

2015

# Employees' Perceived Effectiveness of Outsourcing Department of Defense Functions

Theresa J. Corzine  
*Walden University*

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# Walden University

College of Social and Behavioral Sciences

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Walden University  
2015

Abstract

Employees' Perceived Effectiveness of Outsourcing Department of Defense Functions

by

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M.S., Public Administration, Troy University, 2005

B.S., Bellevue University, 2002

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Public Policy and Administration

Walden University

January 2015

## Abstract

The United States Department of Defense spends billions of dollars annually on outsourcing functions to private contracted companies without knowing if their actions are effective. Guided by Feigenbaum, Henig, and Hamnett's theory of privatization and President Eisenhower's warnings of the impending military-industrial complex, the intent of this grounded theory study was to develop relevant theory regarding how the Department of Defense might accomplish missions through outsourcing during current and future fiscal constraints. This study sought to understand the perceived effectiveness of outsourcing Department of Defense functions through the perspectives of 2 employment groups directly affected by such outsourcing: federal employees and privately contracted employees. In this study, 24 federal employees and 20 privately contracted employees completed qualitative surveys about their perceptions of effectiveness in regards to outsourcing Department of Defense functions. Data were inductively analyzed through open, axial, and selective coding via constant comparison. Findings from this study generated a grounded theory, one positing that 2 distinct elements are important in outsourcing during fiscal constraint: well defined legal requirements and private sector technical expertise. Evidence from this study suggests that when these elements are in place, outsourced Department of Defense functions can progress, regardless of fiscal restrictions. The implications for social change include assisting political leaders with better decision making in support of effective national security policies, while providing good stewardship of tax payer funds.

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## Dedication

I dedicate this work to my husband, Larry, and daughters, Candice and Nicole. Thank you for your support in all of my educational and military endeavors over the years. Your love and encouragement has been a pillar of strength. I also want to dedicate this study to the honorable men and women I had the privilege to serve alongside—it was truly my pleasure. For those who continue to serve, thank you for your service to our great nation.

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## Table of Contents

List of Tables .....	v
List of Figures .....	vi
Chapter 1: Introduction to the Study.....	1
Introduction.....	1
Background of the Study .....	2
Problem Statement .....	4
Purpose of the Study .....	7
Nature of the Study .....	7
Research Question .....	8
Theoretical Framework.....	9
Definition of Terms.....	10
Assumptions.....	11
Limitations .....	11
Delimitations.....	12
Significance of the Study .....	12
Summary and Transition.....	13
Chapter 2: Literature Review .....	14
Introduction.....	14
Literature Search Strategy.....	15
Theoretical Framework.....	16
Literature Review.....	18



Financial Background .....	25
Ethical and Legal Considerations .....	27
Summary and Conclusions .....	35
Chapter 3: Research Method.....	39
Introduction.....	39
Research Question .....	40
Research Design and Approach .....	40
Role of the Researcher .....	42
Methodology.....	43
Participant Selection Logic.....	43
Instrumentation and Data Collection .....	44
Data Analysis Plan.....	46
Issues of Trustworthiness.....	47
Ethical Procedures .....	48
Summary.....	50
Chapter 4: Results.....	51
Introduction.....	51
Setting.....	51
Demographics .....	52
Data Collection .....	59
Data Analysis .....	60
Evidence of Trustworthiness.....	62

Credibility .....	62
Transferability.....	63
Dependability .....	63
Confirmability.....	64
Results.....	64
Definition of Effectiveness vs. Department of Defense Effectiveness.....	66
Mission Progression.....	67
Contributions to Effectiveness.....	69
Hurts Effectiveness .....	70
Implementation of Private Sector Values .....	72
Fair Treatment.....	73
Summary.....	78
Chapter 5: Discussion, Conclusions, and Recommendations.....	80
Introduction.....	80
Interpretation of the Findings.....	80
Conceptual Framework.....	83
Limitations of the Study.....	85
Delimitations of the Study .....	86
Recommendations.....	87
Implications for Positive Social Change.....	89
Conclusion .....	90
References.....	94

Appendix A: Interview Questions .....	104
Appendix B: Participant Background Information .....	105
Appendix C: Consent Form .....	106
Appendix D: Volunteer Announcement Letter .....	108
Curriculum Vitae .....	109

## List of Tables

Table 1. Study Participants as Represented by Employment Group and Function ..... 55

Table 2. Employee Management Level.....55

## List of Figures

Figure 1. Study participants .....	52
Figure 2. Gender, federal employment group .....	53
Figure 3. Gender, private sector employment group .....	54
Figure 4. Age ranges for study participants .....	55
Figure 5. Federal sector, leaders/supervisors vs. employee management level.....	58
Figure 6. Private sector, leaders/supervisors vs. employee management level .....	59
Figure 7. Effectiveness vs. Department of Defense effectiveness.....	66
Figure 8. Perceptions of mission progression, all participants .....	68
Figure 9. Implementation of private sector values, all participants .....	73

## Chapter 1: Introduction to the Study

### **Introduction**

As the U.S. economy struggles, government organizations find it difficult to provide quality services to the public. This economic strain on government organizations has spilled over into national security and how the Department of Defense conducts business. The Department of Defense budget was reduced by \$37 billion in fiscal year 2013 (American Forces Press Service, 2013). With a decrease in defense spending and a decreased number of civilian and active military personnel, the Department of Defense is relying heavily on private-sector contractors to perform national security duties (Office of the Undersecretary of Defense-Comptroller, 2013). On July 18, 2013, the Department of Defense reported a total of 669,693 contracted full time equivalents (Office of the Undersecretary of Defense-Acquisition, Technology, and Logistics, 2013). The intent of this study was to develop relevant theory regarding how the Department of Defense might accomplish missions through outsourcing during current and future fiscal constraints.

In order to provide strong national security while enduring a large budget cut, the Department of Defense must understand the effectiveness of these outsourced functions. Earlier studies have focused on contract oversight and misconduct amongst contracted private employees during Operation Iraqi Freedom and Operation Enduring Freedom. This study focused on the perception of effectiveness of the privately contracted employees who work alongside federal employees. Understanding the perceptions of

these two groups led to identification of methods to improve contractor effectiveness. Improving contractor effectiveness can lead to better stewardship of U.S. tax dollars.

### **Background of the Study**

During President Eisenhower's two terms in the White House, he witnessed the expanded growth of national defense spending to contribute to the Cold War's arms race. This expanded national defense spending was reflected in the creation of a permanent armaments industry which contributes to the national defense of the United States. During his 1961 farewell address, President Eisenhower proclaimed, "The potential for the disastrous rise of misplaced power exists and will persist," in regard to the "military-industrial complex" (Eisenhower, 1961, p. 1).

President Eisenhower's warnings of the rise of the military-industrial complex and President Obama's announcement that government contracts exceeded \$500 billion in 2008 raise the concern of how outsourcing Department of Defense functions to private companies has added to misplacement of power and increased costs (Obama, 2009). In fiscal year 2010, defense spending climbed to \$685 billion (U.S. Government Printing Office, n.d.). In contrast, the proposed base defense budget for fiscal year 2015 is \$495.6 billion and an additional \$58.6 billion for overseas contingency operations, highlighting the need to examine the impact of outsourcing the Department of Defense (Garamone, 2014; Office of the Undersecretary of Defense-Comptroller, 2014a).

In August 2010, then-Secretary of Defense Robert Gates announced the loss of \$100 billion from the Department of Defense budget over the next 5 years. In September 2012, Secretary of Defense Leon Panetta announced a loss of \$487 billion over the next

10 years (Panetta, 2012). With the unclear budget figures for the Department of Defense over the next 10 years, there is clearly a large amount of funding that will be cut. These multibillion dollar cuts will require a more efficient way of doing business for the Department of Defense in order to maintain a reasonable level of national security for the United States of America.

The total proposed procurement funds within the fiscal year 2015 Department of Defense budget equates to \$90.7 billion (Office of the Undersecretary of Defense-Comptroller, 2014b). In comparison, the fiscal year 2013 procurement costs totaled \$115.1 billion, and costs were \$119.9 billion in fiscal year 2012 (Office of the Undersecretary of Defense-Comptroller, 2013). The total drop in procurement costs for the Department of Defense from fiscal year 2012 to fiscal year 2015 equated to a loss of \$29.2 billion (Office of the Undersecretary of Defense-Comptroller, 2014b). In addition to the decrease in procurement funds, the Department of Defense must also be concerned with the ability of the federal employee/contractor mixed work environment effectively meeting mission needs.

Adams and Balfour (2010) focused on ethical issues and how outsourcing enhances or diminishes the government's ability to deliver public services. They noted conflicts of interest and the difficulty of perceiving the blurred boundaries between the public and private sectors. On September 12, 2011, the Office of Federal Procurement Policy issued Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions (Office of Federal Procurement Policy, 2011). This policy letter provided detailed definitions of *inherently governmental* and *critical function*, as well as policy to



ensure only government officials make decisions and perform actions of significant public interest (Office of Federal Procurement Policy, 2011). Seven months after the issuance of the policy letter, the U.S. Government Accountability Office (U.S. GAO, 2012) published a study focused on accountability for the Department of Defense's inventory of contracted services. In April 2012, the U.S. GAO (2012) recommended the military departments develop guidance regarding authority, responsibility, and accountability while conducting an inventory review of contracted services. The U.S. GAO also acknowledged that there were known instances of contractors performing inherently governmental functions within the Army and Air Force, and recommended the two military departments resolve those known instances.

### **Problem Statement**

The U.S. Department of Defense spends billions of dollars annually on outsourcing functions to privately contracted companies without knowing if these actions are effective. The Department of Defense budget has been reduced by \$194.8 billion from fiscal year 2010 to the proposed fiscal year 2015 budget (Garmaone, 2014). In fiscal year 2012 procurement funds equated to \$119.9 billion. The proposed procurement funds for fiscal year 2015 equates to only \$90.7 billion. From fiscal year 2012 to fiscal year 2015 the total procurement funds are being reduced by \$19.2 billion (Office of the Undersecretary of Defense-Comptroller, 2014b).

Existing research on outsourcing has addressed the lack of transparency and misconduct of contracted companies and their employees (Avant & Sigelman, 2010; Krahnmann, 2010). However, none of the literature was directly focused on the perceived

effectiveness of the outsourced functions from those who work in a mixed environment of federal and privately contracted employees in a noncombat zone. Outsourcing is defined as, “To send away (some of a company’s work) to be done by people outside of the company” (Outsource, 2014, para. 3). However, many federal and privately contracted employees work together in the same offices, side-by-side and on a day-to-day basis, to accomplish the mission of defending the United States. Often, teams within the Department of Defense include both federal employees and privately contracted employees to complete projects and meet mission requirements. This first-hand understanding of the advantages, challenges and pitfalls of operations are why these two employment groups were in the best position to provide insight on the perceived effectiveness of the outsourced functions.

Several researchers have effectively studied perceptions among employees (Kelty & Bierman, 2013; Schaub & Franke, 2010). Kelty and Bierman (2013) conducted a study of U.S. Army civilian employees and U.S. Army active military members serving in Iraq and Afghanistan to understand perceptions of private contractors serving alongside them in the war zone. They found that the U.S. Army employees believed the privately contracted employees were providing flexibility and effectiveness to the mission; however, they believed efficiency and cost savings were lacking. Schaub and Franke (2010) conducted a survey of military officers and privately contracted employees who had performed in an armed capacity within a war zone. They found that military officers were not comfortable labeling armed private contractors as professionals in combat roles. Schaub and Franke recommended future research to explore the

effectiveness of the contractor–military working relationship in an unarmed environment. Therefore, this study filled the gap and focused on effectiveness of the federal/contractor mixed environment outside of a war zone, as perceived by both employee groups.

Otara (2011) stated, “No two people experience and interpret sensations, situations, or their own feelings the same way” (p. 21). The climate and effectiveness of a working environment are shaped by the perceptions of leaders, managers, and employees within an organization (Otara, 2011). This study focused on how employees think about or understand the effectiveness of outsourcing within the Department of Defense from their own experiences. Jordan, Lindsay, and Schraeder (2012) stated, “Improving the performance of [private sector] organizations can be enhanced through a more comprehensive awareness of employees’ perspectives, attitudes and behaviors” (p. 675). Therefore, the employees who are directly involved with outsourcing in the Department of Defense were in the best position to understand how outsourcing affects the mission. Understanding the employee’s perception of effectiveness provided valuable insight to how the Department of Defense mission is being accomplished (Kelty & Bierman, 2013; Schaub & Franke, 2010). Studying the perceived effectiveness of outsourcing functions provides the Department of Defense with a basis to either incorporate more or less outsourcing to privately contracted companies. It is important for the government to implement effective policies that support national security, while acting as good stewards of U.S. tax dollars. Understanding the perceived effectiveness of outsourcing Department of Defense functions identifies shortfalls in mission accomplishment (Kelty & Bierman, 2013; Schaub & Franke, 2010).

### **Purpose of the Study**

The purpose of this study was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal and privately contracted employees. This study investigated the perceptions of contractor effectiveness from the viewpoint of federal and privately contracted employees who are not serving in a combat zone. This study focused on federal and contracted employees who either currently work in a federal/contractor mixed environment or had done so within the past 2 years.

### **Nature of the Study**

According to Creswell (2009), the qualitative method of research is best for exploring a concept or phenomenon. The qualitative method allows the researcher to explore a topic when the theory base is unknown (Creswell, 2009). Within qualitative research, there is more focus on data collection, analysis, and writing (Creswell, 2009). In this study, I collected qualitative data through e-mailed surveys and document review. This approach allowed inductive development of a theory from the data rather than the data being dependent upon how the theory is generated, in a process explained by Glaser and Strauss (1967).

I collected data from the two employment groups of public and private sector employees. The public sector employee group was represented by Department of Defense civilian employees and active military members. The private sector employee group was represented by private contractors hired by private sector companies to provide services to the Department of Defense. According to Creswell (2009), a well-

saturated theory requires data collection from 20 to 30 individuals. This study included a sample size of 24 public sector employees and 20 private sector employees. Participants completed e-mailed surveys. The research questions focused on understanding the individuals' interpretation of the environment. I analyzed the collected data through open, axial, and selective coding. Throughout the coding process, I wrote down ideas about the evolving theory and produced a substantive theory. In this research study, I also analyzed public documents, including government reports. Chapter 3 includes a more detailed explanation of the sample size and data collection.

The focus of this qualitative study was on perceived effectiveness of outsourced functions of the Department of Defense from the public and private sector employees' views. Studying the perceived effectiveness from the two employee groups provided a more in-depth picture of outsourcing Department of Defense functions. This study provided an understanding of how these two groups can successfully work together to meet mission requirements of the Department of Defense within shrinking budgetary confines. The research question served as the basis for this research study and for devising the survey questions. Chapter 3 will further address the design and methodology of the study.

### **Research Question**

1. What are the perceptions of each employment group (federal employees and privately contracted employees) towards the effectiveness of outsourcing Department of Defense functions to the private sector?

## Theoretical Framework

The theoretical approach for this study was grounded theory, which allowed inductive development of a theory from the data rather than having the data being dependent upon the theory, as explained by Glaser and Strauss (1967). The grounded theory approach generates a theory after gathering information through interviews, document reviews, and observations. It involves systematic procedures of data gathering and analysis built on procedures such as open, axial, and selective coding, as explained by Creswell (2009).

In this grounded theory study, I built a conceptual framework from the collected data. There was not much existing information on the perceived effectiveness of outsourcing the Department of Defense functions from federal and privately contracted employees' point of view. I developed the theory from an inductive process of building from the data to a generalized model or theory. I followed Creswell's (2009) inductive logic of research in a qualitative study. The steps were to gather information from document review and e-mailed surveys, ask open-ended questions, analyze data to form themes, look for broad patterns or generalizations to form theories from the themes, and pose generalizations or theories from past experiences and literature (Creswell, 2009).

The grounded theory approach requires constant comparison throughout data collection (Creswell, 2009). While the case study approach is similar to grounded theory, the case study is limited by a certain time constraint or activity (Creswell, 2009). The research study required no limitation on time or activity; therefore, the grounded theory strategy was most effective for this research study.

### **Definition of Terms**

*Active duty:* Full-time duty in the active military service of the United States. This includes members of the Reserve Components serving on active duty or full-time training duty, but does not include full-time National Guard duty (Joint Publication 1-02, 2011).

