcing. Studies have shown that quality of service provided is equivalent or higher than what can be provided by the state.
4. Do not rush into any decision to outsource.

After Choosing a Provider:

1. Consider the outsourcing arrangement as a long term relationship that needs to be managed to be successful.
2. Once the decision to outsource has been made and a provider has been selected, establish with the provider how performance can be objectively measured and modified as needed.

Successful Outsourcing Requires:

1. A change in the treatment of a traditional performance contract relationship. An outsourcing agreement is a relationship, not just a contract.
2. Identification of core competencies, non-core services could potentially be out-sourced. Identify how loss of control of this service will effect the organization.
3. Identification of the goals and objectives of the outsourcing relationship.

“An essential aspect in the decision to outsource...is the development of the relationship between the outsourcer and the provider.”

Outsourcing Decision Making Scorecard

*Service Considered
for Outsourcing* _____

Institutional Setting

1. Is this a functional part of our core competencies? Yes No
2. Does this service need to be provided on a continual basis? Yes No
3. Do we have in-house expertise to provide this service? Yes No
4. Do we have available work load to provide this service? Yes No
5. Can we legally outsource this service? Yes No

Risks

6. Would loss of control of this service harm the organization? Yes No
7. Would loss of expertise have a negative impact of the department of transportation? Yes No
8. Is quality of service delivery a concern? Yes No
9. Would the response to situational problems be reduced? Yes No
10. Would current contract performance be negatively impacted? Yes No

Goals and Objectives

11. Can the goals for this service be clearly defined? Yes No
12. Are the goals for this service long term? Yes No
13. Can the achievement of the goals be objectively measured? Yes No
14. Are objective measures currently in place for this service? Yes No
15. If the goals and objectives are not achieved will this have a negative impact upon the department of transportation? Yes No

Provider Evaluation

16. Are there known external providers for this service? Yes No
17. Do the mission and strategic goals of the providers align with the department of transportation mission and strategic goals? Yes No
18. Are the providers known to have the capability to provide this service? Yes No
19. Has the department of transportation had previous relationships with providers of this service? Yes No
20. Are providers known to deliver high quality services? Yes No