

Background

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When Should the Government Use Contractors to Support Military Operations?

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Military contractors are currently assisting militaries around the world with missions that range from training and supply chain management to fighting in battles. Military contractors are seen as having inherent advantages over militaries in resource constraints, manpower, and flexibility. Yet relying on military contractors has its share of risks, including potential shortfalls in mission success, concerns over the safety of contractors, loss of resources because a capability is outsourced, loss of total force management, and problems of compliance with administrative law.

With the increased use of military contractors and the advent of privatized military firms, the question is how to determine the right force mix to complete a task or mission in the most effective and efficient manner. Sometimes, military contractors may be the best choice; however, they are not a perfect fit for every mission or the right solution for all skill and manpower shortages.

When considering the use of military contractors, U.S. military leaders should assess the risks of employing the various options and then choose the best one. The Department of Defense (DOD) should adopt comprehensive guidelines for making these decisions, using a risk-based approach.

Contractors on the Battlefield

As P. W. Singer has written, “the monopoly of the state over violence is the exception in world history, rather than the rule.”¹ The presence of military contractors on the battlefield is nothing new; they have been around in various ways throughout history.

Talking Points

- Military contractors often provide vital support to the military in a vast number of ways, including training, logistics, and security, but using military contractors is not always the right solution.
- Policymakers need to consider how their decisions will affect the military’s use of military contractors.
- Decisions regarding contractor support should be made with great care, using a standardized process that forces an examination of the risks, mitigation techniques, and benefits provided.
- To ensure oversight and transparency in the contracting process, the DOD Inspector General should be involved from the beginning.
- The Defense Department should create a corps of reserve contracting officers that is trained in meeting the military’s contracting needs.

This paper, in its entirety, can be found at:
www.heritage.org/research/nationalsecurity/bg1938.cfm

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Most empires from Ancient Egypt to the British Empire have used contracted troops in some form. In some cases, these were individual fighters. In others, a power hired a highly organized entity to fight on its behalf. When states became the dominant organizing force in the 1600s, the military began to come under the control of the political realm, instead of princes and kings, and became a public-sector entity.

However, the private actors of the past and even the mercenaries of today differ from current private military firms. Today's organizations operate as businesses and are structured according to conventional business models. In addition, many of them have ties to or are openly part of broader, multinational corporations.

Types of Military Organizations

Military organizations can be classified based on their location in the battle space: the general theater, the theater of war, and the tactical theater (the actual area of operations). Military contractors in today's privatized military industry can be divided in a similar way. The types of contractors include military provider firms (MPFs), military consultant firms (MCFs), and military support firms (MSFs).

- *Military provider firms* focus on the tactical environment. These firms engage in actual fighting as line units, specialists, or direct command and control for field units. Examples of MPFs include Executive Outcomes, Sandline, SCI, and NFD, which have run combat operations in Angola, Sierra Leone, Papua New Guinea, and Indonesia. Clients will typically use MPFs if they have comparatively low military capabilities and are facing immediate high-threat situations. MPFs are the most controversial type of privatized military industry and often receive unfavorable publicity.
- *Military consulting firms* give advice and training necessary for operating and restructuring a client's military. Levdan, Vinnell, and MPRI are all considered to be MCFs. Their clients usually are restructuring their militaries or want to increase their capabilities dramatically. For

example, MPRI lists its core competencies as security sector reform, institution building, leader development, military training and education, and emergency management.

MCFs can be further divided between firms that offer pure analysis and those that also provide training and consultation in combination with recommendations. "The line between advising and implementing, however, sometimes can be quite fuzzy; often, if a trained soldier has been hired to teach, it is difficult to duck out of the way when the opportunity comes to put training into practice."²

- *Military support firms* provide supplementary military services such as logistics, intelligence, technical support, supply, and transportation. They allow their clients to focus on fighting and their core mission areas while they handle the support work. Clients tend to rely on MSFs where they are involved in operations that are immediate but of long duration (e.g., standing forces that need surge capacity). While these contractors do not participate directly in executing or planning military operations, they fulfill needs that are essential to combat operations. MSFs comprise the largest component of the privatized military industry and have the most subcomponents.

Most of these three types of firms rely on having large, accurate databases of experts that allow them to put together the types of support called for in their contracts. For instance:

MPRI maintains and draws its workforce from a carefully managed and current database of more than 12,500 former defense, law enforcement, and other professionals, from which the company can identify every skill produced in the armed forces and public safety sectors.³

All of these firms tend to have minimal infrastructure, with MPFs having the least. In addition, they often incorporate where there are favorable laws and have been known to change their names

1. P. W. Singer, *Corporate Warriors: The Rise of the Privatized Military Industry* (Ithaca, N.Y.: Cornell University Press, 2003) p. 19.
 2. *Ibid.*, p. 97.
 3. MPRI, "Our Team," at www.mpri.com/site/our_team.html (March 18, 2005).

and business structures in response to negative press (e.g., Executive Outcomes).

Assessing the Value Added by Military Contractors

A sensible starting point for a discussion of when the military should contract with outside entities to support military operations is to evaluate the risks and benefits of each decision. A risk-based approach is beneficial because it helps to avoid unnecessary risks while incorporating financial and intangible benefits and drawbacks into the calculation. Risk-benefit analyses are not new in the defense world. For instance, the U.S. Army field manual on risk management contains a standardized approach for assessing and managing risk, which can be applied to all activities.

This risk-based approach should be applied to contractor sourcing decisions. The approach consists of five steps:

1. Identify hazards;
2. Assess hazards to determine risk in terms of probability, severity, and risk level;
3. Develop ways to mitigate the risks and make decisions about risk;
4. Implement the mitigation processes; and
5. Supervise and evaluate.