*Contracting officer representative (COR):* A military or civilian government employee who is designated and authorized in writing by the contracting officer to perform specific technical or administrative functions on contracts or orders. (Defense Acquisition University, 2013).

*Federal government source:* Any organization within an executive agency that uses federal government employees to perform the activity (Federal Activities Inventory Reform Act, 1998).

*Government contractor:* A person or business, including authorized subcontractors, that provides products or services for monetary compensation. A contractor furnishes supplies and services, or performs work at a certain price or rate based on the terms of a contract. In a military operation, a contractor may be used to provide life support, construction/engineering support, weapons system support, and other technical services (Department of the Army, 2003, 3-100.21).

*Inherently governmental function:* A function that is so intimately related to the public interest as to require performance by federal government employees (Federal Activities Inventory Reform Act, 1998).

### **Assumptions**

In this qualitative study, I assumed the participants would be honest and open with their responses. The participants in this study were Department of Defense civilian employees, active military members, and privately contracted employees who were either currently working in a federal/contractor mixed environment or had done so within the past 2 years. I had access to voluntary participants fitting the criteria. I assumed that conducting e-mailed surveys would not influence participants' responses and that necessary government documents would be available for review.

### **Limitations**

This study included 44 total participants. The federal employment group was represented by 24 employees, consisting of 16 Department of Defense civilians and 8 active duty military members. The private sector employment group was represented by 20 employees. Sixteen of the 20 private sector employees were prior active duty military members. The inability to locate a majority of privately contracted employees who had never been employed in the active duty military sub-group may have limited the perceptions from the private sector employment group. Study participants represented 14 different functional communities. The federal employment group represented 11 functional communities: information systems/cyber, acquisition, operations, contracting, security, education and doctrine, logistics, intelligence, medical, manpower/personnel, and strategic plans and policy. The private sector employment group represented five functional communities: engineering, information systems/cyber, acquisition, mission support, and operations.



### **Delimitations**

This study focused on Department of Defense civilian employees, active military members, and privately contracted employees who were either currently working in a federal/contractor mixed environment or had done so within the past 2 years. Expanding the study participant pool to those who had worked in the federal/contractor mixed environment within the past 2 years was based on the mobile nature of the possible participants. For example, many active military members are relocated on recurring basis every 2 to 3 years.

### **Significance of the Study**

Ideas and recommendations from this research study will benefit the Department of Defense and other federal, state, and local government agencies. This study filled the gap in literature by allowing the employees affected by outsourcing of the Department of Defense to be heard. Determining the perceived effectiveness of outsourcing the Department of Defense functions to private sector companies will lead to more informed decision making and responsible stewardship of U.S. tax dollars by political leaders. I envision positive social change coming from senior leaders within U.S. governmental agencies, as they are better informed to make decisions. This research study will impact social change in areas of lawmaking to ensure effective national security policies are transparent and cost-advantageous. This study helped me as a practitioner and planner in my ability to develop a strong, balanced argument to assist leaders with making better decisions.

The main focus of this study was to develop relevant theory regarding how the Department of Defense might approach missions through outsourcing during current and future fiscal constraints. I developed relevant theory through exploring the perceptions of effectiveness by the employees who are directly affected by the outsourcing of Department of Defense functions. With the decrease in defense funding, there is a need to understand if outsourcing is perceived to be effective. Studying the perceived effectiveness of outsourcing functions will provide the Department of Defense with a basis to either incorporate more or less outsourcing to privately contracted companies. It is important for the government to implement effective national security policies, while acting as good stewards of tax payer funds. Understanding the perceived effectiveness of outsourcing Department of Defense functions identified shortfalls in mission accomplishment.

### **Summary and Transition**

Chapter 1 introduced this qualitative, grounded theory study focused on the perception of effectiveness of outsourced Department of Defense functions to private contracted companies through the eyes of the federal and privately contracted employees who work within a mixed federal/contracted environment. Chapter 2 presents the literature reviewed. In chapter 3, I explain the qualitative research methodology and the grounded theory approach used for my study. Chapter 4 describes the setting, demographics, data collection, data analysis, evidence of trustworthiness, and results of the study. In chapter 5, I provide a summary of the study, interpretation of the findings, recommendations, and implications of the study.

## Chapter 2: Literature Review

### **Introduction**

The purpose of this study was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal employees and privately contracted employees. The U.S. Department of Defense is spending billions of dollars annually on outsourcing functions to privately contracted companies without knowing if its actions are effective (U.S. GAO, 2012). From fiscal year 2012 to fiscal year 2015 the total procurement funds were reduced by \$19.2 billion (Office of the Undersecretary of Defense-Comptroller, 2014b). This literature review included the most relevant published information concerning the privatization of Department of Defense functions in the form of outsourcing and established relevant contextual elements.

The current literature consistently reported on the lack of accountability and transparency with contracting actions throughout the Department of Defense. In a report prepared for the Congressional Research Service, Schwartz (2010) declared that there are numerous problems with the management of contracts and contracted employees. Poor contract oversight is a common theme throughout the literature. Adams and Balfour (2010) discovered few or ineffective regulatory controls over private contractors while performing a case study of the government contracted company Blackwater (now, XE). This lack of quality contract oversight raises the question of how effectively contracted employees perform Department of Defense functions. This qualitative study answered the question of effectiveness by understanding the perceptions of federal and privately

contracted employees. This chapter will provide a summary of the search strategy, conceptual framework, and a review of the literature.

### **Literature Search Strategy**

Literature for this review came from examining works by researchers and other experts in the field, dissertations, government reports, and peer-reviewed journal articles published within the past 5 years. I gathered the literature through various electronic databases such as the Congressional Research Service, the General Accounting Office, Google Scholar, ProQuest, EBSCO Political Science Complete, EBSCO Business Source Premier/Complete, EBSCO Military and Government Collection, and EBSCO Political Science Complete: A SAGE Full-Text Collection. I used the following key words: *government contracting, privatization, military-industrial complex, outsourcing, Department of Defense outsourcing, Department of Defense privatization, military contractors, private security contractors, civil-military, privatization and national security, and effectiveness of outsourcing.*

This review also included organizational documents from the following government websites: the Congressional Research Service, the U.S. General Accounting Office, Air University web portal, the U.S. Department of Defense web site, the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics, the Office of the Undersecretary of Defense–Comptroller, the Defense Technical Information Center, and the Defense Acquisition University. These websites contained valuable information pertaining to outsourcing costs, budgets, contract oversight reviews, and mission

statements. The information contained within these organizational websites was not available in the reviewed journals.

The theory of privatization and the warnings of President Eisenhower to be wary of the encroaching military–industrial complex will provide the conceptual framework for this study. In this chapter, I will review the following topics: contract oversight, previous studies of employee perceptions, financial background, and ethical and legal considerations. A summary and conclusions will complete this chapter.

### **Theoretical Framework**

According to Feigenbaum, Henig, and Hamnett (1999), privatization is broadly defined as, “The shifting of a function, either in whole or in part, from the public sector to the private sector” (p. 1). Feigenbaum et al. (1999) argued that privatization is a “political phenomenon versus an economic response to growth of the state and cost of state provision” (p. 1). This study builds on the theory of privatization by using a grounded theory study focused on perceptions of the federal employees and the privately contracted employees in regards to perceived effectiveness of outsourcing Department of Defense functions. Feigenbaum et al. (1999) argued that a net shrinking of the state is not always necessarily the result of introducing market forces or transferring public functions to private companies. By understanding the perceptions of effectiveness of outsourcing the Department of Defense through the eyes of both the federal employees and the privately contracted employees, this study developed theory to recognize the political and economic factors of outsourcing the Department of Defense.

In his 1961 farewell address to the nation, President Eisenhower warned citizens to be wary of private company profiteering in the name of the military–industrial complex. President Eisenhower also expressed concern that elected officials may have difficulty balancing the need for a large military infrastructure and such profiteering (Eisenhower, 1961; Janiewski, 2011). During President Eisenhower’s two terms in the White House, he witnessed the expanded growth of national defense spending to counteract the Cold War’s arms race. This expanded national defense spending was reflected in the creation of a permanent armaments industry that contributes to the national defense of the United States. The permanent armaments industry is grounded in scientific development. Scientific development provided the tools for national defense. In turn, scientific advancement required a relationship be established between military officers and civilian scientists (Kampmark, 2011).

Two years after President Eisenhower’s farewell address to the American people, the first chairman of the Atomic Energy Commission, David E. Linenthal, questioned the conflict of interest for the scientists involved in the military–industrial complex. According to Kampmark (2011), Linenthal expressed concern that a scientist could be conflicted with the desire for independent research and the reality of justifying expenses under the confines of the military–industrial complex. This conflict of interest has also been felt in the highest levels of office. After leading Halliburton as chief executive officer and chairman for 5 years, Dick Cheney became Vice President of the United States and generated much controversy over government contracts between Halliburton and the U.S. Department of Defense (Kampmark, 2011). U.S. senators have also

experienced similar conflicts of interest. For example, 44 states were involved with the development of the F-22 fighter jet, equating to 88 senators bringing business to their states (Kampmark, 2011). These conflicts of interest feed into the political phenomenon under the theory of privatization as expressed by Feigenbaum et al. (1999).

### **Literature Review**

The current literature consistently reported on the lack of accountability and transparency with contracting actions throughout the Department of Defense. In a report prepared for the Congressional Research Service, Schwartz (2010) declared that there are numerous problems with the management of contracts and contracted employees.

Schwartz (2010) discovered that the “DoD did not begin to gather data on contractors until the second half of 2007” within the U.S. Central Command (p. 4). The U.S. Central Command has been responsible for both Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq since 2001 and 2003, respectively (Torreon, 2012).

Poor contract oversight was a common theme throughout the literature. Adams and Balfour (2010) discovered few or ineffective regulatory controls over private contractors while performing a case study of the government-contracted company Blackwater (now, Academi). Blackwater’s financial presence in government contracting rose from only \$205,000 in contract dollars in fiscal year 2000 to \$593 million in fiscal year 2006 (Adams & Balfour, 2010). The rise in Blackwater’s contracting presence was accompanied by a string of incidents involving Blackwater employees in Iraq. After four Blackwater employees were killed and burned by Iraqi insurgents in 2004, Blackwater employees began offensive tactics which included shooting Iraqi civilians and releasing

tear gas canisters in Baghdad's Green Zone injuring U.S. soldiers and Iraqis (Adams & Balfour, 2010). In addition to the questionable practices of Blackwater employees in Iraq, Adams and Balfour (2010) also noted that "only 3.5% of Blackwater's 2006 contract dollars are listed as having been awarded competitively, with more than 70% awarded by an 'unknown' process" (p. 625). Due to cutbacks in government budgets and personnel, there is a concern that monitoring ethical practices of government contractors will become even more difficult and in turn, more difficult to protect the public interest (Adams & Balfour, 2010). In addition to the cutbacks in budgets and personnel administering and overseeing government contracts, Dickinson (2011) suggested a lack of prestige associated with military contracting specialists based on limited opportunities for career advancement within the ranks. This lack of prestige may be translated into a corps of underperforming contract administrators and/or contracting officer representatives. The lack of quality contract oversight raises the question of how effectively contracted employees perform Department of Defense functions.

According to Johnston and Girth (2012), a lack of quality contract oversight begins with market management. Their grounded theory study gathered data through semi structured interviews with federal, state, and local contract administrators. Market management requires, by law or policy, the contract administrators to stimulate competition by seeking out vendors to contact and solicit (Johnston & Girth, 2012). Laws and policies also establish preference for specific types of vendors (i.e., veteran owned, disadvantaged owned, etc.). This stimulation of competition also includes placing all qualified, willing vendors in a database and awarding contracts to many



vendors, thereby spreading the wealth and causing contract administrators more work (Johnston & Girth, 2012). This form of market management does not truly foster competition, and the cost to manage the market is not factored into contracting decisions (Johnston & Girth, 2012).

Most of the literature reviewed did not study the perceived effectiveness from the viewpoint of both the federal employees and privately contracted employees. Three current studies, and one outdated study, focused on the perceptions of the various employee groups (Anderson, McGuiness, & Spicer, 2002; Kelty & Bierman, 2013; Moore, 2011; Schaub & Franke, 2010). Kelty and Bierman (2013) included both U.S. Army civilian employees and U.S. Army active duty military members in Iraq and Afghanistan to understand perceptions of private contractors serving alongside them, in the war zone. The descriptive analysis study showed the Army employees (civilian and active duty military) believed the privately contracted employees were providing flexibility and effectiveness to the mission. However, the participants believed that efficiency and cost savings were lacking (Kelty & Bierman, 2013). The study participants were most discouraged by the imbalance of pay and benefits between themselves and the privately contracted employees. According to McCoy (2010), the estimated average pay for private contractors ranged from \$6,000 to \$12,000 per month. In comparison, deployed enlisted military members in the rank of E-5 with 4 years of service an estimated \$3,113.27 per month in 2010 (Defense Finance and Accounting Service, 2013). Deployed commissioned officers in the rank of O-4 with 8 years of service earned an estimated \$6,429.74 per month in 2010 (Defense Finance and

Accounting Service, 2013). The Department of Defense government civilians are compensated through a pay scale of GS-1 through GS-15, based on steps 1 through 10. The average estimated monthly salary for a GS-8, step 5 deployed Department of Army government civilian in 2010 was \$6,041 (Office of Personnel Management, n.d.; U.S. Army Corps of Engineers, n.d.). While the estimated average pay for a commissioned military officer and the Department of Army government civilian were above the bottom pay for privately contracted employees in a deployment environment, the average enlisted military member earned only about half of the lowest paid privately contracted employees (Defense Finance and Accounting Service, 2013; McCoy, 2010; Office of Personnel Management, n.d.; U.S. Army Corps of Engineers, n.d.).

Moore (2011) conducted a phenomenological study of Department of Defense federal civilian employees and American Federation of Government Employees (AFGE) labor union members in Oahu, Hawaii. Moore's (2011) study focused on core values, attitudes and beliefs regarding privatization experiences of these participants. Moore (2011) recommended further research be surrounded by various questions, including whether or not "private sector employees are subject to disparate treatment as a result of their co-location with federal civil servants in a federal workplace" (p. 203). The answer to this recommended question could be a factor in the perceptions of effectiveness from both the federal employees and the privately contracted employees. The majority of Moore's participants favored traditional public service values and approved implementation of private sector values as an essential means of reforming the federal sector (Moore, 2011). Acknowledging the necessity for implementing private sector

values by these Department of Defense civilian employees may lead to the perception of better communication and cohesion within the federal/contractor mixed working environment. Therefore, I asked research participants if they approve of the implementation of private sector values as an essential means of reforming the federal sector. I believe if this is the view of the participant, the participant may be more apt to perceive contractors as effective.

In addition to the studies conducted by Kelty and Bierman (2013) and Moore (2011), Schaub and Franke (2010) performed a survey of military officers and privately contracted employees. The participating commissioned military officers were students attending Air University courses within the U.S. Air Force. Attendees of Air University in-resident courses are selected through a competitive process, and include military members of the U.S. Air Force, U.S. Army, U.S. Navy, U.S. Marine Corps, and over 65 partner nations (Deale, 2014). Of the 157 responding commissioned military officers, 126 were serving in the U.S. Air Force and 30 respondents had never been in combat (Schaub & Franke, 2010). The privately contracted employees who participated in the study had a law enforcement background and had completed at least one overseas deployment with a security firm in an armed capacity. Two thirds of the privately contracted employees surveyed had a military background, and 95% of them had previously served as enlisted military members (Schaub & Franke, 2010). The study questioned how the two employee groups view each other, their roles and professional status. The results stated that the military officers “displayed both vehemence and ambivalence toward professional status of contractors in such roles” (Schaub & Franke,

2010, p. 101). The fact that the majority of the surveyed privately contracted employees had previously served in the military as an enlisted member raises the question of whether or not the surveyed commissioned military officers had biases against privately contracted employees based on this fact. However, the study did not ask the commissioned military officers if they knew the privately contracted employees they had encountered were formerly enlisted military members. Commissioned military officers are appointed by the President of the United States, have earned at least an undergraduate degree, and are trained to be leaders and supervisors of enlisted members (U.S. Air Force Reserve Officer Training Corps, 2014). Enlisted military members are not required to have an undergraduate degree and are not appointed by the President of the United States (U.S. Air Force Reserve Officer Training Corps, 2014). This fundamental difference between commissioned military officers and enlisted military members may be a bias, translated into the ambivalence and vehemence towards the privately contracted employees by the surveyed commissioned military officers regarding the professional status of the privately contracted security employees. The study recommended enhanced joint training and future research to explore the relationship between military and both armed and unarmed private contractors (Schaub & Franke, 2010). My study explored the relationship between military, government civilians, and unarmed privately contracted employees.

