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Teaching Notes for CHAPTER 6: Security by Contractor: Outsourcing in Peace and Stability Operations

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TEACHING NOTES

Security by Contractor: Outsourcing in Peace and Stability Operations

By Volker Franke*

This case examines the benefits and limitations of outsourcing peace and stability functions to a rapidly growing private sector and illustrates implications for civil-military cooperation in complex operations. The case traces the history and rise of the security industry, categorizes the types of firms providing security and security support services, illustrates the reasons and motivations for individuals to seek employment as security contractors and discusses implications of the growing market for privatizing security on the U.S. military. Finally, the case explores advantages and shortcomings of outsourcing security functions and illustrates some of the dilemmas associated with “security by contract.” Among others, the case wrestles with the following questions: What is the global security industry and where did it come from? What are the roles of contractors in complex operations? What are the advantages and disadvantages of outsourcing security functions? What are domestic and international policy implications?

Background

Outsourcing government functions to the private sector is by no means a new phenomenon. And hiring individuals for warfighting purposes is as old as fighting wars itself. But never before in history have private contractors – individual or corporate – played such a central role in providing services in support of military missions as they do today. Indeed, there are currently more contractors working for private security firms in Iraq than there are military troops. And

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with the Obama administration's planned withdrawal of U.S. forces from Iraq, the balance between security provision through government and the private sector is likely to shift further in favor of the latter.

Supporters and critics of the booming global security industry agree that the industry has established itself as an important player in international security. Especially when it comes to conducting complex contingency or peace and stability operations, outsourcing some of the security functions traditionally fulfilled by the military is becoming a viable, flexible, speedy and cost-effective alternative to deploying troops. As IPOA's Doug Brooks provocatively points out: "Every military that expects to be relevant beyond its national borders in the future will be working with the private sector."

But growing demand for private security services has come at a price: As of December 2011, there were 468 confirmed contractor casualties in Iraq, compared to a total of more than 4,800 soldiers – nearly 4,500 of which are Americans (see www.icasualties.org). In addition, the industry has been riddled with criticism for waste, fraud and abuse. This case traces the history and rise of the private security industry and explores advantages and shortcomings of outsourcing security functions and illustrates some of the dilemmas associated with "security by contract."

The Purpose of the Case

The purpose of this case as a teaching tool is to familiarize students with issues related to the **outsourcing of security functions** to the private sector and to raise questions such as:

- What is the global security industry and where did it come from?
- What are the roles of contractors in complex operations?
- What are the advantages and disadvantages of outsourcing security functions?
- What motivates individuals to seek employment with a private firm?

- What are domestic and international policy implications of using security contractors to fulfill military/military support functions?

Moreover, the case presents a number of policy dilemmas posed by the trend to outsource security, including:

- the industry's orientation toward profit maximization which may not always line up with the client's interest or the public good;
- the lack of democratic control over a rapidly growing and largely unregulated industry;
- limited accountability by the industry fueled by the absence of regulations, oversight and enforcement;
- shortcomings in the government's ability to manage the exploding number of contracts and insufficient contract oversight;
- inadequate knowledge about the professional background and motivations of security contractors;
- challenges presented to the unique status and functions of a professional military force by a privatized security industry and to questions of military recruitment and retention.

Specific dilemmas illustrated by this case include:

The Outsourcing Dilemma

Outsourcing or privatization describes the process whereby activities that were formerly carried out by government agencies are now assigned to nongovernment, for-profit agencies, usually under contract with the government. The idea behind outsourcing is that market competition will raise the quality of services provided while lowering costs. Especially under the Bush Administration, which operated under the belief that government should be market-based, competitive sourcing became a standard for providing government services. Here, the government enters into competition with the private sector in an effort to improve performance and efficiency. The objective is to focus on the most effective and efficient way of

accomplishing the agency's mission regardless of whether it is done by civil servants or contractors.

Outsourcing has direct implications for organizational (military and corporate) culture and management, performance assessment, and employee motivation. Questions that might spark interesting classroom discussion include:

- What are your experiences with outsourcing (generally)?
- Does competitive sourcing improve performance and efficiency? What are benefits/drawbacks?
- What are the true cost savings of outsourcing security? Is it really cheaper – in the short term and in the long run – for the U.S. government to rely extensively on private contractors rather than using U.S. military personnel or civil servants?
- Is there a difference in the performance of private contractors versus government employees/civil servants/soldiers?
- Are contractors as committed to/motivated for public service as civil servants/soldiers? What differences do you see?

