



Acquisition Research Program:
Creating Synergy for Informed Change

The Evolving Private Military Sector: A Survey

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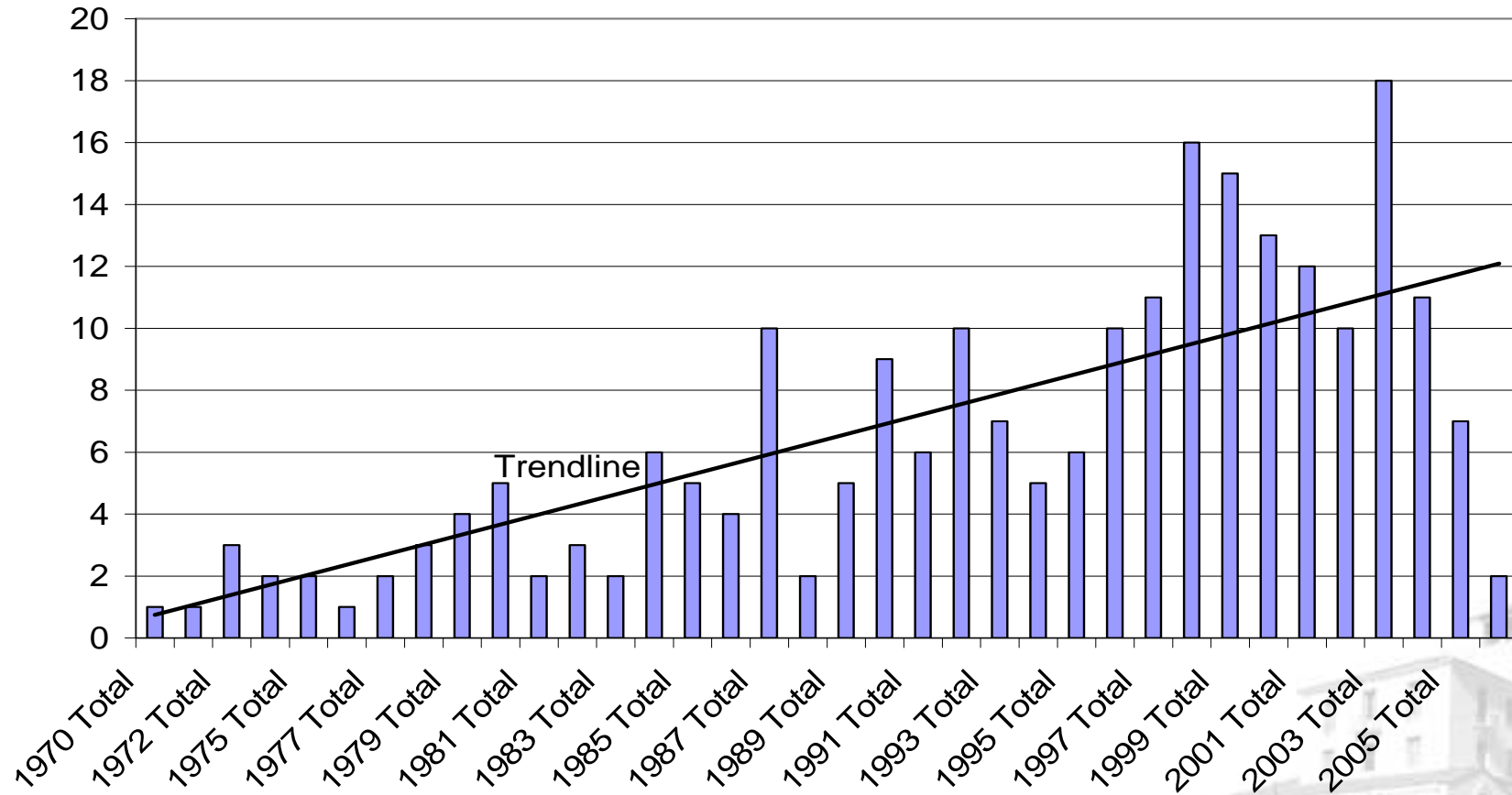
Overview