In addition to these more recent studies, an earlier study in 2002, conducted by Anderson, McGuinness, and Spicer (2002), a team of three commissioned military officers representing the U.S. Air Force, the U.S. Army, and the U.S. Navy, focused

solely on commissioned military officers or equivalent Department of Defense civilian employees. From their limited study, Anderson et al. (2002) concludes that while there is focus on efficiency within the outsourcing practices of the Department of Defense, there is very little focus on effectiveness. My study focused on effectiveness through the perceptions of both the federal employees and the privately contracted employees.

While the previous studies discovered in the literature review focused on various aspects of the federal and private contracted employee relationships, none of the studies incorporated the perceptions from both the federal employees and privately contracted employees of effectiveness in an unarmed environment. Kely and Bierman (2013) focused on U.S. Army civilian and military members serving in Iraq and Afghanistan. Moore (2011) focused on Department of Defense civilian employees and American Federation of Government Employee labor union members serving in Oahu, Hawaii. Schaub and Franke (2010) focused on competitively selected commissioned military officers attending U.S. Air Force senior level courses and private security contractors whose majority had served in the military as enlisted members. Anderson et al. (2002) focused solely on commissioned military officers or equivalent Department of Defense civilians. These studies did not include the perceptions of the federal employees (both military and government civilian) and privately contracted employees in an unarmed, outsourced environment.

The U.S. combat mission in Iraq ended on August 31, 2010 (Torreon, 2012). Also, the U.S. combat mission in Afghanistan is on schedule to end in 2014 (North Atlantic Treaty Organization, 2014). With the drawdown of U.S. combat missions

around the globe, the perceived effectiveness of outsourcing within a noncombat environment was the focus of this study. My study focused on Department of Defense civilians, military members, and privately contracted employees outside of the combat zone.

### **Financial Background**

Fiscal year 2001 for the Department of Defense was coming to an end when a series of terrorist attacks on U.S. soil occurred on September 11, 2001. On October 7, 2001, U.S. and coalition armed forces retaliated against these terrorist attacks by entering into the Global War on Terrorism in Afghanistan, also known as Operation Enduring Freedom (Torreon, 2012). On March 20, 2003, U.S. and coalition armed forces entered into the second front of the Global War on Terrorism in Iraq, also known as Operation Iraqi Freedom (Torreon, 2012). Within 2 years, the U.S. armed forces were embroiled in two major operations at one time.

With the increase in armed conflict, contracts awarded by the Department of Defense to private sector companies grew exponentially. A financial review of contracts awarded by the Department of Defense from fiscal year 2001 to fiscal year 2010 shows a sharp, eight-fold increase in the number of contract actions and contract costs. According to the General Service Administration's Federal Procurement Data System (n.d.), the number of contracts awarded by the Department of Defense rose from 79,105 in fiscal year 2001 to 3,627,420 in fiscal year 2010. The total costs of contract awards also drastically increased from \$45.6 billion in fiscal year 2001 to \$367.3 billion in fiscal year 2010 (Federal Procurement Data System, n.d.).

Ten years after the September 11, 2001 attacks on U.S. soil, the Budget Control Act of 2011 was passed (Carter, 2012). The Budget Control Act of 2011 decreases defense spending by \$487 billion over 10 years. The Budget Control Act of 2011 also threatened sequestration if Congress did not pass a comprehensive budget, which came to fruition in 2013. Sequestration reduced the Department of Defense budget by \$37 billion in fiscal year 2013 (American Forces Press Service, 2013). Based upon the cuts in the Budget Control Act of 2011, the Secretary of Defense and the Chairman, Joint Chiefs of Staff announced a new defense strategy in 2012 (Panetta & Dempsey, 2012).

According to Panetta and Dempsey (2012), the new defense strategy emphasizes a few key concepts that may impact the outsourcing Department of Defense functions. The new defense strategy focuses on a leaner and agile force structure, as well as developing the capability to surge and mobilize as needed (Panetta & Dempsey, 2012). The focus of the new defense strategy will shift from Afghanistan and Iraq to Asia-Pacific and the Middle East (Panetta & Dempsey, 2012). With the focus shifting to a leaner force, the need for contractors may become greater in order to quickly fill positions with trained, qualified employees.

In addition to the shift to a leaner force, personnel cuts have been announced from the Office of Secretary of Defense, the U.S. Air Force, and the U.S. Army. On December 4, 2013, Secretary of Defense Hagel announced a 20% reduction in personnel across the Office of the Secretary of Defense and the Joint Staff by 2019, with an expected savings of \$1 billion (Hagel, 2013). The Office of Secretary of Defense and the Joint Staff reductions are to begin immediately and be in place by January 2015 (Hagel, 2013). On

December 11, 2013, the U.S. Air Force announced an estimated reduction of 25,000 airmen over the next 5 years (Air Force News Service, 2013). The U.S. Air Force also announced a reduction of 900 civilian positions, while maintaining approximately 7,000 current vacancies, in fiscal year 2014 (Air Force News Service, 2013). On June 25, 2013, the U.S. Army Chief of Staff, General Ray Odierno announced a reduction of 80,000 soldiers by the end of fiscal year 2017 (Odierno, 2013). On June 19, 2013, the U.S. Navy announced it would be eliminating 745 Navy civilians, starting in fiscal year 2013 and completing in fiscal year 2014 (Commander, Navy Installations Command Public Affairs, 2013). The drastic decreases in budget, government civilian personnel, and active military members within the Department of Defense may lead to a greater need for contractor support based on the inability to quickly develop the federal employment group. The need for additional contractors to augment the Department of Defense is plausible, as the Department decreases the manpower to complete the mission through personnel caps and restructuring of the armed forces (Schwartz & Church, 2013). According to Schwartz and Church (2013), "Post-Cold War budget cuts resulted in an increased reliance on contractors" (p. 22). The near future need for more contractors to augment the Department of Defense may add to the ethical dilemmas of today.

### **Ethical and Legal Considerations**

Collaboration between the public and private sectors is important in striking a balance of mission effectiveness while providing national security. However, making a profit sets them apart from one another. In Secretary Panetta's May 2012 ethics memorandum, he touted the responsibility for all Department of Defense employees



(military and government civilians) to uphold the public trust (Office of the Secretary of Defense, 2012). Secretary Panetta went further to write, “Even the perception of unethical behavior or impropriety must be avoided” (Office of the Secretary of Defense, 2012, p. 1). In order to serve citizens equally, public sector employees must meet the challenges of providing services effectively. On the other hand, the private sector’s purpose is to gain a return on investment and create a profit.

Outsourcing Department of Defense functions is broken out into two categories: inherently governmental and the make-buy criteria which are those functions better to be outsourced. Determining the functions which are inherently governmental and better to be outsourced is based upon the manpower mix criteria set forth in the Department of Defense Instruction 1100.22 (Office of the Undersecretary of Defense-Personnel & Readiness, 2010). In addition, the Department of Defense Instruction 5000.60 states, “It is Department of Defense policy that U.S. Government funds shall not be used to preserve an industrial capability unless it is the most cost- and time-effective alternative for meeting national security requirements” (Office of the Undersecretary of Defense-Acquisition, Technology, and Logistics, 2014, p. 2). Per Department of Defense Instruction 1100.22, “Functions that are inherently governmental cannot be legally contracted” (Office of the Undersecretary of Defense-Personnel and Readiness, 2010, p. 2). The line of determination between inherently governmental and the make-buy criteria is time consuming and riddled with over 43 directing publications, as listed in Department of Defense Instruction 1100.22 (Office of the Undersecretary of Defense-Personnel and Readiness, 2010). Although illegal in accordance with Department of

Defense Instruction 1100.22 (Office of the Undersecretary of Defense-Personnel and Readiness, 2010), the U.S. Army and the U.S. Air Force both identified privately contracted employees performing inherently governmental functions and unauthorized personal services in the fiscal year 2011 Review of Inventory of Contracted Services (U.S. Government Accountability Office, 2013). The U.S. Army identified 936 privately contracted employees performing inherently governmental functions, and 718 privately contracted employees performing unauthorized personal services (U.S. Government Accountability Office, 2013). The U.S. Air Force identified 473 privately contracted employees performing inherently governmental functions, and 85 privately contracted employees performing unauthorized personal services (U.S. Government Accountability Office, 2013). The contracting process is very complicated, and the number of contracts and total costs of contracting out both continue to rise. As President Eisenhower warned during his farewell speech from the White House in 1961, outsourcing national defense to the private sector places the abilities and interests of the public into the hands of profiteering private companies (Eisenhower, 1961).

Dickinson (2011) warns that the intermingling of privately contracted employees and military members may weaken the military culture. When private companies are hired by the Department of Defense to perform a function or set of functions, the Department of Defense does not provide training to the contracted company. The privately contracted company is expected to provide properly trained and equipped personnel to perform the outsourced function(s). Based on the unique duties of the Department of Defense, this training requirement may be difficult for the contracted

company to meet. Placing undertrained contractors in positions next to qualified military members and Department of Defense civilian employees to perform a task may put these employees in a precarious position based on the nature of the function.

Outsourcing security operations in Iraq and Afghanistan has resulted in privately contracted employees carrying weapons and providing security against terrorists and other criminal elements. Outsourcing security operations was originally based upon the lack of probability of direct confrontation with a uniformed enemy (Terry, 2010). Indeed, terrorist organizations do not wear uniforms and do not fall under the rules of a uniformed armed force of a sovereign nation. Military personnel are able to engage in combat following rules of engagement derived from the Department of Defense Directive 2311.01E (2006). However, privately contracted security employees are private civilians who are not subject to the Geneva Conventions of 1949; therefore, they are not classified as combatants under the law of war (Terry, 2010). When private contractors commit felony offenses outside of the United States, military commanders in control of these privately contracted employees are responsible for disarming, apprehending and detaining these suspects (Terry, 2010). Terry (2010) acknowledges the significant burden of contracted security personnel killing host-nation civilians within the armed environments of Iraq and Afghanistan.

In addition to death caused by contracted personnel, other issues that have risen include allegations of fraud, bid rigging, embezzlement, fraudulent overbilling and kickbacks (Terry, 2010). In order to alleviate the allegations of wrong doing, the Department of Defense has to provide stronger oversight and management of the

contracts and privately contracted employees. When privately contracted employees are assigned a position to support the Department of Defense, military members or civilian employees must provide oversight as quality assurance inspectors. A contracting officer representative (COR) is assigned in writing by the contracting officer to perform specific technical or administrative functions on contracts or orders (Defense Acquisition University, 2013). The appointed COR is either a military member or government civilian employee, and “serves in a critical and vital role in assuring contractors meet the performance requirements of the contract” (Defense Acquisition University, 2013, p.1). However, Schwartz and Church (2013) found that contracting officer representatives receive little training on how to work with privately contracted employees.

An example of the need for proper oversight of contractors was discovered in a 2006 U.S. GAO report. According to the U.S. GAO (2006), the U.S. Army estimated that almost 60,000 contracted private sector employees were supporting ongoing military operations in Southwest Asia as of December 2006. The U.S. GAO report (2006) went on to find that some military commanders in Iraq were unable to determine the number of privately contracted employees and the support being provided by these privately contracted employees. As of March 2013, 108,000 privately contracted employees were in Afghanistan, comprising 62% of the total force (Schwartz & Church, 2013).

Adams and Balfour (2010) conducted a case study of the government contractor formerly known as Blackwater (now, Academi). Blackwater changed the company name in 2009 to Xe after audits were conducted by the State Department Inspector General and the Special Inspector General for Iraq Reconstruction (Adams & Balfour, 2010).

Blackwater has since changed the name of the company to Academi (Academi, 2014). In their study, Adams and Balfour (2010) found few or ineffective regulatory controls. DeNevers (2009) also studied the Blackwater case. In addition to the lack of proper controls, DeNevers (2009) questions the legal status of these privately contracted employees under the existing international humanitarian law framework, and calls for legislation to regulate the industry for accountability purposes. More specifically, the classification of combatant or civilian lingers over the Blackwater employees (DeNevers, 2009). Combatants are afforded the right to fight, prisoner of war status, and are considered a lawful target of attack; however, civilians such as the Blackwater employees are not protected as combatants and can face criminal charges (DeNevers, 2009).

Cohn (2011) also questions the accountability of privately contracted employees and offers a theory of civilian control of security agents engaging continuous measurement of control. Cohn (2011) identifies the various differences between the public sector and the private sector in the realm of privatization of national security. While military members are direct employees of the state with a legal system which emphasizes a strong sense of duty; the private sector emphasizes efficiency and profit-making (Cohn, 2011). Lavalley (2010) presents a theory of civil-military integration which also discovers a lack of accountability and transparency in the use of privately contracted employees within the Department of Defense.

After the Cold War, the Department of Defense began focusing on ways to save money and became more corporate with a just-in time focus (Lavalley, 2010). In the private sector, just-in time and cutting costs propels the value of the company. In the

Department of Defense, the focus is on war fighting and military readiness, in order to fulfill the national security mission.

With the Department of Defense focused on military readiness and national security, other facets of military infrastructure have been ignored. The U.S. Army provides a good example of when outsourcing a project can be beneficial. The U.S. Army began privatizing their lodging program in 2009. According to a 2010 U.S. GAO report, the Army hired a private developer to perform major renovations on existing facilities, as well as developing new construction. Based on the poor conditions of the Army controlled facilities at the time of privatization, the private developer had to delay construction for two years based on several life-safety and critical systems deficiencies (U.S. GAO, 2010). These safety concerns included dysfunctional fire alarms and buildings not meeting current construction codes (U.S. GAO, 2010). The U.S. Army employees (military and government civilian) in charge of Army lodging operations were putting the lives of their customers in danger.

In addition to contract oversight, there are fundamental differences between the two employment groups. However, there are benefits to hiring private contractors. Benefits to hiring contractors include the ability to hire contractors faster than the Department of Defense can develop internal capability, and the ability to release contractors when their services are no longer needed (Schwartz, 2010). Wedel (2011) raises the concern of privately contracted employees fulfilling roles that are deemed inherently governmental and require upholding the national interest. Privately contracted employees are not accountable to the public, as are military members and government

civilian employees. Today, the Department of Defense is comprised of an all volunteer military. The core function of the active military force is war fighting. These volunteer military members have signed on to die for their country, if required. On the other hand, it is difficult to believe that private contractors are willing to die for their company (Wedel, 2011). Jordan et al. (2012) suggest that federal employees are drawn to public sector organizations, “based on altruism or a calling to serve others” (p. 64). While military members are assigned to various locations throughout their tenure, Department of Defense civilians are normally assigned to only one locale and rarely deploy to combat zones.

Competitive sourcing, also known as A-76, attempts to pit Department of Defense civilian employees against private contractors (Grasso, 2005). The competition which ensues between the Department of Defense civilian employees and private contractors can be disruptive to the mission and possibly hurt morale. The fundamental idea of hiring Department of Defense civilian employees is to provide a stable work force in support of the national defense mission. The idea of attempting to pit Department of Defense employees against profiteering private companies to gain positions is contradictory of the idea of that stable work force.

Joaquin (2009) speaks of an A-76 manager from the Army Corps of Engineers who explained, “Except for those very, very routine functions that don’t break the mission, there is a danger of losing agency capacity when contractor’s fail” (p. 263). Attempting to simply meet the goals of competitive outsourcing (A-76) just to meet the mandate does not appear to be effective.

According to Monahan and Palmer (2009), 70% of the intelligence budget in the United States of America is devoted to private contractors. The collection and analysis of intelligence throughout the United States has become a major function belonging to these privately contracted companies. The burden of data collection and access provided to these privately contracted employees warrants the concern of impingement upon citizens' rights. The sharing of intelligence data between public and private sector employees has also led to "mismatches between security clearances and incorrect assumptions about whom to include in the information loop" (Monahan & Palmer, 2009, p. 623). In addition to the accessibility of personal information, there is a lack of standards amongst the various entities. From lack of standardized technology to insufficient training, the public and private sector employees assessing, collecting and analyzing personal information on American citizens is quite unregulated (Monahan & Palmer, 2009). The possibility of violation of civil liberties is very real.

### **Summary and Conclusions**

Privately contracted employees have been supplementing the Department of Defense since the Revolutionary War by providing goods and services (Schwartz, 2010). In today's modern world, privately contracted employees are also providing services normally reserved for active military and Department of Defense civilian members. In Afghanistan and Iraq, privately contracted employees have been providing armed, security services in support of Operation Enduring Freedom and Operation Iraqi Freedom (Adams & Balfour, 2010; DeNevers, 2009; Kelty & Bierman, 2013; McCoy, 2010; Schaub & Franke, 2010; Schwartz, 2010; Schwartz & Church, 2013; Terry, 2010). While



the growth in privately contracted employees has relieved the federal sector of certain duties, it has created a need for better contract oversight and management.

Understanding the perceptions of effectiveness from employees affected by contracting out Department of Defense functions provided a basis for understanding the effectiveness of such outsourcing.

The purpose of this study was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal employees and privately contracted employees. The theory of privatization and President Eisenhower's warnings of the encroaching military-industrial complex created the conceptual framework for this study. The literature reviewed was limited from both the federal employees and the privately contracted employees' perspective. However, the researcher did discover three current and one outdated studies focused on limited groups. Kely and Bierman (2013) focused on U.S. Army civilian and military members serving in Iraq and Afghanistan. Moore (2011) focused on Department of Defense civilian employees and American Federation of Government Employee labor union members serving in Oahu, Hawaii. Schaub and Franke (2010) focused on competitively selected commissioned military officers attending U.S. Air Force senior level courses at the U.S. Air Force Air University and private security contractors whose majority had served in the military as enlisted members. Anderson et al. (2002) focused solely on commissioned military officers or equivalent Department of Defense civilians. These studies did not include the perceptions of both the federal employees and the privately contracted employees in a noncombat, outsourced environment.

A good portion of the literature focused on the financial background of the Department of Defense budgets in relation to monies spent or to be spent on private contractors. The majority of the literature reviewed was focused on ethical and legal considerations of outsourcing Department of Defense functions to privately contracted companies. Ethical lapses focused on both privately contracted employees and federal employees. Misconduct of privately contracted employees and companies was well documented (Adams & Balfour, 2010; Terry, 2010). Dickinson (2011) questioned the perception of prestige and career advancement opportunities for military members overseeing contracts. Schwartz and Church (2013) identified the lack of properly trained contracting officer representatives charged to ensure private contractors are meeting the performance requirements of the contract. The lack of research on the perceived effectiveness of outsourcing the Department of Defense from both the federal employees and the privately contracted employees' perspective supports the purpose for this study, as stated in Chapter 1.

Based on the lack of current research on the perceived effectiveness of outsourcing the Department of Defense from the employees' perspective, this study was conducted using a grounded theory strategy of inquiry. Of the five qualitative research inquiries, the grounded theory approach was the most suitable for this study. The grounded theory approach allowed inductive development of a theory from the data rather than the data being dependent upon the theory, as explained by Glaser and Strauss (1967). The grounded theory approach generates a theory after gathering information from interviews, document reviews, and observations. Research questions were focused

on how the individuals experienced the process and identify steps in the process. After reviewing these answers, I then returned to the participants to ask more detailed questions based on core phenomenon, causal conditions, strategies, and consequences (Creswell, 2009). None of the literature reviewed focused on the perceived effectiveness of outsourced Department of Defense functions from the viewpoint of both federal employees and privately contracted employees. The grounded theory approach allowed inductive development of a theory from gathering information from emailed surveys and document reviews to systematically collect data. Phenomenological research, narrative research, case study research, and ethnographic research were not appropriate for this study for various reasons which will be discussed in Chapter 3. Chapter 3 will further describe the research methodology used in this qualitative, grounded theory study.

## Chapter 3: Research Method

### **Introduction**

The United States Department of Defense is spending billions of dollars annually on outsourcing functions to private contracted companies without knowing if their actions are effective (U.S. GAO, 2012). The purpose of this study was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal employees and privately contracted employees. This study focused on federal and privately contracted employees who were either currently working in a federal/contractor mixed environment or had worked in such an environment within the past 2 years.

This chapter includes a discussion of the research design and rationale. Next, I provide a justification for the use of a qualitative study design with a grounded theory approach. The chapter then articulates the role of the researcher, sampling strategy, instrumentation, procedures for participation recruitment, data collection and analysis, issues of trustworthiness, and ethical procedures.

I used a qualitative, grounded theory approach to address the research question for this study. Survey responses and document reviews answered this study's research question. I e-mailed surveys to 24 federal employees and 20 privately contracted employees who were either currently working in a federal/contracted environment or had done so within the past 2 years.

### **Research Question**

1. What are the perceptions of each employment group (federal employees and privately contracted employees) towards the effectiveness of outsourcing Department of Defense functions to the private sector?

### **Research Design and Approach**

As noted in Chapter 2, the main emerging concepts from the literature review were the expanding military–industrial complex and the theory of privatization. In 1961, President Eisenhower warned the American people of the possibility for misplaced power with the expansion of the military–industrial complex (Eisenhower, 1961). Over 5 decades later, the military industrial complex has indeed grown in both numbers and strength. The theory of privatization is a second main concept that emerged from the literature review. The theory of privatization contends that outsourcing is more of a political phenomenon rather than an economic response (Feigenbaum et al., 1999). This theory proposes that federal employees are just being replaced with privately contracted employees with no regard to saving money.

According to Creswell (2009), the qualitative method of research is a problem best suited for exploring a concept or phenomenon. The qualitative method allows the researcher to explore a topic when the theory base is unknown (Creswell, 2009). Within the qualitative research method, there is more focus on data collection, analysis, and writing (Creswell, 2009). Qualitative data are collected through interviews, observations, and document review (Patton, 2002).

This qualitative study was conducted using a grounded theory strategy of inquiry. The grounded theory approach allows the researcher to inductively develop theory from the data rather than the data being dependent upon the theory (Glaser & Strauss, 1967). The grounded theory approach is both scientific and attempts to understand emotional issues. Research questions for the grounded theory approach focus on how the individuals experienced the process and identify steps in the process. After reviewing these answers, the researcher then returns to the participants to ask more detailed questions based on core phenomenon, causal conditions, strategies, and consequences (Creswell, 2009). None of the literature reviewed focused on the perceived effectiveness of outsourced Department of Defense functions from the federal and privately contracted employee's viewpoint. The grounded theory approach allowed me to generate a theory by gathering information from e-mailed surveys and document reviews as systematically collected data.

A phenomenological approach was not appropriate for this study because it was not my intent to understand the life experiences of the participants. The phenomenological approach focuses on the meaning of the phenomenon for several individuals (Creswell, 2009). A narrative approach is similar to a phenomenological approach. However, the narrative approach focuses on the life experiences of a single individual versus many individuals. This study was focused on understanding the perceptions of the participants.

A case study approach was not appropriate for this study because a case study is bounded in time and explores a process (Creswell, 2009). Limiting the study to a case

would not allow me to identify how the participants experienced the process. A case study approach is appropriate when the researcher has clearly identifiable cases (Creswell, 2009). This study did not have clearly identifiable cases bounded in time.

An ethnographic approach focuses on cultural groups and their shared behaviors, beliefs, and language (Creswell, 2009). This study did not include a defined cultural group from an anthropologic lens. Although this study focused on individuals who were performing Department of Defense functions, the two employment groups surveyed are not part of a culturally specific group.

I reviewed and interpreted the collected data prior to entering my own personal experiences into the summary. I maintained a distance from personal bias throughout the inductive process to develop a more accurate theme and conclusion from the data collected.

### **Role of the Researcher**

In a qualitative study, the researcher often takes on the role of observer-participant in order to fully understand the phenomenon (Patton, 2002). I used an observer-participant approach. I engaged surveys and document reviews to fully understand the phenomenon. I used purposeful sampling to select individuals who have experienced the cultural phenomenon (Creswell, 2009). Participants for this study included two employment groups: public and private sector employees. The public sector employee group was represented by Department of Defense civilian employees and active duty military members. The private sector employee group was represented by private contractors hired by private sector companies to provide services to the

Department of Defense. This study was focused on these two employment groups who either currently works in a federal/contractor mixed environment or had done so within the past 2 years. I as the researcher have ties to both employment groups. I am a retired active duty military member with 20 years of service, with active service concluding September 30, 2006. I was also a former private contractor working in a federal/contractor mixed environment; the last employment date with this contractor was March 15, 2013.

While I recruited potential participants from previous employment situations, I did not recruit any participants with whom I had a supervisory or instructor relationship. I was cognizant of possible personal bias and managed possible bias by asking open-ended questions of the participants and objectively reviewing documents.

### **Methodology**

A qualitative study focuses on data collection, analysis, and writing (Creswell, 2009). In order to gain insight on the data collected, the researcher must purposefully select participants who are familiar with the problem. Once the researcher purposefully selects participants, it is important to then saturate the theory with enough participants (Creswell, 2009). Once the proper participants are selected, the researcher must ensure the proper method for collecting data. Constant comparison of the data allows the researcher to organize and categorize the data for analysis.

### **Participant Selection Logic**

The population for the two employment groups, who were either currently working in a federal/contractor mixed environment or had done so within the past 2



years, is unknown. However, the total population of the public sector employees consists of approximately 1.98 million employees; 1.4 million active military members and over 580,000 Department of Defense civilian employees. Private sector employees consist of 669,698 contractors (Office of the Undersecretary of Defense-Acquisition, Technology and Logistics, 2013). According to Creswell (2009), a well-saturated theory requires data collection from 20 to 30 individuals. Therefore, this study included a sample size of 24 federal employees and 20 private sector employees. Selected participants were either currently working in a federal/contractor mixed environment or had done so within the past 2 years. Potential participants were selected using snowball sampling. Snowball sampling allowed the researcher to locate participants who fit the criterion (Patton, 2002). My past employment as an active duty military member and a private contractor provided access to individuals within the two employment groups. I have acquaintances in both employment groups, who in turn knew other potential participants. I am connected via social media with approximately 75 persons who are connected to one or both of the employment groups studied.

### **Instrumentation and Data Collection**

I collected data through open-ended surveys and document reviews. Documents were obtained through official government web sites. These documents included memorandums, regulations, policies, and other relevant official documents pertaining to the outsourcing of the Department of Defense. Reviewing official documents related to the Department of Defense mission, vision, regulations, and policies created a baseline

for me to juxtapose official perceptions of mission effectiveness to participant responses.

I conducted surveys through e-mail.

I employed standardized open-ended survey protocol. Posing the same basic questions in an open-ended format increased comparability of responses, and reduced researcher bias (Patton, 2002). Content validity was established through clarification of my bias and triangulation of data. I recruited potential participants through snowball sampling to gain access to individuals who fit the criterion. My past employment as an active duty military member and a privately contracted employee provided access to individuals within the two employment groups. I have acquaintances in both employment groups, who in turn know other potential participants. I am connected via social media with approximately 75 persons who are connected to one or both of the employment groups studied. I conducted the surveys through e-mail. Data were recorded digitally. Based on social media connections, I was able to recruit an adequate number of study participants. I have maintained contact information for each participant and informed each participant that a follow up survey may be needed. Participants were grouped into three sub-categories based on management position within their corresponding employment group. Those three sub-categories were distinguished as lower-level management, middle-level management, and upper-level management. Active duty military members holding the rank of E-1 through E-6 were classified as lower-level management; E-7 through O-4 were classified as middle-level management; and, O-5 through O-10 were classified as upper-level management. Department of Defense civilian employees GS-1 through GS-6 were classified as lower-level

management; GS-7 through GS-14 were classified as middle-level management; and, GS-15 through Senior Executive Service (SES) were classified as upper-level management. Privately contracted employees self-identified themselves within the three sub-categories of management based upon their organizational structure.

### **Data Analysis Plan**

Surveys were conducted through e-mail. Survey questions were open-ended to increase comparability of responses, and reduce researcher bias (Patton, 2002). A list of survey questions is located Appendix A. Once the surveys were completed, the digital files were entered into Nvivo 10. An Nvivo file was created for each participant. Coding in a grounded theory study requires a systematic approach which begins with open coding, then moves to axial coding, and finishes with selective coding (Creswell, 2009). I read through all of the data to create a basic description and then proceeded to generate categories based upon the categories. I then selected one of the categories and positioned it within a theoretical model. After organizing data into categories, I then began to develop concepts based upon the categories. Constant comparison was conducted as I organized and categorized the data.

I incorporated the organized and categorized data into qualitative analysis computer software to facilitate comparing different codes. Qualitative analysis computer software allowed for efficient storage and location of the data (Creswell, 2009). I used a combination of hand coding the data and computer software to analyze the data, based on the large number of participants.

### **Issues of Trustworthiness**

Researchers have an obligation to honor trust of colleagues, themselves and society (National Research Council, 2009). Without establishing trust and validity in research, researchers are unable to gain truthful knowledge to assist with societal issues. Researchers must protect participants, develop trust, promote integrity and guard against misconduct (Creswell, 2009). Credibility in research can be achieved through various strategies, such as triangulation, member checks, reflexivity, and peer review. Triangulation can be achieved by obtaining information from a diverse range of individuals and settings, using a variety of methods (Maxwell, 2013). I recruited survey participants from 14 different functional communities within the two employment groups, and reviewed official documents. Member checking requires the researcher to solicit feedback from the participants (Maxwell, 2013). Member checking was accomplished by soliciting feedback from five participants.

Transferability establishes repeatable procedures for research. External validity of the research was accomplished by maintaining digital files and taking strategic notes (Patton, 2002). Surveys were conducted through e-mail to create automatic digital files. The use of direct digital feedback from respondents via e-mail created a clear, thick description of the setting without including trivial information. Collecting data through e-mail provided a consistent setting dismissing researcher bias from the surroundings.

Dependability in qualitative research requires the researcher's approach to be consistent across different researchers and projects (Creswell, 2009). I developed an audit trail containing survey protocol and transcripts. Constant comparison of the data

was accomplished with the codes and memoing throughout the study. Codes were cross-checked and queried for consistency using Nvivo 10 and Microsoft Excel 2007.

Qualitative research requires the researcher to delve into the field to study the phenomenon (Patton, 2002). Entering into the field requires the researcher to remain objective and applying realism to the study. I sought out the best fit by tracking and reporting alternative classification systems, themes, and explanations throughout coding and analysis. In order to remain objective, I included my own thoughts and feelings in the field notes, as well as personal experiences. Aliases were assigned to each study participant. Analysis and interpretation of the data were completed without acknowledging personal identity of the individual participants to assure objectivity. While I recruited potential participants from previous employment situations, I did not recruit any participants with whom I or my spouse has had a supervisory or instructor relationship. Objectively collecting, analyzing, and interpreting the data provided a clear level of trustworthiness and credibility to the study.

### **Ethical Procedures**

The study required interaction with human participants. Data collection from human participants presents risks of human rights violations (Creswell, 2009). In order to protect participants of human rights violations, this study was reviewed by the Walden University Institutional Review Board. The Walden University approval number for this study is 05-20-14-0151752 and expires on May 19, 2015. Study participants were protected through various measures. All potential participants were provided a consent form, detailing the voluntary nature of the study, identifying the background of the study,

time commitment, privacy and security of all collected data. Collected data will be securely stored for at least 5 years via a password-protected computer and a password-protected stand-alone hard drive for backup purposes. All participants were identified by a number alias such as Study Participant 1 (SP 1). I am the only individual with access to the identifiable information of the participants.

Snowball sampling allowed the researcher to locate participants who fit the criterion (Patton, 2002). This study required snowball sampling to ensure the participants belong to one of the two employee groups who either currently works in a federal/contractor mixed environment or has done so within the past 2 years. Study participants were represented by two employment groups: public employees and private sector employees. The public sector employment group was represented by Department of Defense civilian employees and active duty military members. The private sector employment group was represented by private contractors hired by private sector companies perform Department of Defense functions. I as the researcher have ties to both employment groups. I am a retired active duty military member with 20 years of service, with active service concluding September 30, 2006. I am also a former private contractor working in a federal/contractor mixed environment; last employment date with this contractor was March 15, 2013. Based upon my past and present connections to the targeted community, I was known to some of the potential participants. I did not recruit any participants of which I have had a supervisory or instructor relationship. In addition, my spouse is currently serving as an active duty military member. I did not recruit any participants of which my spouse has had a supervisory or instructor relationship.

## Summary

The research design and approach to this study was a qualitative design with a grounded theory approach. Surveys and document reviews were conducted to answer the research question. This study included open-ended survey questions with 24 participants from the public employment group and 20 participants from the private sector employment group. Snowball sampling was used to ensure participants fit the criterion of the study. Documents were obtained through official government web sites. I constantly compared data throughout the study using open, axial and selective coding. The study ensured credibility, transferability, dependability, and confirmability throughout data collection and analysis. Participants were protected through privacy, confidentiality, and security of collected data. This study was reviewed by the Walden University Institutional Review Board to ensure protection of participants against human rights violations.

Chapter 4 will describe the setting, demographics, data collection, data analysis, evidence of trustworthiness, and results of the study. Chapter 5 includes a summary of the study, interpretation of the findings, limitations of the study, recommendations, and implications of the study.

## Chapter 4: Results

### **Introduction**

The purpose of this research was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal and privately contracted employees. This study focused on federal and privately contracted employees who were not serving in a combat zone and who currently work in a federal/contractor mixed environment or had done so within the past 2 years. This study was guided by the following research question:

1. What are the perceptions of each employment group (federal employees and privately contracted employees) towards the effectiveness of outsourcing Department of Defense functions to the private sector?

I begin this chapter with a description of the setting and present the participant demographics. I continue with a discussion on how I collected and analyzed the data, and provide evidence of trustworthiness. I conclude this chapter with a presentation of the study results and discuss discrepant cases.

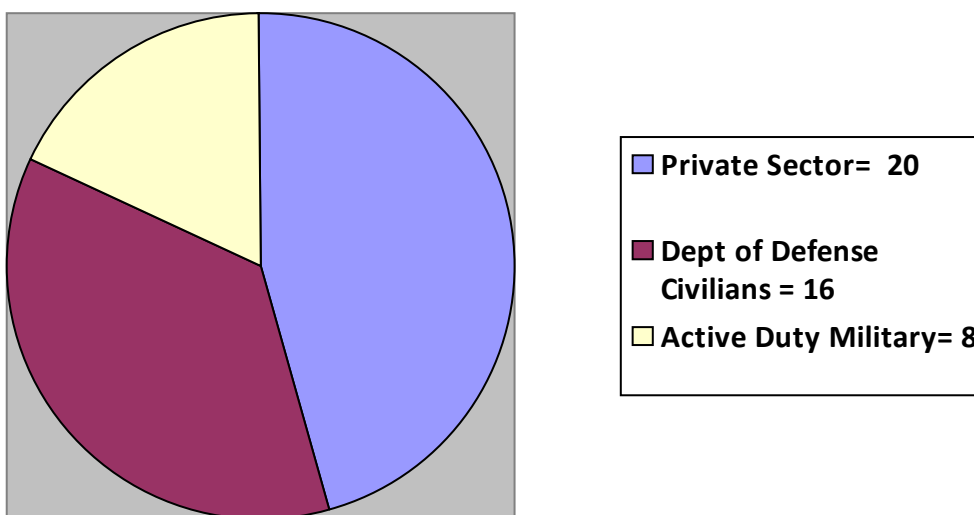
### **Setting**

I conducted this study through surveys and document reviews. I obtained documents through official, public government web sites. I conducted open-ended surveys via e-mail. Member checking was also conducted through e-mail.



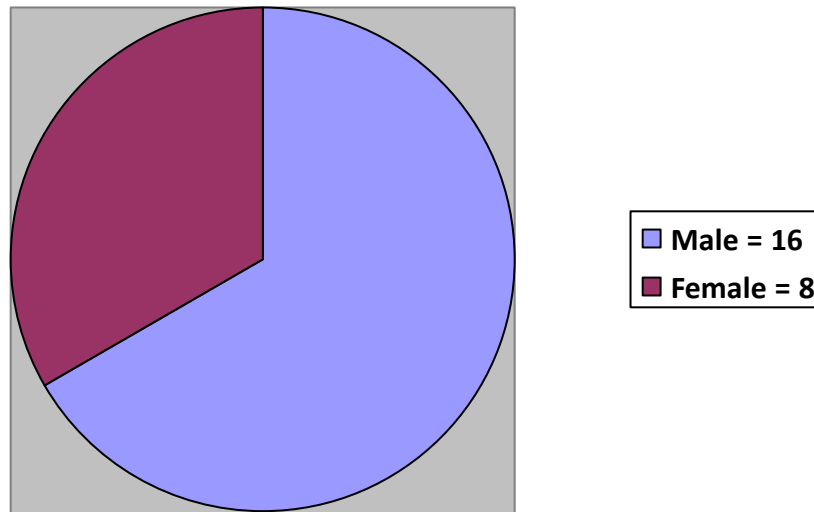
### Demographics

This study included 44 total participants. The federal employment group was represented by 24 participants consisting of 16 Department of Defense civilians and eight active duty military members. The private sector employment group was represented by 20 participants (see Figure 1).



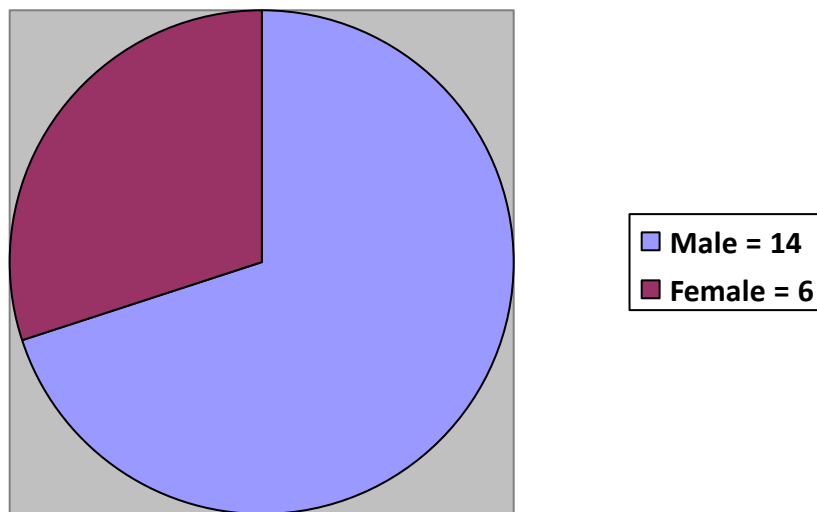
*Figure 1.* Study participants.

The study participants consisted of 30 males and 14 females. The federal employment group was represented by 16 males and eight females (see Figure 2).



*Figure 2.* Gender, federal employment group.

Similar to the federal sector employment group, the majority of the private sector employees were male. The private employment group was represented by 14 males and six females (see Figure 3).



*Figure 3.* Gender, private sector employment group.

Ages of study participants were captured through age ranges: 18–29, 30–39, 40–49, 50–59, and 60+. Both employment groups were represented by similar aged participants. Federal sector employees were represented by one employee in the 18–29 range, three employees in the 30–39 range, four employees in the 40–49 range, 11 employees in the 50–59 range, and two employees in the 60+ range (see Figure 4). Private sector employees were represented by one employee in the 18–29 range, one employee in the 30–39 range, eight employees in the 40–49 range, 10 employees in the 50–59 range, and no employees in the 60+ range (see Figure 4).

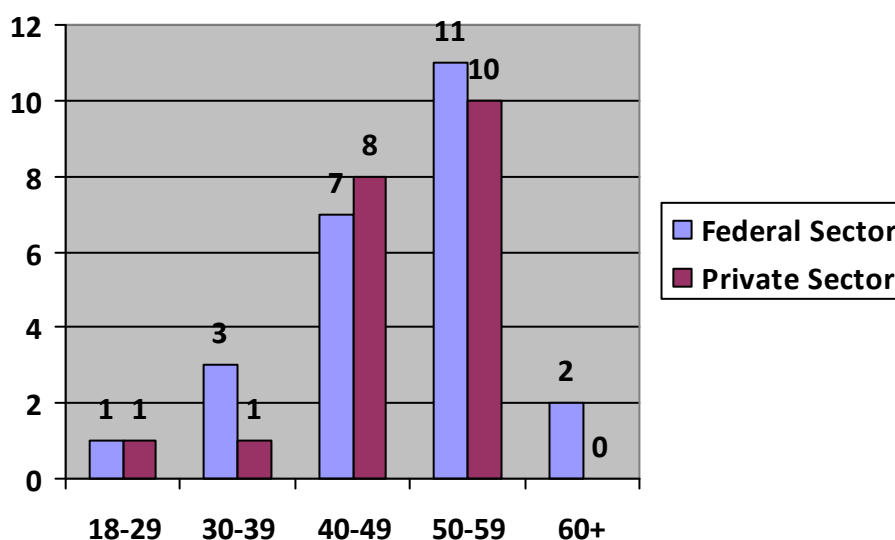


Figure 4. Age ranges of study participants.

The study participants represented 14 different functional communities (see Table 1). The functional communities represented were: engineering, information systems/cyber, acquisition, mission support, operations, contracting, security, education & doctrine, logistics, intelligence, medical, manpower/personnel, and strategic plans & policy. The federal employment group represented the following 12 functional communities: information systems/cyber, acquisition, operations, contracting, security, education & doctrine, logistics, intelligence, medical, manpower/personnel, and strategic plans & policy (see Table 1). The private sector employment group represented the following five functional communities: engineering, information systems/cyber, acquisition, mission support, and operations (see Table 1).

Table 1

*Study Participants as Represented by Employment Group and Function*

Function	Employment Group		
	Federal	Private Sector	Total
Info Systems/Cyber	10	14	24
Logistics	4	0	4
Operations	1	2	3
Acquisition	1	1	2
Mission Support	0	2	2
Education & Doctrine	2	0	2
Engineering	0	1	1
Contracts	1	0	1
Security	1	0	1
Intelligence	1	0	1
Medical	1	0	1
Manpower/Personnel	1	0	1
Strategic Plans & Policy	1	0	1
	24	20	44

Federal sector employees were asked to identify their employee management levels through pay grade bands. Department of Defense civilians were separated using GS-ratings: GS-1 through GS-6 ratings were identified as lower-level employees, GS-7 through GS-14 ratings were identified as middle-level employees, and, GS-15 through SES ratings were identified as upper-level employees. Active duty military members were separated using rankings: E-1 through E-6 rankings were identified as lower-level employees, E-7 through O-4 rankings were identified as middle-level employees, and, O-5 through O-10 rankings were identified as upper-level employees. Private sector

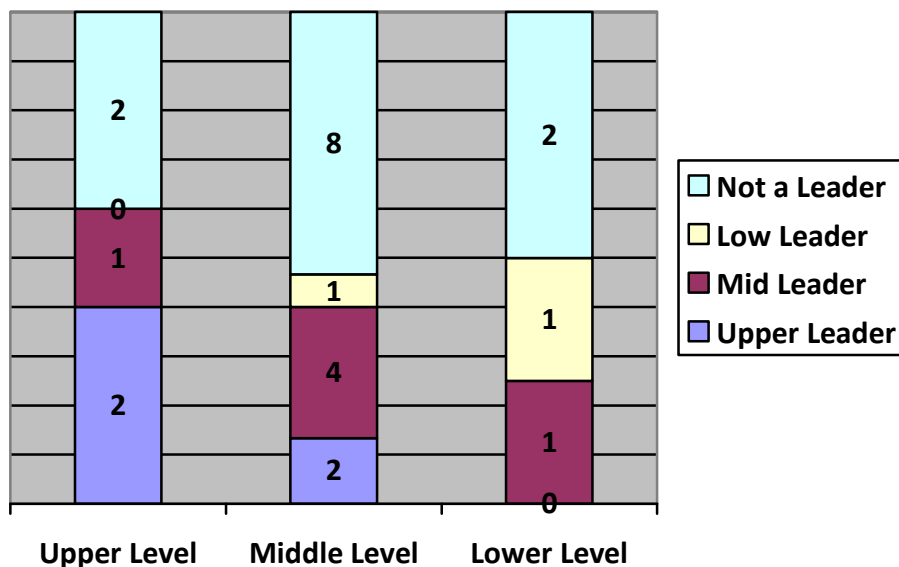
employees self-identified themselves as lower-level, middle-level or upper-level management. The study participants consisted of 15 lower-level employees, 21 middle-level employees, and eight upper-level employees within their organizations (see Table 2).

Table 2

*Employee Management Level*

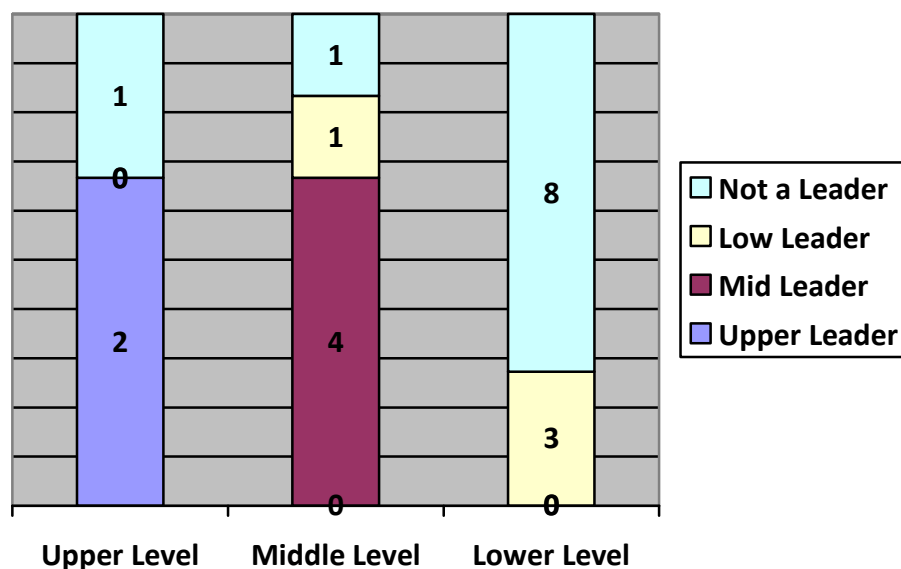
Management Level	Employment Group		
	Federal	Private Sector	Total
Lower-level	4	11	15
Middle-level	15	6	21
Upper-level	5	3	8
	24	20	44

All five upper-level federal sector employees were active duty military members, with two of them not in a supervisory or leadership position. Two of the 14 Department of Defense civilians were middle-level employees, but were supervising/leading in upper-level management positions. Twelve employees within the federal sector were not working in a leadership/supervisory position (see Figure 5).



*Figure 5.* Federal sector – leader/supervisor vs. employee management level.

Ten of the 20 private sector employees were not working in a leadership or supervisory position, to include one upper-level employee. Three of the 11 lower-level employees were leading or supervising other lower-level employees. Four of the middle-level employees were leading or supervising other middle-level employees, and one was leading or supervising a lower-level employee. Two of the upper-level employees were leading or supervising at their level (see Figure 6).



*Figure 6.* Private sector - leader/supervisor vs. employee management level.

None of the active duty military members had ever been employed as a Department of Defense civilian or as a private sector employee. Four of the 16 Department of Defense civilians had never been employed as an active duty military member or as a private sector employee. Out of the 20 private sector employees, 18 had been previously employed in the federal employment group.

### **Data Collection**

Data were collected through e-mailed surveys and document reviews on official government web sites. The study was announced through my personal profiles on LinkedIn and Facebook social media websites. In addition, I directly e-mailed potential participants. Sixty-three potential participants were contacted, and a total of 44 study participants responded to the surveys through e-mail. According to Creswell (2009), a



well-saturated theory requires data collection from 20 to 30 participants. Twenty-four participants represented the federal sector employment group and 20 participants represented the private sector employment group. Facebook provided the best results for recruiting study participants. Twenty-nine of the 38 potential participants contacted through Facebook participated in the study. LinkedIn produced five participants out of 10 potential participants contacted. Direct email produced 10 participants out of 15 contacted.

The researcher assigned a number alias (i.e. SP 1, SP2) to all potential study participants. The study participants retained their originally assigned number alias from the list of potential participants. This method provided me with an extra level of anonymity when reviewing participant responses. I am the only individual with access to the participants' identifiable information. The data were retained in digital file format. Official government documents were obtained through official government web sites. The Federal Acquisition Regulation (2005) containing updated Federal Acquisition Circulars FAC 2005-09, Subpart 7.5 – Inherently Governmental Functions (2006) and FAC 2005-73, Subpart 19.8 – Contracting with the Small Business Administration (The 8(a) Program) (2014) were reviewed.

### **Data Analysis**

Data analysis was conducted after gathering all of the interviews and demographic questionnaires and entering the digital files into Nvivo 10. An Nvivo file was created for each participant, containing individual interview responses. Data from individual participant interview files were then merged into one interview file per

interview question. An Nvivo file was also created for the demographic responses. Data from the Nvivo files were then entered into Microsoft Excel 2007 for further comparison. After reading all of the data, a basic description was created. Next, categories were developed based on demographics. Collective participant responses, experience in other employment groups, and employee management level were the most significant categories based on demographics. The demographic categories of age, gender, functional community, years employed within current employment group, and leadership/supervisory position did not provide any significant themes.

After organizing data into categories, concepts were developed based upon the categories. Data were constantly compared as participant responses were organized and categorized. Nvivo 10 and Microsoft Excel 2007 were utilized to efficiently store and locate the data, as well as tools to compare different codes. Through constantly comparing the data, the most significant themes across the categories were national security, tax payer savings, function dependent, technical expertise, poor contract management, and over reliance on the private sector.

Thirty-six of 44 participants were concerned with maintaining national security, while saving tax payer dollars. Twenty-eight of the 44 participants perceived outsourcing Department of Defense functions as effective dependent upon the function, and specifically, when technical expertise is required for the function. Study participant 42 (SP 42) offered, "While there are core components that can't be outsourced (e.g. combat function), others are clearly better suited for contractor staff to perform (e.g. researching and developing new technology, building new weapon systems, military support

functions, etc.).” Twenty-eight of the 44 participants expressed concern about poor contract management and over reliance on private sector employees as hurting the effectiveness of outsourcing Department of Defense functions. Study participant 47 (SP 47) stated, “Outsourcing people to help decide on requirements and implementation leaves too many loyalty questions – is the contract actually working for the betterment of the government/mission and not for more business.”

Many of the participant responses were similar in nature in both employment groups for each interview question. However, two discrepant cases were noted. Two study participants, SP 19 and SP 37, had extreme responses in comparison to the 42 other participants. While these two participant responses appeared to be extreme, these discrepant responses were folded into the analysis as examples of differing themes in the coding process. Discrepant cases will be further discussed in the Results section of this chapter.

### **Evidence of Trustworthiness**

Researchers have an obligation to honor trust of colleagues, themselves and society (National Research Council, 2009). Without establishing trust and validity in research, researchers are unable to gain truthful knowledge to assist with societal issues. Researchers must protect participants, develop trust, promote integrity and guard against misconduct (Creswell, 2009).

### **Credibility**

Credibility was achieved through triangulation and member checking. Triangulation can be achieved by obtaining information from a diverse range of

individuals and settings, using a variety of methods (Maxwell, 2013). Triangulation was achieved by recruiting participants from 14 different functional communities within the two employment groups. Member checking was accomplished by soliciting feedback from five participants. Official documents were reviewed to juxtapose participant responses.

### **Transferability**

Transferability establishes repeatable procedures for research. External validity of the research is accomplished by recording interviews in digital files and taking strategic notes (Patton, 2002). Surveys were performed through e-mail to create automatic digital files. The use of direct digital feedback from respondents via e-mail created a clear, thick description of the setting without including trivial information. Collecting data through e-mail provided a consistent setting dismissing researcher bias from the surroundings.

### **Dependability**

Dependability in qualitative research requires the researcher's approach to be consistent across different researchers and projects (Creswell, 2009). An audit trail was developed containing survey files. Data were constantly compared using codes and memoing throughout the study. Codes were cross-checked and queried for consistency using NVivo10 and Microsoft Excel 2007.

## **Confirmability**

Qualitative research requires the researcher to delve into the field to study the phenomenon (Patton, 2002). Entering into the field requires the researcher to remain objective and applying realism to the study. I sought out the best fit by tracking and reporting alternative classification systems, themes, and explanations throughout coding and analysis. Data were objectively collected, analyzed, and interpreted by including thoughts and feelings in the field notes, as well as personal experiences. Participants were informed of potential conflicts of interest through the consent form. Individuals who had been or were currently being supervised or instructed by me or my spouse were not permitted to participate in the study. All participants were identified by a number alias such as Study Participant 1 (SP 1). Analysis and interpretation of the data were completed without acknowledging personal identity of the individual participants to assure objectivity.

## **Results**

This research study gained insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal employees and privately contracted employees. This study was guided by the following research question:

1. What are the perceptions of each employment group (federal employees and privately contracted employees) towards the effectiveness of outsourcing Department of Defense functions to the private sector?

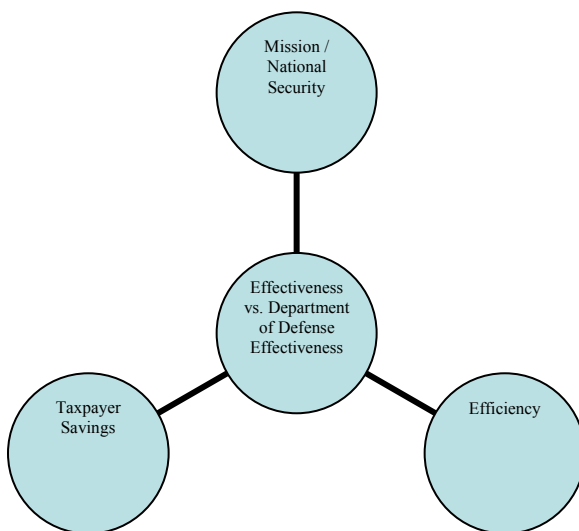
The collective responses of study participants revealed various trends in the interview data. Although the study consisted of two employment groups representing 14 functional communities and a wide array of experience, there were many common themes within each interview question. I assumed all participants would be honest and open with their responses. All participants knew their responses were anonymous, and were often direct and open with their responses.

Generally, participant responses were similar dependent on their prior experience within other employment groups. None of the eight active duty military member subgroup had experience as a Department of Defense civilian or as a private sector employee. Four of the 16 Department of Defense civilians had never been employed as an active duty military member or as a private sector employee. Twelve of the 16 Department of Defense civilians were previously employed as either an active duty military member, private sector employee, or as both an active duty military member and a private sector employee. Eighteen of the 20 private sector employees had prior experience in the federal sector group.

Overall, participants from all three employee management levels had similar responses. However, some similarities were more evident between the lower- and middle-level employees across the employment groups. The majority of the participants were in the middle-level management group, represented by 21 participants. The lower-level employees were represented by 15 participants. The upper-level employees were represented by eight participants.

### Definition of Effectiveness vs. Department of Defense Effectiveness

Thirty-six of the 44 study participants perceived differences between effectiveness and effectiveness in the Department of Defense context. Mission, national security, taxpayer savings, and efficiency were common differences perceived from both employment groups (see Figure 7).



*Figure 7.* Effectiveness vs. Department of Defense effectiveness.

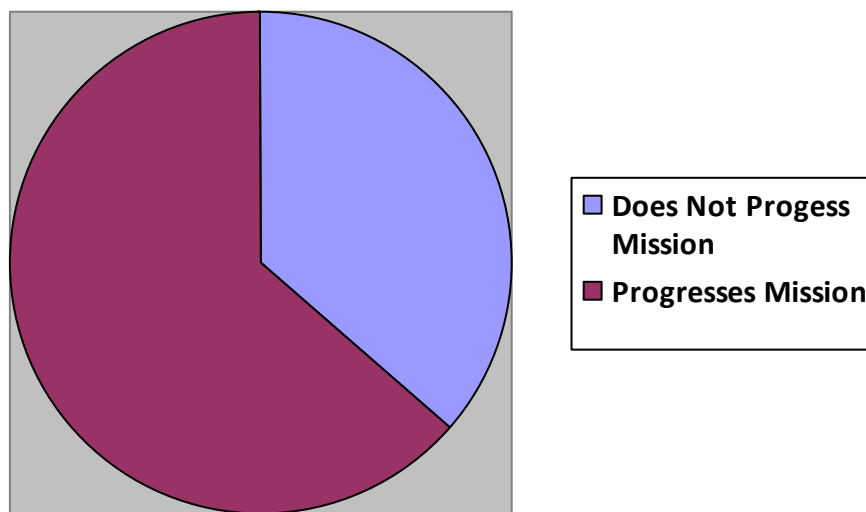
One of the two private sector employees who had never been employed in the federal sector (SP 49) stated,

Outside of the Air Force, I haven't seen a DoD measure of effectiveness. I have seen essential (as defined by the customers of that program) programs cut and non-productive programs continued. All based upon the whim of the DoD management.

None of the members of the active duty military sub-group had prior experience in the private sector employment group. One active duty military member participant (SP 13) stated that the variation between effectiveness and effectiveness in the Department of Defense context is attributed to “monetary savings, force multipliers, increasing mission capabilities, etc.” Meeting mission needs, national security, and cost savings were common responses from both lower- and middle-level employees from both employment groups. Six of the eight upper-level employees from both employment groups were focused on meeting mission needs and national security.

### **Mission Progression**

Twenty-eight of the 44 participants perceived mission progression when Department of Defense functions are outsourced to private sector companies when requirements are well defined and function dependent (see Figure 8).





*Figure 8.* Perceptions of mission progression – all participants.

One private sector employee (SP 37) who had previously been employed in the federal sector (Department of Defense civilian sub-group) provided an extreme response and stated, “No, hampers and endangers DoD missions.” In addition, a federal sector employee (SP 12) who had previously been employed in both the active duty military sub-group and the private sector discussed the outsourcing efforts since 9/11 and stated, “I think this has contributed to a very unhealthy environment in which retired/ex-military members help defense contractors define requirements for the DoD rather than the other way around.”

Participants from the lower- and middle-level employee groups expressed concern with duplication of effort. One lower-level employee (SP 25) stated, “Outsourcing does nothing for DoD except waste money and not meet any official mission or goal, but takes that function from a federal employees without cutting that employee.” One middle-level employee (SP 30) stated, “Outsourcing has become a way to replace manpower which has been cut or eliminated. Many outsourced functions do not have a specific deliverable or product and simply used as supplement/replacement personnel.” While most upper-level employees perceived mission progression as being dependent on the function, one upper-level employee (SP 22) stated, “No. I believe that outsourcing DoD functions detracts from our ability to be effective because civilian organizations cannot be held to the same stringent standard as military personnel.”

## **Contributions to Effectiveness**

Twenty-eight of the 44 participants perceive that hiring private sector employees as technical experts contributes to the effectiveness of the Department of Defense.

Belonging to the active duty military sub-group, study participant (SP 19) stated,

Most individuals that are contractors were usually prior military or have worked in the federal government for years, so they have the background, clearance, experience, and training needed to be able to function with little or no assistance or serious training. I believe the government outsources private companies in order to provide a ‘civilian’ point of view that can be overshadowed when much work is political or militant.

A Department of Defense civilian (SP 12) with prior experience as an active duty military member and as a private sector employee stated, “In the case of services based support the effectiveness is enhanced in that personnel can be used for positions that require unique training and skill sets.”

In addition to technical experts, participants from all three employee management levels and both employment groups perceived that positions which allow the federal sector to focus on preparations for combat operations contribute to effectiveness of outsourcing Department of Defense functions. Middle-level employee (SP 3) stated, “During surge periods of work, outsourcing allows the DoD to support its missions. Additionally, outsourcing to experts within specialized portions of industry affords the DoD the knowledge within the resource as well as their professional network.”

## **Hurts Effectiveness**

When participants were asked to describe what hurts effectiveness when outsourcing Department of Defense functions, a variety of responses were received. Thirty-six of 44 participants noted poorly written contracts, government funding cycles, poorly defined requirements, private sector employees writing requirements and performing other inherently government functions, as well as private sector employees performing duplicate work as federal sector employees across the employment groups. Ten of the 14 participants who had not been previously employed in another employment groups were among these 36 respondents. One private sector employee (SP 42) stated,

I have witnessed where DoD customers relied so heavily on their contractor staff that they could no longer describe or define the work being performed, which was evident when the work was being re-competed due as the contract was ending. At this also lead to the DoD customer asking the contractor to help write the contract requirements for the re-compete.

One active duty military member (SP 15) perceived poorly written contracts as a factor in regards to hurting effectiveness of outsourcing Department of Defense functions. SP 15 stated,

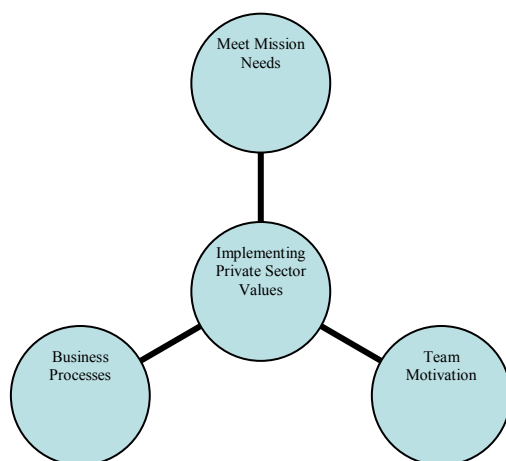
The DoD's lack of comprehensively understanding everything written in a particular contractor, so that the DoD must go back, rewrite specific tasks to be completed by the contractor (who has already won with the lowest bid), now the contract costs more to the government.”

A private sector employee (SP 23) with prior experience in the active duty military sub-group believed some privately contracted jobs could be converted to Department of Defense civilian positions in order to save money, based on contractors remaining in the same position for lengthy periods of time. SP 23 stated, “The point of outsourcing is to save money by temporarily bringing in someone (an expert) to solve a problem.” Another private sector employee (SP 25) with prior experience in the active duty military sub-group stated, “Outsourcing to remove a function from a federal employee but without removing the federal employee helps nothing.” A Department of Defense civilian with previous experience as a private contractor and as an active duty military member (SP 31) questioned the effort of private sector companies in keeping quality personnel and stated, “I’ve seen contractors come and go. Lack of continuity hurts effectiveness.”

All three employee levels from both employment groups expressed concern about outsourcing inherently governmental functions and poor contract management. The employees believed private sector employees are writing requirements and performing inherently governmental functions such as intelligence, combat and security functions. Upper-level employee (SP 5) responded, “When we outsource security details I think we impact readiness.” In addition, the employees believe poorly written contracts with unlimited scope and sole sourcing are hurting effectiveness. Middle-level employee (SP 1) offered, “When there are vendors monopolizing business, it puts DoD at the vendor’s mercy, which in turn allows them to deliver the products or provide whatever type of service they see fit.”

## Implementation of Private Sector Values

Twenty-seven of the 44 participants approved the implementation of private sector values conditionally. Conditions included the need to recognize and adhere to Department of Defense mission needs, limiting implementation to business processes, and to inspire team motivation (see Figure 9).



*Figure 8.* Implementation of private sector values – all participants.

Participants from both employment groups identified the need to quit penalizing future budgets for previous lack of spending. A federal sector employee (SP 30) stated, “The mentality of spend it, or lose it next year results in massive waste.” A private sector employee (SP 42) who had prior experience in the active duty military sub-group stated, “Over my tenure supporting the DoD, I have witnessed considerable waste and

inefficiency to include a culture that promotes spending every dollar in the budget so the budget doesn't go down in the next year." Eight of the 15 lower-level employees perceived implementing private sector values could address removal of impeding rules and useless functions, and to empower employees. Middle-level employees were also concerned with empowering and motivating employees by implementing some private sector values. One middle-level employee (SP 12) stated, "The current system has proven to be ineffective in terms of motivating and rewarding higher performers." None of the upper-level employees were in full favor of implementing private sector values to reform the federal sector. One upper-level employee (SP 5) explained, "Excess capacity is a necessity in the federal sector at times, something that isn't always acceptable in private sector." Another upper-level employee (SP 21) offered that business processes such as "LEAN and Business Process Reengineering have sometimes proven beneficial when effectively implemented."