The National Security Dilemma

In addition, this case could generate a more general discussion of the privatization of national security. The purpose of the military is to defend national interests at home and abroad. The fundamental goal of corporations is to maximize profit. By the very nature of their interest in the bottom line, firms will be tempted to increase their profits at their client's expense. Profit-seeking security firms are no different.

The following questions are not necessarily intended to be asked directly, but instructors could steer the discussion into a direction that would allow participants to arrive at these issues on their own:

- To what degree has U.S. national security been privatized out of government hands to corporations, non-governmental organizations and other groups?
- What are the implications of outsourcing for national security? Are there “core military functions” that should not be contracted out? Which ones? Why?
- Has the United States gone too far? What kind of limits should policy makers impose when outsourcing American national security?
- How does the trend toward privatizing security functions affect the state’s “monopoly on the legitimate use of violence in a given territory?” What are the implications for national security?
- What impacts does the use of private contractors have on military morale and discipline? How does it affect the ability of the uniformed services to retain skilled military personnel in critical specialty areas?
- Does it matter whether a contractor is U.S.-based or foreign? What are advantages and disadvantages of hiring: (a) American contractors, (b) third-country nationals or (c) locals to fulfill security-related functions?

Particularly the last question could lead to a discussion related to intelligence gathering and the sharing of sensitive information between military and private security professionals with differing levels of security clearances. It could also spark discussion about the use of security contracts for job creation and skills development at the local level.

The Oversight Dilemma

The case identifies contract oversight and control over contractor behavior as a central dilemma in the outsourcing of security functions. Questions for classroom discussion of these issues include:

- Are current government contracting and procurement regulations and management standards adequate for effective oversight over the private security or contingency industry?

- How can private actors be held accountable most effectively for their actions? How can we ensure that they pursue and protect U.S. interests and follow the rules of engagement?
- Are recent changes such as the 2007 MEJA Expansion and Enforcement Act and the indictment of the Blackwater shooters sufficient to address the problems inherent in controlling a rapidly growing industry?
- How effective is self-regulation? How can adherence to an industry Code of Conduct be ensured/enforced?

References

In addition to the case manuscript, instructors may also want to assign supplementary background readings. The following sources work well as reference materials for this case and are easily available online:

Brooks, Doug. "Testimony before the House of Representatives Committee on Government Reform," 13 June 2006, at <http://ipoaonline.org/en/gov/ipoa-shays.pdf>.

Congressional Budget Office. "Contractors' Support of U.S. Operations in Iraq," August 2008, at www.cbo.gov/ftpdocs/96xx/doc9688/08-12-IraqContractors.pdf.

House of Representatives, Committee on Oversight and Government Reform, "Memorandum," 1 October 2007, at <http://oversight.house.gov/documents/20071001121609.pdf>.

Human Rights First, "Private Security Contractors at War: Ending a Culture of Impunity," Washington, DC, 2008, at www.humanrightsfirst.info/pdf/08115-usls-psc-final.pdf.

Isenberg, David. "A Government in Search of Cover: PMCs in Iraq," Conference Paper, March 2006, at www.basicint.org/pubs/Papers/pmcs0603.pdf.

Websites and other supporting Materials

International Peace Operations Association (IPOA) www.ipoaonline.org

Private Security Company Association of Iraq (PSCAI) www.pscai.org/index.html

Private Military and Private Security Companies www.privatemilitary.org/home.html

CorpWatch on “war and disaster profiteering” www.corpwatch.org

Project on Government Oversight www.pogo.org

Videos to show in class:

PBS Frontline “Private Warriors”

www.pbs.org/wgbh/pages/frontline/shows/warriors/contractors/highrisk.html

NBC Nightly News, in-depth look at private security contractors (several news clips)

<http://video.msn.com/video.aspx?mkt=en-us&search=private+security>

Aegis Defense Services shooting at civilians (“Trophy Video”)

www.youtube.com/watch?v=wMzx_P0m2aY