DEFENSE OUTSOURCING

The Viability of Defense Outsourcing in United States

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CHAPTER 1: INTRODUCTION

1.0 Background information and introduction to the problem

Outsourcing can be defined as contracting out some routine organizational functions that companies do not do well in them to other outside companies that specialize in such functions (Amiti, 2004). The strategy behind outsourcing is to hire out the non-core functions to contractors so that the company can use its staff to focus on the core functions of the business. Outsourcing is a growing business phenomenon that presently involves engaging a separate entity to manage some sections or entire organization, firm or company. According to Freeman and Minnow (2009), outsourcing is the most preferred strategy to business operations because it helps share costs, risks and losses. While many business, organizations and government sectors in the United States have adopted and practiced outsourcing in the operations, the US defense is yet to fully adopt this strategy of modern organizational operations (Burkholder, 2006*)*.

The concept of outsourcing has been associated with the greatest dilemma in today's business and financial environment (Schniederjans et al, 2005). Though the choice of outsourcing in an organization is brought about by the objective of cutting operational costs and relieving the organization of total risks, many organizations have made severe mistakes in the choice of services that they should outsource. According to US Congress Committee (2009), some organizational services are too sensitive and critical to be outsourced. Outsourcing and contracting is widely practiced in the United States. Among the most outsourced services include

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catering, information and communication technology, cleaning and supply management among other general organizational activities (Lind, 2006).

The United States Department of Defense has been reluctant in outsourcing some of its services. The sensitivity of this department as well as its role in American security explains why outsourcing hasn't been fully considered as a measure to improve service delivery (Nigara, 2010). Krahmann (2010) notes that, in the past few decades, there has been a continued public debate whether it's appropriate for the US defense department to outsource some of its services such as information technology, catering and other non-core services. The federal government has been in the trend of adopting and releasing this concept of outsourcing. According to Hira and Hira (2008), outsourcing in United States was first adopted after the end of cold war and continued successfully into the administrations of George Bush, Bill Clinton and Barrack Obama.

The first form of outsourcing in the US department of defense was reducing the number of military personnel by contracting non-core activities thus freeing all the military personnel to be involved in the core-mission activities. Since then, there have been questions on how the Department of Defense has incorporated the use of contractors into its operations. Many critics have pointed out that the defense is too reliant on the contractors which in turn compromise the mission and objectives of this department (IBP USA et al, 2000). The Obama administration and the congress have jointly and constantly reviewed the viability of outsourcing in the defense activities in today's world full of many security and terrorist threats. The results of these reviews have been the increase in number of government defense staff and reduced distinction between the government and outsourced staff in the defense department (Hartley and Sandler, 2007).

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The concept of outsourcing in the United States was fully adopted in 2001 under the directive of the then president, Bill Clinton. This was after the September 11, 2001 terrorist attacks on United States. The federal governance noticed that most of the US defense staff were mainly involved in the non-core tasks of the department (Bitzinger, 2009). The government then decided to turn to outsourcing and contract all the non-core activities such as Information technology, catering, supplies and communications (Rivard and Aubert, 2008). However, the administration of the subsequent president, Barrack Obama shifted the federal government's workforce policy where the department of defense is required to in source from the large contractor workforce. Notable, since the new administration in 2008, the concept of outsourcing in the US department of defense has been gradually replaced by in sourcing.

On the other hand, the political establishment has been influential in management and administration of the US department of defense. This department and the congress have always differed on which services should be outsourced as well as the number of contractors that should be taken for these services (Garrett and Rendon, 2006). Though the department has on several occasions taken the initiative to outsource some of the non-core activities such as IT to improve on its agility and efficiency, Barrar and Gervais (2006) point out that the federal government has in time compelled it to in sourcing these activities which aren't considered core to the business of the defense department. In today's operational environment, the objective of any organization should be able to provide a proper balance between the internal work skills and the contracted skills to ensure proper provision of services.

Outsourcing in the department of defense helps makes the workforce leaner while shifting the focus of this workforce to the mission of the department (Uttley, 2005). The cost

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analysis also indicates that it's healthier to keep the status quo of outsourcing. Outsourcing also

ensures provision of the best specialized services that couldn't be provided through in sourcing.

Additionally, sharing of risks is another important benefit of outsourcing non-core services in the

US defense. Generally, outsourcing makes the operations of any organizations cheap, efficient

and effective. However, outsourcing is an expensive venture and requires high maintenance

costs. Some contractors may have ulterior motives especially their staff who may act as links

with the terrorists and other security threats. On the other hand, the US defense has faced the

challenge on the decision concerning when and what to outsource (Schank, 2005). This has with

time led to outsourcing and in sourcing of the wrong services.

Indicatively, the United States department of defense has tried to adopt the concept of

outsourcing its non-core activities. While this has been passed from one presidential

administration to the next, there is no defined workforce policy that indicates what the US

defense should use in deciding what to outsource. However, many academicians have argued

that it's not advisable to outsource any activity of the US defense department considering the

sensitivity and nature of the operations of this department. While this may seemingly prohibit

outsourcing in this department, its contribution to US economy demands that it adopts the

concept of outsourcing because of the benefits that accrued from contracting. This dissertation is

therefore set to establish the practicability of using this business concept of outsourcing in the

United States defense department whose activities are considered very sensitive and vital to

world security.

Statement of the problem

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There has been a continued debate on the value of outsourcing in the US defense organ. Whereas a section of government official feel that it's inappropriate to outsource any role of this department, another section considers it valuable to have a shared role especially the supportive roles of this organ. With such a conflict in decisions, this thesis will seek to enumerate the benefits and negative effects that the idea of outsourcing may have on the US defense organ. From such findings, a conclusion shall be made about the viability and applicability of outsourcing in the department of defense in United States.

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Aim and objectives of the study

The aim of this study is to establish the adoption of outsourcing as a measure of improving organization success of operation and service delivery. The study focuses on the US department of defense. Some of the objectives of this study include ascertaining the level of adoption of outsourcing in the US defense organ, establishing the benefits and effects of outsourcing to the organ and determining the appropriateness of adopting outsourcing in this organ.

Specific research question and sub-questions to address the problem

This thesis will seek to establish the viability of outsourcing in the US defense department as well as the benefits and effects that may accompany such a decision. The specific research question for this study shall be what are the viability, practicability and appropriateness of

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outsourcing some or all defense services in United States? The sub-questions for the study shall be:

a. Has the US defense department ever adopted the concept of outsourcing in any of its services; core or non-core services?

b. What are some of the benefits that the organ realized after adopting outsourcing in any of its services?

c. What are some of negative effects that the department realized after using the outsourced service compared to its own in sourced staff?

d. What is the suitability of outsourcing any service of such a sensitive department in US and world security stability?

Significance of the study

There has been little academic research on outsourcing especially in major organs of the US federal government. This study seeks to shed some light to the public on the adoption of outsourcing in such government organs. However, the study is directed towards the department of US defense which for a long time has been torn between outsourcing and in sourcing and at times not giving a clear differentiation between outsourcing and in sourcing. The findings of this study will help the department to weigh the benefits against the effects of adopting outsourcing as a strategy to improve its operations and service provision. The recommendation about the viability of this strategy to this department will also help in making decision about outsourcing some of its services.

Research design and methodology

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This study will be qualitative and will rely more on descriptive data that will collected through the common qualitative research methods. Data will be mainly collected through secondary sources such as books, scholarly journals articles, and industry publications. There are some situations whereby the relevant information can only be found in publications like previously written research reports and also the internet. These sources help the researcher to gather basic background information about the research topic. The existing records and documents which relate to the topic under investigation often prove to be useful point of reference to a researcher. Documentary sources, both physical and electronic shall provide the basic background information for the study. This study will undergo the normal phases of conceptualization and empirical. In conceptualization phase, relevant literature shall be reviewed and the tools of data collection developed. During the empirical phase data shall be actually collected from the selected sources based on the qualitative perception of the developed tools of data collection. During this phase also, data shall be analyzed according to content validity as per the set objectives of this study. The study population for this study shall be the US department of defense thus all identified publications concerning the department shall be sampled and scrutinized for data.

Organization of the study

This research project shall be structured into five chapters highlighted below:

Chapter 1: Introduction

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This chapter provides the background of the study and gives the context of the study problem. The aim, objectives, research questions, research objectives, significance of the study as well as the proposed methods of data collection are discussed in this chapter.

Chapter 2: Literature review

This chapter shall contain the review of academic works that are related to adoption of outsourcing in the US defense department. Further, the chapter shall provide a comprehensive situation of the US defense department in relation to the strategy of outsourcing.

Chapter 3: Methodology

This chapter shall discuss the methods chosen for gathering data as well as data collection tools. The chapter will dwell on secondary sources of data particularly the documentary sources.

Chapter 4: Finding and Analysis

This chapter shall emphasize on the data analysis, key results and their significance in relation to the research aim and objectives.

Chapter 5: Conclusions

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   This chapter shall contain conclusions and recommendations linked to the research aim and objectives including limitations of the research and also suggestion for further research on the topic of study.

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