### **Fair Treatment**

When asked if privately contracted employees were being treated fairly within the co-location of federal employees, the participants responded with the most diverse and emotional comments. One federal sector employee (SP 44) who had prior experience as a private sector employee stated, "Yes, sometimes contractors are treated better by federal supervisors than federal employees are treated by federal supervisors." Another federal sector employee (SP 13) with no prior experience in the private sector perceived, "Yes, and sometimes the treatment is 'too fair' in relation to getting away with things that federal employees would not get away with (i.e. sexual harassment allegations, poor

work ethic/performance, etc.)” A private sector employee who had never worked in the federal sector (SP 49) stated,

No. In my thirty plus years working in this environment, it is rare that you have a situation where a government manager can look at a mix of GS and contract employees and see a single team working to achieve a goal. The GS employees are always the insiders and the contract employees are always looked upon with some suspicion.

On a more positive note, one private sector employee who had prior active duty military experience (SP 47) stated, “Absolutely, we work as a team minus requirements and budget.”

Each employment group recognized the difference in access to base/post services and unequal assets and work spaces. Five of the 20 private sector employees, all with prior experience in the federal sector, perceived fair treatment of private sector employees in a co-located environment as dependent upon the ‘client organization’; as did three of the four federal sector employees who had prior experience in the private sector employment group. One federal employee with prior experience with the private sector employment group (SP 3) stated,

This greatly varies by location and the leadership at the time. In some of the places I’ve worked as a contractor, we were seen as a member of the team and afforded the same respect and rights of the other employees. However, other locations I’ve worked, the contractors have been treated

very poorly, stuffed into cramped work areas, and made to feel like 3rd class citizens.

The lower- and middle-level employees acknowledged that work spaces and other resources were sometimes unequal in quality and size. The upper-level employees had the most varied responses. One upper-level employee (SP 42) expressed concern for possible unprofessional relationships developing between federal and private sector employees. Another upper-level employee (SP 59) acknowledged fairness as being, “dependent on a host of factors specific to each particular contract environment, less fair for those contractors employed in combat zones, more fair for those in office environments.”

The most significant themes were national security, tax payer savings, function dependent, technical expertise, poor contract management, and over reliance on the private sector. Maintaining national security, while saving tax payer dollars, was a concern to a majority of the participants. Study participant 13 (SP 13) stated that the variation between effectiveness and effectiveness in the Department of Defense context was attributed to “monetary savings, force multipliers, increasing mission capabilities, etc.” Study participant 10 (SP10) stated, “Being good stewards of public funding by identifying and implementing solutions that are mission-focused and sustainable.”

A majority of the study participants perceived that the effectiveness of outsourcing Department of Defense functions is dependent upon the function performed. When asked if outsourcing Department of Defense functions progresses the mission, study participant 23 (SP 23) stated, “I believe it can, if they outsource the correct



functions.” Study participant 38 (SP 38) answered, “It depends on the function. Generally, the more rapid/critical/lethal the function is the less viable outsourcing is.” The majority of study participants also believed that functions requiring technical expertise progresses the mission of the Department of Defense. Study participant 4 (SP 4) noted, “Yes. There are some specialized functions that require deep experience or subject matter expertise for which it would either not be cost-effective or not practical to perform internally to the department.” Study participant 42 (SP 42) suggested, “While there are core components that can’t be outsourced (e.g. Combat function), others are clearly better suited for contractor staff to perform (e.g. researching and developing new technology, building new weapon systems, military support functions, etc.)”

Poor contract management and over reliance on private sector employees were the most common themes from the responses. Study participant 4 (SP 4) stated,

DoD contracting strategies can sometimes hurt effectiveness. For example, a recent contract for services at my location reduced the baseline qualifications and pay scales for contractors eligible to the point where it is unlikely that the contractors hired under the contract have the qualifications (advanced degrees, experience levels to match the needs of the organization.

Study participant 55 (SP 55) also expressed a concern for poorly written contracts and stated, “Much of what I have seen is that contracts are ‘cut and pasted’ from other contracts – this exponentially decreases the effectiveness of the contract.” Study

participant 9 (SP 9) added, “Long term and open-ended contracts. Contracts like these are expensive and divert funds from needed military requirements.” Over reliance of private sector employees was noted in many participant responses. Study participant 42 (SP 42) acknowledged,

I have witnessed where DoD customers relied so heavily on their contractor staff that they could no longer describe or define the work being performed, which was evident when the work was being re-competed due as the contract was ending. At times this also has led to the DoD customer asking the contractor to help write the contract requirements for the re-compete.

Study participant 47 (SP 47) also stated, “Outsourcing people to help decide on requirements and implementation leaves too many ‘loyalty’ questions – is the contractor actually working for the betterment of the government/mission and not for “more business.” Study participant 12 (SP 12) discussed the outsourcing efforts since 9/11 and stated, “I think this has contributed to a very unhealthy environment in which retired/ex-military members help defense contractor define requirements for the DoD rather than the other way around.”

The majority of the participant responses were similar in nature for each interview question. However, two discrepant cases were noted. When asked if outsourcing Department of Defense functions progresses the mission, two responses stood out from the other responses. Study participant 19 (SP 19) went beyond acknowledging the good qualities of private sector employees and stated,

I do believe outsourcing DoD responsibilities progresses the Department. For example, our communications department is excellent, and to be honest, most of them are contractors from various companies in the D.C. area. I almost forget they are contractors because they are so dedicated to the mission and our office, and I see them on a daily basis because they work around the corner from me. They have some of the most experienced and brightest people working in their department. I learn a lot from them and appreciate their willingness to assist, dedication, promptness, competence in their fields, and creativity.

Study participant 19 belongs to the active duty military member sub-group. Another response that stood out came from a private sector employee who was previously employed in the Department of Defense civilian sub-group, study participant 37. Study participant 37 (SP 37) stated, "I believe outsourcing DoD functions hampers and endangers the missions within the DoD." While these two responses appeared to be extreme, these discrepant responses were folded into the analysis as examples of differing themes in the coding process.

### **Summary**

This research study gained insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal and privately contracted employees. Generally, the perceptions of both the federal sector and privately contracted sector employment groups towards the effectiveness of outsourcing Department of Defense functions to the private sector are

similar in nature. After reviewing all of the data, a basic description was created and categories were based on collective participant responses, experience in other employment groups, and employee management level. These categories emerged as the most significant with regard to the demographics. Age, gender, functional community, years employed within current employment group, and leadership/supervisory position did not provide any significant themes. The most significant themes were national security, tax payer savings, function dependent, technical expertise, poor contract management, and over reliance on the private sector.

This chapter described the setting and presented the participant demographics. Next, how the data were collected and analyzed, and evidence of trustworthiness were discussed. Chapter 4 then concluded with a presentation of the study results and a discussion regarding discrepant cases. Chapter 5 will include a summary of the study, interpretation of the findings, limitations of the study, recommendations, and implications of the study.

## Chapter 5: Discussion, Conclusions, and Recommendations

### **Introduction**

The purpose of this research study was to gain insight on the perceived effectiveness of Department of Defense functions outsourced to privately contracted companies from the view of both federal and privately contracted employees. This study collected data from the two employment groups of public and private sector employees. While the employment groups represented the public and private sectors, a certain level of homogenization was present between the participants. This study was conducted to provide a more in-depth picture of outsourcing Department of Defense functions. Participants perceived value in outsourcing some Department of Defense functions but believed current processes negatively affecting effectiveness. Current processes most negatively affecting effectiveness were federal sector based processes, including poor contract management and oversight.

### **Interpretation of the Findings**

A common theme throughout the literature included poor contract management and oversight. Poor contract management and oversight were also a common theme throughout the participant responses. This research study confirmed that poor contract management is hurting effectiveness of outsourcing Department of Defense functions to privately contracted companies. Thirty seven of the 44 participants from both employment groups perceived difficulties with the contract vendor selection process, lack of contract timeliness, and poorly written contracts. Lavalley (2010) discovered a lack of accountability and transparency in the use of privately contracted employees within the

Department of Defense. Lavallee's discovery was confirmed by both employment groups. Participants highlighted the need for a specific end date, goal, and objective when creating requirements leading to a well written contract.

Evidence of privately contracted employees fulfilling roles deemed inherently governmental was present in the literature (U.S. GAO, 2013; Wedel, 2011). Per Department of Defense Instruction 1100.22, paragraph 4(c), it is illegal to outsource inherently governmental functions (Office of the Undersecretary of Defense-Personnel and Readiness, 2010). Ten-percent of the study participants from both employment groups perceived privately contracted employees writing contract requirements and performing inherently governmental functions.

Dickinson (2011) warned that the intermingling of privately contracted employees and military members may weaken the military culture. This study did not find any evidence of a weakening of the military culture based on intermingling of privately contracted employees and military members. However, 16 of the 20 privately contracted employees interviewed were former active duty military members with experience and training in the military culture. Dickinson (2011) also suggested a lack of prestige associated with military contracting specialists based on limited opportunities for career advancement within the ranks. This lack of prestige was not discussed by any of the participants. However, only one participant self-identified as a contracting employee. The sole contracting employee was a Department of Defense civilian and not an active duty military member.

Drastic decreases in the Department of Defense budget has led to personnel cuts as announced by the Office of Secretary of Defense, the U.S. Air Force, the U.S. Army, and the U.S. Navy (Air Force News Service, 2013; Commander, Navy Installations Command Public Affairs, 2013; Hagel, 2013; Odierno, 2013). As federal employee numbers are reduced, private sector employees will be in greater need. Participants from both employment groups perceived difficulty in rapid technical training for federal employees. Participants perceived the inability to quickly develop federal employees will require private sector employees to fulfill the gaps.

Schaub and Franke (2010) recommended further research be conducted to explore relationships between military and private sector employees. None of the eight active duty military members had experience in any other category of employment. Sixteen of the 20 privately contracted employees had prior active duty military experience. Based on the large number of former active duty military members now employed as private contractors, there was very little evidence of dissent between the private sector and active duty military members. However, there was evidence of dissent between the privately contracted employees and the Department of Defense civilians. A private sector employee (SP 25) stated, "If a federal employee does nothing all day and really has no job function they are kept on."

Moore (2011) recommended further research to determine fair treatment of private sector employees when co-located with federal civil servants in a federal workplace. The responses to this interview question were the most diverse and emotional in the study. The most common (eight of 44) responses perceived fair treatment of

private sector employees in a co-located federal workplace as dependent upon the client organization. Each employment group recognized the difference in access to base/post services, and unequal assets and work spaces. The majority of Moore's (2011) participants favored traditional public service values, and approved implementation of private sector values as an essential means of reforming the federal sector. This study found that members of both employment groups (27 of 44) approved the implementation of private sector values based on conditions that included mission needs, limiting implementation to specific business processes, and in support of team motivation. In addition, participants perceived the just-in-time private sector value would not work to meet the mission needs of the Department of Defense.

### **Conceptual Framework**

Feigenbaum, Henig, and Hamnett's (1999) theory of privatization argued that privatization is a, "political phenomenon versus an economic response to growth of the state and cost of state provision" (p. 1). The study found evidence of perceived political motivation for outsourcing Department of Defense functions. Participants from both employment groups identified privately contracted employees inappropriately writing contract requirements and illegally performing inherently governmental functions. A private sector employee with prior experience as an active duty military member (SP 33) stated, "In my time on both sides, I've seen numerous functions contracted out, not because it was the smart thing to do, but because political decisions led to manpower cuts which forced hasty outsourcing efforts." Political motivation for outsourcing Department of Defense functions was also evident through duplication of effort. A Department of



Defense civilian with prior active duty military experience (SP 46) expressed that effectiveness is hurt, “When contract developers complete the same work as military/civilian folks. In my example, [it is] creating CBTs [computer based training].” In addition, a private sector employee with prior experience as an active duty military member (SP 25) stated,

Outsourcing to remove a function from a federal employee but without removing the federal employee helps nothing. Creating functions like development of a slide to display outdated data does not help leadership to make information decisions, but creates a place for a former federal employee (active duty military retiring) to work.

From the economic perspective, participants perceived outsourcing Department of Defense functions as being costly. A federal sector employee (SP 27) perceived, “Many times outsourcing can cost less in the short term but be overall more expensive in the long term.” Another federal sector employee (SP 13) stated, “Outsourcing usually costs more money.” And a private sector employee (SP 25) noted,

Outsourcing does nothing for DoD except waste money and not meet any official mission or goal, but takes that function from a federal employee without cutting that employee. In overall concept, it decreases the effectiveness to the DoD to execute funds and manning correctly.

On the contrary, this study discovered situations in which outsourcing Department of Defense can be economically feasible. Twenty-eight of the 44 participants perceived

that employing private sector employees as technical experts could contribute to effectiveness. A federal sector employee (SP 12) stated,

In the case of services based support the effectiveness is enhanced in that personnel can be used for positions that require unique training and skill sets. Unless Congress increases the end strength for the services or the civil service positions, outsourcing is part of the overall necessary strategy to maintain effectiveness.

### **Limitations of the Study**

The participants in this study were Department of Defense civilian employees, active duty military members, and privately contracted employees who were either currently working in a federal/contractor mixed environment or had done so within the past two years. I had access to voluntary participants fitting this criterion. This study included 44 total participants. The federal employment group was represented by 24 employees, consisting of 16 Department of Defense civilians and 8 active duty military members. The private sector employment group was represented with 20 employees. Sixteen of the 20 private sector employees were prior active duty military members. The inability to locate a majority of privately contracted employees who had never been employed in the active duty military sub-group may have limited the perceptions from the private sector employment group. Study participants represented 14 different functional communities. The functional communities represented were: engineering, information systems/cyber, acquisition, mission support, operations, contracting, security, education and doctrine, logistics, intelligence, medical, manpower/personnel, and

strategic plans and policy. The federal employment group represented the following functional communities: information systems/cyber, acquisition, operations, contracting, security, education and doctrine, logistics, intelligence, medical, manpower/personnel, and strategic plans & policy. The private sector employment group represented only five of the functional communities: engineering, information systems/cyber, acquisition, mission support, and operations.

### **Delimitations of the Study**

The study participants were confined to only Department of Defense civilian employees, active duty military members, and privately contracted employees who were either currently working in a federal/contractor mixed environment or had done so within the past 2 years. In addition, none of the participants were currently serving in a combat zone. The participant pool was expanded to include those who had worked in a federal/contractor mixed environment within the past 2 years based on the mobile nature of those fitting the criterion. Data were collected through e-mailed surveys and document reviews from official government web sites. All necessary government documents were available for review from official government web sites. The two necessary government documents were the Federal Acquisition Regulation (2005) containing updated Federal Acquisition Circulars FAC 2005-09, Subpart 7.5 – Inherently Governmental Functions (2006) and FAC 2005-73, Subpart 19.8 – Contracting with the Small Business Administration (The 8(a) Program) (2014).

## **Recommendations**

According to Creswell (2009), the qualitative method of research is a problem best understood by exploring a concept or phenomenon. The qualitative method of research allows the researcher to explore a topic when the theory base is unknown (Creswell, 2009). Within the qualitative research method there is more focus on data collection, analysis, and writing (Creswell, 2009). Qualitative data are collected through interviews, observations, and document review (Patton, 2002). Surveying federal and privately contracted employees working together on a day to day basis to accomplish the mission of defending the United States through Department of Defense functions provided a window into the perceptions of the effectiveness of outsourcing such functions. This study begins the discussion of the effectiveness of outsourcing Department of Defense functions from the view of directly affected employees from both employment groups. While this study discovered a general lack of perceived effectiveness of outsourcing the Department of Defense, additional research and evaluation are warranted. Recommendations for future research are discussed below.

Outsourcing Department of Defense functions is highly complex, and encompasses approximately 1.98 million federal sector employees and 669, 698 privately contracted employees (Office of the Undersecretary of Defense-Acquisition, Technology and Logistics, 2013). This study included participants from both employment groups and 14 different functional communities. Dickinson (2011) suggested a lack of prestige associated with military contracting specialists based on limited opportunities for career advancement within the ranks. This lack of prestige was not discussed by any of the

participants. However, only one participant self-identified as a contracting employee. The sole contracting employee was a Department of Defense civilian and not an active duty military member. Based on the lack of an active duty military contracting specialist in the study, it is recommended that additional research be conducted focused on the perceptions of active duty military contracting specialists.

