



Managed Services – Why Not?

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What's the Big Deal???

- Shrinking Budgets
- Highway Trust Fund is Broken
- Pressure on Full-time Equivalents (FTE)
- Recognition of the True Cost of Manpower
- The Growing Cost of O & M
- Pressure on the Construction Budget
- And so Forth and so Forth. . . .

Funding is Getting Tight and Staffing is Paying the Price



What is the True Cost of Manpower??

- For Every Dollar in Salary There Are Other Associated Costs That Average About 45 Cents
 - Benefits
 - Medical/Dental/Vision
 - Education
 - Insurance
 - Etc.
 - Retirement
- And There are Other Costs As Well
 - Facility and Furnishings
 - Training (Initial, Sustainment, Certification, Growth)
 - Telecommunication
 - Office Supplies
 - Human Resource Department Support
 - Purchasing and Materials Handling



Some of the Hurdles

- Enabling Legislation
- Perceived Labor Cost Differential
- Agency/Departmental Policies
- Labor Relations
- *Fear of the UNKNOWN*
 - Cost – What Will I Pay?
 - Performance – Will the Job Be Done Correctly?
 - Risk – Will the Job Actually Get Done?
 - Control – Can I Influence How the Job Gets Done?



What Are We Talking About?

- Staff Augmentation – Providing a Staffing Pool
- Traditional Outsourcing – Performance of a Task, Service or Function
- Managed Services – Similar to Outsourcing But Performance is Measurable and Rewarding – Key Performance Indicators (KPI) are at the Core of the Procurement



Staff Augmentation – How Does it Work?

- Private Company (Supplier) Provides Individual Staff Members Who Work Under the Direct Supervision of the Contracting Agency
- Supplier Recruits, Hires (Fires), Provides Administrative/HR Support and Benefits
- Supplier Certifies Basic Entry Level (Day One) *Skills, Knowledge and Abilities*
- User Trains, Manages, Provides Job-Site Support and Provides Performance Reviews



Staff Augmentation

- **When is it Used?**
 - To Meet Temporary Surges in Staff Size or Technology Deficits
 - To Meet Short-term Tasks (Although Carrier Contract May be Multi-Year)
- **Cost – Difficult To Determine But Probably Lower**
 - Generally Lower If a Long-Term Engagement or Large Volume
 - Potentially Higher if Short-Term, Volume or Unusual Specialty
- **Performance – Should Equate to Agency Staff**
- **Risk – Low**
- **Control – High**



Traditional Outsourcing

- Procurement Document Should be Based on a Functional Requirement
- Private Company (Supplier) Performs a Clearly Defined Task, Function or Service Established as a “What and When” Requirement
- The “What” is a Meet and Not Exceed Level of Performance
- Private Company Should Normally be Allowed to Make the “Who and How” Decisions
- Private Company Recruits, Hires (Fires), Provides Administrative/HR Support and Benefits
- Private Company Trains, Manages, Provides Job- Site Support and Provides Performance Reviews



Traditional Outsourcing

- **When is it Used?**
 - For a Clearly identifiable Task or Service
 - Usually Multi-year
 - No Justification Nor Reason For Exceeding the Required Performance Level
- **Cost – Lower If a Long-Term Engagement or Large Volume (Economies of Scale)**
- **Performance – Medium But is Dependent On Ability to Write Clear Performance Specifications**
- **Risk – Medium (Contract Relationship Tends to Be Nose-To-Nose)**
- **Control – Low (If Level of “Control” is Raised it Raises Risk)**



Managed Services

- Procurement Document Should be Based on a Functional Requirement
- Private Company (Supplier) Performs a Clearly Defined Task, Function or Service – the “What and When”
- *The “What” is Defined At a “Floor-Level” with Incentives for Exceeding*
- Private Company Must be Allowed to Make the “Who and How” Decisions
- Private Company Recruits, Hires (Fires), Provides Administrative/HR Support and Benefits
- Private Company Trains, Manages, Provides Job- Site Support and Provides Performance Reviews



Managed Services

- **When is it Used?**
 - For a Clearly identifiable Task or Service
 - Usually Multi-year
 - There is Justification or Reason For Exceeding the Required Performance Level
- **Cost – Lower (If a Long-Term Engagement or Large Volume – Share the Increase in Revenue or Savings)**
- **Performance – Medium (Depends On Ability to Write Clear Performance Specifications and “Base Case Analysis)**
- **Risk – LOW (Contractor is Rewarded for Exceeding “Base Case” Level of Performance) And Relationship Tends to be “Shoulder-to-Shoulder”**
- **Control – Low (If “Control” is Increased it Raises Risk)**



Summary

- Departments of Transportation Are Being Pressured to Reduce the Cost of Staffing
- There Are a Number of Short and Long-Term Options Available to Assist
- There May be Some Preliminary Work Required to Be Able to Exercise One of These Options
- Success Will Be Dependent On How the Contracting Agency Establishes and Manages the Procurement

It is Not Business As Usual But it is Good Business!!!!!!



Thank You

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