Understanding these steps depends on knowing the field manual's definitions of "risk" and "hazard." The manual defines "risk" as "the probability and severity of loss linked to hazards" and "hazard" as "a condition or activity with potential to cause damage, loss or mission degradation and any actual or potential condition that can cause injury, illness, or death of personnel; damage to or loss of equipment and property; or mission degradation."⁴

Risk and Risk Controls

The sourcing question raises some residual concerns, including:

- The degree to which contractor shortfalls could hinder mission success;
- Safety implications for contractor employees and equipment and for the U.S. military;
- Resource tradeoffs or the effect that money spent on contractors offsets or consumes limited resources needed to pursue other goals; and
- The impact that using contractors may have on the military's ability to comply with laws, regulations, and high-level policy guidance and to collect information.

Obviously, the greater the hazards and risks, the greater the scrutiny and attention that is applied to the decision-making process.

In making a sourcing decision, considering the potential impact of mitigation strategies is also important. Some considerations that are likely to affect a sourcing decision include the type of activity, the type and identity of the contractor, the nature of the contingency, the location and battle phase for the contractor, and the quality of government oversight of the contractors.

Contractor Oversight

Once military leaders have determined through a risk-based process that contractors have a role to play in a mission, the DOD Inspector General (IG) should become involved. Military contracts are often lucrative, and charges of waste, fraud, and abuse are common. Involving the IG at the beginning ensures that an oversight body is available to correct problems as they are reported.

The Defense Department should also create a corps of reserve contracting officers. Ideally, such an organization would be identified, recruited, and trained in advance and would conduct regular exercises in meeting contracting needs, such as in the aftermath of a crisis or conflict and during reconstruction.

Having a dedicated reserve component would allow for effective monitoring of contracts, better

4. Frank Camm and Victoria A. Greenfield, *How Should the Army Use Contractors on the Battlefield? Assessing Comparative Risk in Sourcing Decisions* (Santa Monica, Calif.: RAND Corporation, 2005), p. 11, at http://www.rand.org/pubs/monographs/2005/RAND_MG296.pdf (April 17, 2009). See also U.S. Department of Defense, Air Land Sea Application Center, *Risk Management*, FM 3-100.12, February 2001, p. Glossary-5, at <http://www.alsa.mil/documents/current/Risk%20Management%20-%20February%202001.pdf> (April 2, 2009), and U.S. Department of the Army, *Staff Organization and Operations*, FM 101-5, May 1997, p. J-1, at http://www.dtic.mil/doctrine/jel/service_pubs/101_5.pdf (April 2, 2009).

document execution, and accurate data collection during contingencies and crises. Such a component would have been useful both in the aftermath of Hurricane Katrina and in Iraq. For instance, the Special Inspector General for Iraq Reconstruction “found that the shortage of personnel (and the widespread lack of required skill and experience among those available) affected all facets of reconstruction assistance.”⁵ Dedicated contracting officers and an IG presence would provide greater transparency regarding where contractors are and what they are doing—important things to know for contingency planning and effective management.

When Should the Risk Assessments Occur?

A RAND report focusing on Army decision-making and contractors suggests that there are five distinct organizational venues where and when the assessments should occur. They include:

1. **Outside the military.** Decisions to use contractors are often influenced by Congress’s and the Administration’s determinations of the appropriate size and operational tempo of military forces.
2. **Acquisition venues.** Policies that “the Army uses to choose contractors, design contracts and quality assurance plans, and oversee and support contractors in theater heavily affect the residual risk associated with their use.”⁶
3. **Force design and management issues.** For instance, when reserve component capability is small, contractors may be used more heavily to avoid continually mobilizing the same group of people.
4. **System requirement plans.** Program planners and leadership may encourage dependence on long-term contractor support depending on the vision and the need for highly skilled support

personnel. “More generally, officials use spiral development to field systems early and collect operational data on them from the battlefield to refine their designs over time. This encourages the presence of contractors on the battlefield.”⁷

5. **During specific contingencies.** Where the military requires a quickly assembled force, it may also require greater contractor support.

A risk-based approach is the correct one for answering the question of when the U.S. military should use contractors, and the next question is when the assessment should occur. One answer is that “[s]uch assessment should support decisions that significantly affect Army use of contractors, wherever those decisions occur.”⁸

Conclusions

Today, policymakers often either ignore how their decisions in areas such as end strength will increase the military’s dependence on military contractors or do not use a risk-based model to make their decisions. Both situations are problematic.

Military contractors provide vital support to the military in a vast number of ways, including training, logistics, and security. In many situations, the decision to use contractors is the correct one. However, these decisions should be made with great care, using a process that forces an examination of the risks, mitigation techniques, and benefits provided. Furthermore, when policymakers decide to use contractors, the DOD Inspector General should be involved from the beginning so that there is oversight and transparency in the contracting process, and a reserve contracting corps should manage the contracting.

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5. Special Inspector General for Iraq Reconstruction, *Iraq Reconstruction: Lessons in Human Capital Management*, January 2006, p. 25, at www.sigir.mil/reports/pdf/Lessons_Learned_Feb16.pdf (April 3, 2006).

6. *Ibid.*

7. *Ibid.*, pp. xx–xxii.

8. Frank Camm and Victoria A. Greenfield, *How Should the Army Use Contractors on the Battlefield?* (Santa Monica, Calif.: RAND Corporation, Arroyo Center, 2005), p. xx, at www.rand.org/pubs/monographs/2005/RAND_MG296.pdf (March 23, 2006).

Correction to BG 1938, p. 3, footnote 4, at <http://www.heritage.org/research/nationalsecurity/bg1938.cfm>.

Replace the entire text of Footnote 4 with: