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How Should the Army Use Contractors on the Battlefield?

Assessing Comparative Risk
in Sourcing Decisions

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Summary

Using contractors on the battlefield is risky, but the U.S. Army has relied on contractors on the battlefield throughout its history. Beginning with the Vietnam War, a variety of factors have led to growing dependence on contractors. Given the risks that contractors impose, is this increasing dependence appropriate? Throughout history, Army leaders have decried the risks associated with using contractors even as they continued to bring them to the battlefield to provide critical combat service support (CSS) activities.

The Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs (ASA [M&RA]) was concerned that many parts of the Army may make decisions that affect the use of contractors on the battlefield without adequately considering the effects of their decisions on military readiness. ASA (M&RA) asked the Arroyo Center to examine this issue and recommend improvements.

This report identifies the major decisions that shape the Army's use of contractors on the battlefield. It explains the arguments that have shaped these decisions. Drawing on the Army's own approach to assessing risk, Army and other Department of Defense (DoD) documents, field interviews, literature by Army personnel about their own experiences with contractors in deployments, and a detailed case study of the largest contract supporting Army deployed forces at the time, the report offers a conceptual framework the Army could use to revisit these decisions. The framework should make the connection between these decisions and their sourcing consequences more visible and lead to Army sourcing decisions more nearly consistent with its

strategic goals. The report focuses on a choice between contract and military sources, but the framework could easily be applied to a broad set of alternatives. We collected the information used to build this framework before information about the Army's experience with contractors in the 2003 war in Iraq became available, but the framework appears to be consistent with this recent Army experience.

The report should interest policymakers and analysts responsible for identifying and assessing the risks associated with using contractors on the battlefield and for making sourcing decisions based on such assessment. Decisions that affect the Army's use of contractors occur in many places discussed in this report—outside the Army; in its services acquisition, force development, and system development communities; and in the support planning staffs that support combatant commanders in individual contingencies. This report focuses on the Army context but addresses issues relevant throughout DoD. Much of our treatment could be generalized as well to sourcing support services in nonmilitary organizational locations or “venues.”

The Standard Army Approach to Assessing Risk

The Army has a standard method for dealing with risk (Chapter Two). The field manual, FM 3-100.12, clearly explains how a decisionmaker can

- identify the hazards relevant to a decision,
- identify the risks associated with each hazard,
- mitigate these risks, and
- assess the residual risk associated with any decision—the risk that remains after the decisionmaker has implemented appropriate mitigating controls.

The manual explains this approach in the context of operations, starting from the premise that a commander does not seek to eliminate risk but to avoid unnecessary risks. A great deal of the commander's operational art is embedded in identifying what risks are

unnecessary, but the basic framework provides a clear way to apply that complex art to specific decisions on the battlefield.

As FM 3-100.12 explains, the approach described can be applied to any decision that a commander faces. It is well suited to the decisions of where, when, and how to use contractors on the battlefield precisely because these decisions are integral parts of any field commander's support plan. These sourcing decisions are most appropriately made as an integral part of the commander's development of a basic course of action on the field.

This report proposes using this standard Army approach to structure risk assessment that compares the residual risks of contractor and military sources of CSS on the battlefield. It refers to the *relative residual risk* of using a contractor as the risk of using a contractor, relative to the risk of using a military source, after the commander has applied all appropriate mitigations for each source. That is, the report compares two courses of action. Each course of action includes the choice of a contractor or military source and the choice of the mitigations that accompany the use of that source. Mitigations remove unnecessary risks associated with each course of action. The approach prefers the source with the lower residual risk and recognizes that the commander's job is not to eliminate the risk associated with choosing a source but to manage it appropriately within the constraints that the commander faces.

A Disciplined Way to Assess Risks Associated with Using Contractors

This report applies this approach through the following sequence of reasoning.

First, commanders use contractors only if doing so offers some advantage (see Chapter Three and Appendix C). If no apparent advantage exists, the issue of using contractors on the battlefield never arises. We need to understand what advantage a contractor offers. The report identifies two classes of advantages: inherent advantages

relative to a military source and relief from policy and resource constraints that the commander faces.

Second, the use of contractors on the battlefield presents specific risks (see Chapters Two and Four). We need to understand what risks the commander should worry about. The report identifies four relevant risks: shortfalls in mission success, the safety of contractor employees and their equipment, resource costs, and other specific but broader goals typically outside a field commander's immediate military concerns, such as total force management or compliance with administrative law.

Third, the risks relevant to any specific sourcing decision in this context stem from key hazards associated with the intensity and predictability of military action during a contingency, status of international agreements on the status of forces, status of contractor employees under international law, the Army's ability to control a contractor, the Army's responsibilities to protect and support a contractor, and a number of other factors (see Chapter Three and Appendix B). These hazards are interrelated. Some may be influenced by efforts to mitigate the risks associated with other hazards.

In the fourth step, the Army has extensive opportunities to mitigate the effects of hazards associated with using contractors to provide CSS (see Chapter Three and Appendix B). The risks that the Army faces when using contractors in any particular circumstance ultimately depend on the extent to which the Army takes advantage of the mitigations available. A sourcing decision is as likely to depend on the mitigations anticipated as on the severity or probability of the initial hazards themselves.

Fifth, even if the Army takes advantage of all the mitigation strategies available when it uses a contractor source, some risks will remain (see Chapter Five and Appendix B). Inherent differences between doing work in-house and depending on an outside source create unavoidable risks. These risks are well known; the Federal Acquisition Regulation (FAR) is designed explicitly to help manage them. In the end, however, the Army must compare such remaining risks with the benefits it gets from using a contract source and with

the risks and benefits of using an in-house military or government civilian source.

In the sixth step, when the Army applies appropriate mitigations, the relative residual risks associated with using contractors are likely to vary across CSS activities and contingencies (see Chapter Four). Their levels are likely to depend on five basic considerations: the type of activity, the type or identity of the contractor, the nature of the contingency, the location and battle phase for the contractor on the battlefield, and the quality of government oversight of the contractor.

Seventh, an analyst conducting a standard Army risk assessment can weigh the factors above in a systematic way to determine whether a contractor or military source is preferable for a particular activity under particular circumstances (see Chapter Four). Using a “simultaneity stack” of missions—a set of missions that defense planning guidance suggests the Army should be able to execute simultaneously—such as that used in each Total Army Analysis (TAA), an Army analyst can use a standard assessment to determine what mix of contractor and military sources is appropriate for any CSS activity in the Army force as a whole.

Lastly, it is very likely that this sequence of reasoning will yield a mix of contractor and military CSS, in part because contractors have inherent advantages in some circumstances and in part because contractors help the Army overcome constraints imposed for reasons unrelated to sourcing policy in other circumstances (see Chapter Five). The sequence of reasoning above can support a risk assessment of relieving these constraints and thereby reducing the Army’s dependence on contractors (see Chapter Six). The form of such an analysis differs from that for a sourcing decision subject to constraint. The risks and information required to assess the implications of loosening a constraint also differ from those discussed here.

This sequence of reasoning identifies the information an Army decisionmaker needs to apply the standard Army risk assessment framework to a sourcing decision. The approach proposed here is not simple. Complexities discussed here directly reflect the complexity of operational art on the battlefield and of the multiple risks relevant to

a sourcing decision. Application of the standard Army framework to more traditional operational questions is not simple either. Ideally, sourcing decisions in a particular contingency would be made as an integral part of operational planning for the contingency. However, the same basic sequence of reasoning can help support decisions made at a higher level, elsewhere in the Army, and outside the Army.

Where to Assess Risks Associated with Using Contractors

Where should risk assessment relevant to Army sourcing occur? Such assessment should support decisions that significantly affect Army use of contractors, wherever those decisions occur (see Chapter Seven). Decisions in five distinct organizational locations or venues appear to be important.

Outside the Army. The size and operational tempo (OPTEMPO) of the military force affect the use of contractors. As military end strength falls or OPTEMPO increases with a fixed end strength or monetary budget, the Army is likely to rely more heavily on contractors to provide services that the military simply cannot provide. Airlift capacity affects the use of contractors. As airlift—military or contractor—capacity increases, the Army is likely to rely less heavily on contractors that use local nationals or forms of transportation not available to the Army. Troop ceilings and policies on military presence in a theater affect the Army's use of contractors. As restrictions on the presence of military forces in-theater increase, the Army naturally turns to heavier use of contractors. Decisionmakers outside the Army choose the policies relevant to each of these factors, albeit with input from the Army. But historically, sourcing concerns in the Army have not shaped the decisions made here. Perhaps they should.

Army Services Acquisition Venues. The policies the Army uses to choose contractors, design contracts and quality assurance plans, and oversee and support contractors in-theater heavily affect the residual risks associated with their use. Joint training of military and contractor personnel, application of these policies in-theater, and

active integration of contractors into planning in-theater also affect residual risks. The more the Army uses the policies called for in its doctrine on the use of contractors on the battlefield, the more desirable contractors become relative to military personnel on the battlefield. This part of the Army's doctrine has emerged primarily from the logistics community. Decisions to apply the doctrine will occur there and in the operational community ultimately responsible for training the force and integrating logisticians with operators during contingencies. Formal risk assessment can help Army decisionmakers understand how such changes are likely to affect the risks that the Army faces on the battlefield and the implications of these risks for Army use of contractors.

Force-Design and Management Venues. The TAA determines which required CSS activities the Army will resource from the active-duty, Guard, and Reserve military components. These decisions affect the use of contractors. Diminished active-duty component capability to perform an activity can encourage contractor use to alleviate rotation constraints. Less reserve component capability to perform an activity can encourage contractor use to avoid the political costs of repeatedly mobilizing a small number of units and personnel within these components. The Army uses operations and maintenance (O&M) funds to get other support services, including contracting services. Decisions on how to use O&M funds occur in the Planning, Programming, Budgeting, and Execution System (PPBES) and major command (MACOM) resource management processes. Such decisions on the application of O&M funds affect the Army's use of contractors directly. The sequence of reasoning offered here can help decisionmakers in the TAA, PPBES, and MACOM resourcing processes to understand the effects of their decisions on Army risks and their implications for Army use of contractors on the battlefield.

System Design Venues. System requirements officials and program managers choose the support concept for a new or modified system. This encourages dependence on contractors when the support concept envisions a long interim contractor support period or requires highly skilled support personnel on the battlefield over the life of the system. 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. The sequence of reasoning offered here can help these decisionmakers understand the effects of their decisions on Army risks and the presence of contractors on the battlefield.

Specific Contingencies. Given the decisions made in the venues above, a combatant commander (COCOM) calls on existing Army capabilities to assemble a force. The sequence of reasoning presented here flows directly from this decision setting and is likely to be easiest to apply in this setting. That said, this is the setting that has received the most attention in recent Army doctrine on the use of contractors on the battlefield. Despite its direct applicability here, the sequence of reasoning above may well improve decisionmaking more in venues that have not received as much attention.

In each of these venues, the sequence of reasoning proposed here asks decisionmakers to assess risk by comparing the residual risk of using a contractor source, with appropriate mitigations, with the residual risk of using a military source, with appropriate mitigations. Unfortunately, the decisionmakers in each venue control only a portion of the mitigations relevant to their decisions. They must make assumptions about mitigations that other decisionmakers will apply. Standard Army guidance could help all decisionmakers coordinate their decisions against a common set of assumptions. In the absence of such guidance, the decisionmakers in individual venues will likely apply their own priorities or plan for the worst, assuming mitigation will be inadequate elsewhere. The joint effect of such behavior could easily be underutilization of contractors and hence a higher level of risk on the battlefield than is necessary. The approach suggested here would be grossly incomplete without Army-wide guidance to coordinate decisions in different venues.

Today, decisions relevant to Army use of contractors on the battlefield are made in many of these venues without regard to such an effect. In other places, decisionmakers recognize that their decisions affect the presence of contractors but do not use a risk assessment compatible with the Army's standard approach to risk assessment to

address the effects of their decisions. The Army literature on using contractors on the battlefield and, most particularly, its doctrine on this topic recommends repeatedly to assess the risks of using contractors. We offer the sequence of reasoning in this report to help decisionmakers respond positively to that recommendation in every venue significant to the Army's use of contractors on the battlefield.

Can the Future Differ from the Past?

Even when Army leaders have preferred not to use contractors on the battlefield, why have they repeatedly found it necessary to do so? This report suggests that this may have occurred throughout the Army's history in part because contractors have helped the Army mitigate the effects of specific policy and resource constraints. If enough airlift capacity were available, the Army would prefer to use military personnel. If troop ceilings were higher, the Army would prefer to use military personnel. If the Army had enough active military personnel to handle all of its deployment responsibilities, it would prefer to use military personnel. In the presence of these and many other constraints, it has been necessary to use contractors to reduce the unnecessary risks that the Army faced in each deployment. Because, in all likelihood, such constraints will persist, the Army will continue to use contractors, even though its leaders might prefer to use military personnel in many cases.

We believe a deeper problem underlies the Army's dilemma about using contractors. Disagreement persists in the Army about specific uses of contractors on the battlefield. That is because people in different parts of the Army, with different priorities and different perspectives, lack a common structure and language they can use to present their concerns in comparable terms and reduce their disagreements. Without a common understanding of what affects the Army's use of contractors on the battlefield, many decisionmakers can continue to choose courses of action that increase the Army's dependence on contractors without even realizing it. Others who do understand their effects on the use of contractors have no Army-wide

guidance to shape their decisions and so rely on their own priorities and assumptions about what mitigations will occur elsewhere to choose their own mitigations and sourcing decisions relevant to the use of contractors. When this occurs, people in one part of the Army can decry decisions being made elsewhere without having the power to improve those decisions from an Army-wide perspective.

This report offers a single, integrated model of how a large number of decisions affect the Army's use of contractors on the battlefield and of the principal factors relevant to these decisions. We hope this model and these factors can help shape a more constructive, precise, engaged discussion within the Army. As that discussion proceeds, it will become apparent which considerations are most important to differences in points of view. The Army can focus on collecting better empirical evidence about these considerations and use the evidence to improve its decisions about where, when, and how to use contractors on the battlefield.