Dickinson (2011) warned that the intermingling of privately contracted employees and military members may weaken the military culture. This study did not find any evidence of a weakening of the military culture. However, 16 of the 20 privately contracted employees interviewed were former active duty military members with experience and training in the military culture. Based on this large number, it is recommended that further research be conducted focused on the perceptions of privately contracted employees who have no prior active duty military experience. However, with the personnel cuts within the federal sector, I believe future research will also be limited in locating private contracted employees without active duty military experience. As active duty military members separate or retire from active duty, it is expected they will continue to be the employees of choice to fulfill Department of Defense functions outsourced to private sector companies.

The federal sector must develop, implement and enforce standards across the Department of Defense for proper contract management and oversight. The standards need to be created at the Joint Staff-level, with input and buy in from each military branch/department. The implementation of these better standards for proper contract management and oversight must be administered at all levels—starting from the military

branch/department down to the local Department of Defense civilian and active duty military members affected by outsourcing Department of Defense functions to the private sector. Enforcement of standards must be conducted on a continual basis through annual inspections, and a dedicated, anonymous method for blowing the whistle on improper contract management, such as private sector employees performing inherently governmental functions.

Creating better and clearer standards for proper contract management and oversight must be communicated to all employees affected by the outsourcing of Department of Defense functions. I recommend education and communication at all levels, to include federal sector employees and private sector employees. Federal sector employees should be educated on standards for proper contract management and oversight, and the roles and responsibilities of both employment groups. Private sector employees should be educated by the federal sector on their specific roles and responsibilities within their local working environment.

### **Implications for Positive Social Change**

There are several possible implications for social change after completing this research. The perceptions expressed by the study participants have created a strong argument to assist leaders with better decision making in support of national security policies, while providing good stewardship of tax payer funds and providing transparency to the nation. The lack of perceived effectiveness from the participants reflected a consistent problem with contract management and oversight. Acknowledgement of poor

contract management and oversight, to include private sector employees performing illegal functions, may lead to stricter standards, policies, and penalties. Department of Defense leaders and lawmakers need to work together to ensure national security policies are transparent, and cost-advantageous. The Department of Defense continues to allow private sector employees to illegally perform inherently governmental functions. Performance of these illegal functions must be addressed by lawmakers, and penalties must be established and enforced.

This study provided a voice for the employees directly affected by outsourcing Department of Defense functions. Employees from both employment groups need to be better educated in the roles and responsibilities of each group. The Federal Acquisition Regulation (2005) is a very large and cumbersome document which is difficult to read and understand. Developing an education program to inform the employees of each employment group proper tools to legally meet contractual requirements will provide a positive change to the outsourcing of Department of Defense functions. Understanding roles and responsibilities, coupled with education of contractual requirements, will provide a fundamental baseline for both employment groups to perform their assigned duties in an effective manner. Effectiveness in the Department of Defense leads to strong national security.

### **Conclusion**

As President Eisenhower departed the White House (1961), he warned of the impending “military-industrial complex” and its’ “unwarranted influence” (p.1). Over 50 years later, the Department of Defense has become very reliant on privately contracted

companies to perform functions that support national security. Although the study consisted of two employment groups representing 14 functional communities and a wide array of experience, there were many common themes within each interview question. These similar responses proved a certain level of homogenization has occurred within the two employment groups. The Department of Defense spends billions of dollars annually on outsourcing functions to privately contracted companies. However, Department of Defense funding has been drastically cut since 2010; reduced by \$189.4 billion from fiscal year 2010 to the proposed 2014 fiscal year budget (U.S. Government Printing Office, n.d.; Office of the Undersecretary of Defense-Comptroller, 2014a).

The climate and effectiveness of a working environment are shaped by the perceptions of leaders, managers, and employees within an organization (Otara, 2011). This study focused on how employees think about or understand the effectiveness of outsourcing within the Department of Defense from their own experiences. Many federal and privately contracted employees work together on a day to day basis to accomplish the mission of defending the United States. These two employment groups provided direct insight into the perceived effectiveness of outsourced functions. Understanding the employees' perceived effectiveness of outsourcing Department of Defense functions provided valuable insight to how the Department of Defense mission is being accomplished.

The collected data were inductively analyzed to establish a lack of perceived effectiveness of outsourcing Department of Defense functions from both the federal sector employees and the privately contracted employees. Both federal sector and private



sector employees directly affected by the outsourcing of Department of Defense functions perceived current processes are hurting the effectiveness of outsourcing efforts. With the impending decreases in federal sector personnel and funding, the Department of Defense must reform these processes. Based on the perceptions of these federal sector and private sector employees, federal sector processes in support of outsourcing efforts must be addressed. Most importantly, contract management and oversight reform must be addressed immediately.

Outsourcing Department of Defense functions is highly complex, and encompasses approximately 1.98 million federal sector employees and 669, 698 privately contracted employees (Office of the Undersecretary of Defense-Acquisition, Technology and Logistics, 2013). The Federal Acquisition Regulation (2005) is a very large and cumbersome document which is difficult to read and understand. Developing an education program to inform the employees of each employment group proper tools to legally meet contractual requirements will increase effectiveness of outsourcing Department of Defense functions. Education and communication are recommended for both the public sector employees and private sector employees at all levels. Federal sector employees should be educated on standards for proper contract management and oversight, and the roles and responsibilities of both employment groups. Private sector employees should be educated by the federal sector on their specific roles and responsibilities within their local working environment. Understanding roles and responsibilities, coupled with education of contractual requirements, will provide a fundamental baseline for both employment groups to perform their assigned duties in an

effective manner. Outsourcing Department of Defense functions will continue to increase as federal sector employee funding and personnel are decreased. Effective outsourcing of Department of Defense functions will lead to strong national security and responsible stewardship of U.S. tax dollars.

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## Appendix A: Interview Questions

- 1) Which employment group do you belong, federal employee or private sector employee?
- 2) How do you define 'effectiveness'?
- 3) How do you define 'effectiveness' in the Department of Defense context?
- 4) Do you believe outsourcing Department of Defense functions progresses the mission of the Department?
- 5) Describe what, if anything, about Department of Defense outsourcing you believe contributes to effectiveness?
- 6) Describe what, if anything, about Department of Defense outsourcing you believe hurts effectiveness?
- 7) Do you approve of the implementation of private sector values as an essential means of reforming the federal sector?
- 8) Do you believe privately contracted employees receive fair treatment within the co-location with federal employees?

## Appendix B: Participant Background Information

## BACKGROUND (CLASSIFICATION) QUESTIONS:

1. What is your name?  
(information will be converted to a Study Participant number; i.e. SP1)
2. What is your age range?  
(Choose Age Range) 18 - 29; 30 - 39; 40 - 49; 50 - 59; 60+
3. What is your gender?  
(Choose One) Male or Female
4. What employment group do you represent?  
(Choose One) Department of Defense Civilian; Active Military Member; Private Contractor
5. How many years have you been employed within this employment group?  
(Choose a Year Range) Less than 1; 1 - 5; 6 - 10; 11 - 15; 16 - 20; 20+
6. In which functional community do you currently work?  
(Choose One) Manpower & Personnel; Intelligence; Operations; Logistics; Strategic Plans & Policy; Information Systems/Cyber; Maintenance; Medical; Finance; Mission Support; Security; Other \_\_\_\_\_
7. Have you been employed within the one or both of the other employment groups (i.e. currently in privately contracted employment group but once served as active military member)? If so, which employment group and how many years?
8. Department of Defense civilians, which pay grade band are you currently within?  
(Choose One) GS-1 through GS-6; GS-7 through GS-14; GS-15 through SES
9. Active military members, which pay grade band are you currently within?  
(Choose One) E-1 through E-6; E-7 through O-4; O-5 through O-10
10. Privately contracted employees, which management level do you currently hold?  
(Choose One) Lower-Level Management; Middle-Level Management; Upper-Level Management
11. Are you in a leadership/supervisory position within your current work center?  
(Choose One) Yes or No  
(If "Yes" Choose One) Upper-Level Management; Middle-Level Management; Lower-Level Management; No = Non-supervisory

## Appendix C: Consent Form

**CONSENT FORM**

You are invited to take part in a research study of Employees' Perceived Effectiveness of Outsourcing Department of Defense Functions. The researcher is inviting Department of Defense civilian employees, active duty military members, and privately contracted employees hired by private contracted companies to perform Department of Defense functions to be in this study. The study participants must either currently work in a federal/contractor mixed environment or have done so within the past two years, not in a combat zone. This form is part of a process called "informed consent" to allow you to understand this study before deciding whether to take part.

This study is being conducted by a researcher named Theresa Corzine, who is a doctoral student at Walden University.

**Background Information:**

The purpose of this study is to gain insight on the perceived effectiveness of Department of Defense functions outsourced to private contracted employees from the view of both federal and privately contracted employees who are not serving in a combat zone.

**Procedures:**

If you agree to take part in this study, you will be asked to:

- Complete background information questionnaire
- Answer 8 open-ended questions via personal email (Do NOT use a work email address)

Here are some sample questions:

1. Do you believe outsourcing Department of Defense functions progresses the mission of the Department?
2. How do you define 'effectiveness' in the Department of Defense context?

**Voluntary Nature of the Study:**

This study is voluntary. Everyone will respect your decision of whether or not you choose to be in the study. If you decide to join the study now, you can still change your mind later. You may stop at any time.

**Risks and Benefits of Being in the Study:**

Being in this type of study involves some risk of the minor discomforts that can be encountered in daily life, such as recalling an uncomfortable experience. Being in this study will not pose risk to your safety or wellbeing.

This study can potentially provide senior leaders with a better understanding of the perceptions of effectiveness of outsourcing Department of Defense functions, allowing them to make better informed decisions regarding the expenditures of US tax dollars. This study can impact social change in areas of lawmaking to ensure national security policies are effective and cost-advantageous.

**Potential Conflicts of Interest:**

Individuals who have been or are currently being supervised or instructed by the researcher or Larry M. Corzine are not permitted to participate in this study.

**Payment:**

There is none.

**Privacy:**

Any information you provide will be kept confidential. The researcher will not use your personal information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in the study reports. Data will be kept secure by password-protected storage devices containing information protection software (i.e. anti-virus, anti-spyware). Data will be kept for a period of at least 5 years, as required by the university.

**Contacts and Questions:**

You may ask any questions you have now. Or if you have questions later, you may contact the researcher. If you want to talk privately about your rights as a participant, you can call .... She is the Walden University representative who can discuss this with you. Her phone number is ... Walden University's approval number for this study is 05-20-14-0151752 and it expires on May 19, 2015. Please print or save this consent form for your records.

**Statement of Consent:**

I have read the above information and I feel I understand the study well enough to make a decision about my involvement. By completing and returning the attached forms , I understand that I am agreeing to the terms described above.

**Attachments:**

Background information questionnaire

Interview questionnaire



## Appendix D: Volunteer Announcement Letter

## Volunteers Wanted for a Research Study

### Research on Employees' Perceived Effectiveness of Outsourcing Department of Defense Functions

*(Department of Defense Civilians, Active Duty Military Members, and Privately Contracted Employees performing Department of Defense Functions)*

**Type of Study:** Research is being conducted on Department of Defense civilian employees, active duty military members, and privately contracted employees performing Department of Defense functions to explore effectiveness of outsourcing Department of Defense functions. The purpose of this study is to gain insight on the perceived effectiveness of Department of Defense functions outsourced to private contracted companies from the view of both federal employees (Department of Defense civilians and active military members) and privately contracted employees. Participants are required to participate through personal email addresses only. Work email is strictly prohibited.

**Eligibility Criteria:** Department of Defense civilian employees, active military members, and privately contracted employees either currently working in a federal/contractor mixed environment or have done so within the past two years, who are not serving in a combat zone.

**Benefits:** Participation in this study is free. The outcomes of the study include better information for decision making regarding funding and personnel. The study may also affect additional policy recommendations for management at the Department of Defense.

**Contact Information:** If interested in participating, please contact Theresa Corzine, MPA at

This study is being conducted by a researcher named Theresa Corzine, who is a doctoral student at Walden University. This research is being conducted under the direction of the researcher's doctoral committee in support of the researcher's doctoral dissertation.

## Curriculum Vitae

THERESA J. CORZINE, MPA

**EDUCATION**

Doctor of Philosophy - Public Policy & Administration      Expected December 2014  
Walden University, Minneapolis MN

Master of Science – Public Administration      2005  
Troy University, Montgomery AL

Bachelor of Science – Global Business Management      2002  
Bellevue University, Bellevue NE

**PROFESSIONAL EXPERIENCE**

CACI, Inc.-Federal      2012-2013  
Business Systems Analyst 3

- Authored requirements, test cases, interface control documents, and software design documents
- Provided analysis and test case execution for numerous US Navy-level maintenance systems using Agile methodology and Scrum processes

Booz Allen Hamilton      2007-2009  
Associate/Program Manager

- Created and delivered presentation at annual Air Force-level Information Technology Conference
- Provided systems analysis, technical support, document writing, and user requirements validation for two US Air Force-level programs

ESI, MO-IL, LLC      2006-2007  
Managing Partner

- Sought out and developed business relationships with small to medium sized businesses
- Developed and implemented 100% telecommunication solutions from multiple carrier networks along with Fortune 1000 partners who are telephone/computer vendors, technicians, and suppliers

United States Air Force

1986-2006

Director, Communications Manager, Program Manager, Systems Analyst

- Led 14 program managers charged with evaluating and maintaining technical relevance of 22 Community College of the Air Force Associate in Applied Science degree programs—affecting 227,000 students
- Created and delivered Community College of the Air Force presentation to the Air Force Utilization & Training Workshop panel
- Liaison between Office of Defense Representative Pakistan and US Forces, State Department and Pakistani military for all command, control and communications supporting Operation Enduring Freedom and Operation Iraqi Freedom
- Oversaw 10-person communications team at US Embassy Pakistan; administered quality assurance of government contractors--\$1.9M contract and \$4M resources
- Planned, acquired, certified, accredited and integrated IT supporting the DoD Intelligence Information System infrastructure, networks, and applications
- Validated requirements, established integration plans and timelines, ensured program compliance, promoted interoperability, and ensured continuous operations for all systems for 15 military intelligence training courses
- Led 12-person UNIX system administration team on three networks consisting of 22 servers and 470 workstations worth \$2.5M with 99% network uptime
- Managed training and certification programs for 400+ network professionals
- Built network training center from ground up; created all administrative tools to conduct evaluations of 400+ network professionals
- Managed Computer Security, Emission Security, Information Assurance Awareness, Malicious Logic Prevention and Eradication, Certification and Accreditation, and Public Key Infrastructure programs for Offutt AFB, NE
- Led four personnel protecting 5,600 computer users to ensure availability, confidentiality and integrity of National Security information
- Identified, evaluated and reported Year 2000 computer vulnerabilities across all US Air Forces in Europe
- Prepared reports, developed staff guidance, and provided assistance and training for all Air Force units throughout Europe, Africa, and western Asia
- Coordinated contingency planning for mission critical functions at field organizations throughout Europe, Africa, and western Asia
- Managed operations of two computer mainframes for all US Air Forces in Europe supporting accounting and finance, telephone billing systems, personnel, supply, and aircraft maintenance
- Controlled scheduling, job set up, error recovery, and backup support of systems
- Managed computer security risk program for the US Air Force Personnel Center
- Tracked, reviewed, and analyzed risks for all Air Force personnel computer systems supporting over 2,500 worldwide users
- Controlled processing and management of Personnel Data System transactions for entire US Air Force, Air Force Reserves and Air National Guard

**CERTIFICATION**

COMPTIA Security+ (COMP001020455203)

**PUBLICATION**

Corzine, T. (2008, January 17). "Protecting data through increased encryption methods."  
*Air Force Print News*.

**PROFESSIONAL AFFILIATIONS/ACTIVITIES**

Member, American Society for Public Administration

Member, Armed Forces Communications and Electronic Association

Member, Pi Alpha Alpha Global Honor Society for Public Affairs & Administration

References available upon request