- Purpose
 - Help DoD and other security communities better understand the evolving PM (private military) sector
- Motivation
 - Several good conceptual and qualitative studies
 - But a dearth of *quantitative* data about the sector
- Method
 - 1 man-year of data collection
 - Collected data on 550 firms named as active in some way
- 3 parts to the report
 1. Organizational demographics
 2. Capabilities analysis
 3. Performance of Publicly-listed firms



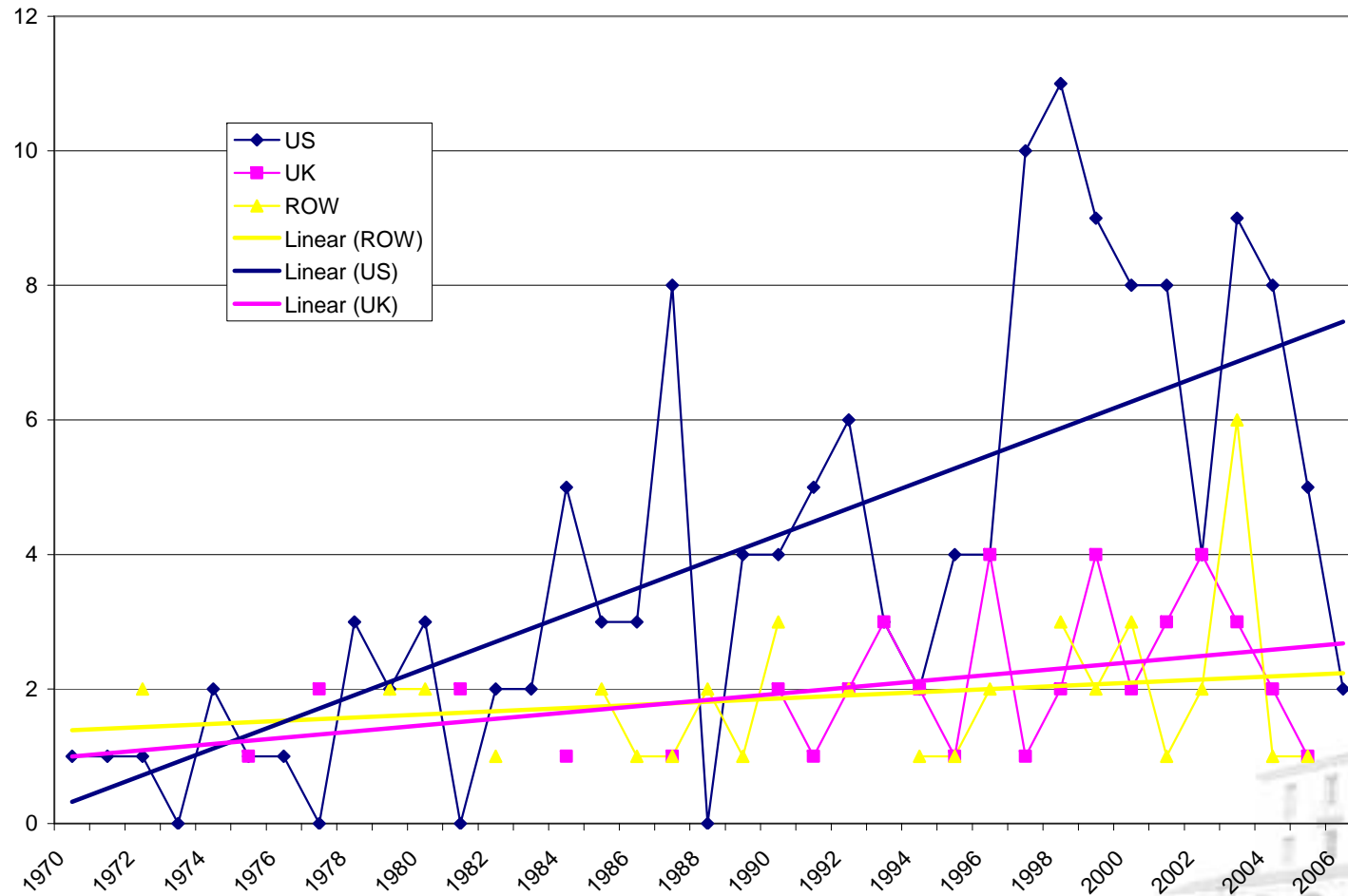
1. Organizational Demographics

Pattern of PMF founding by Year 1970-2006



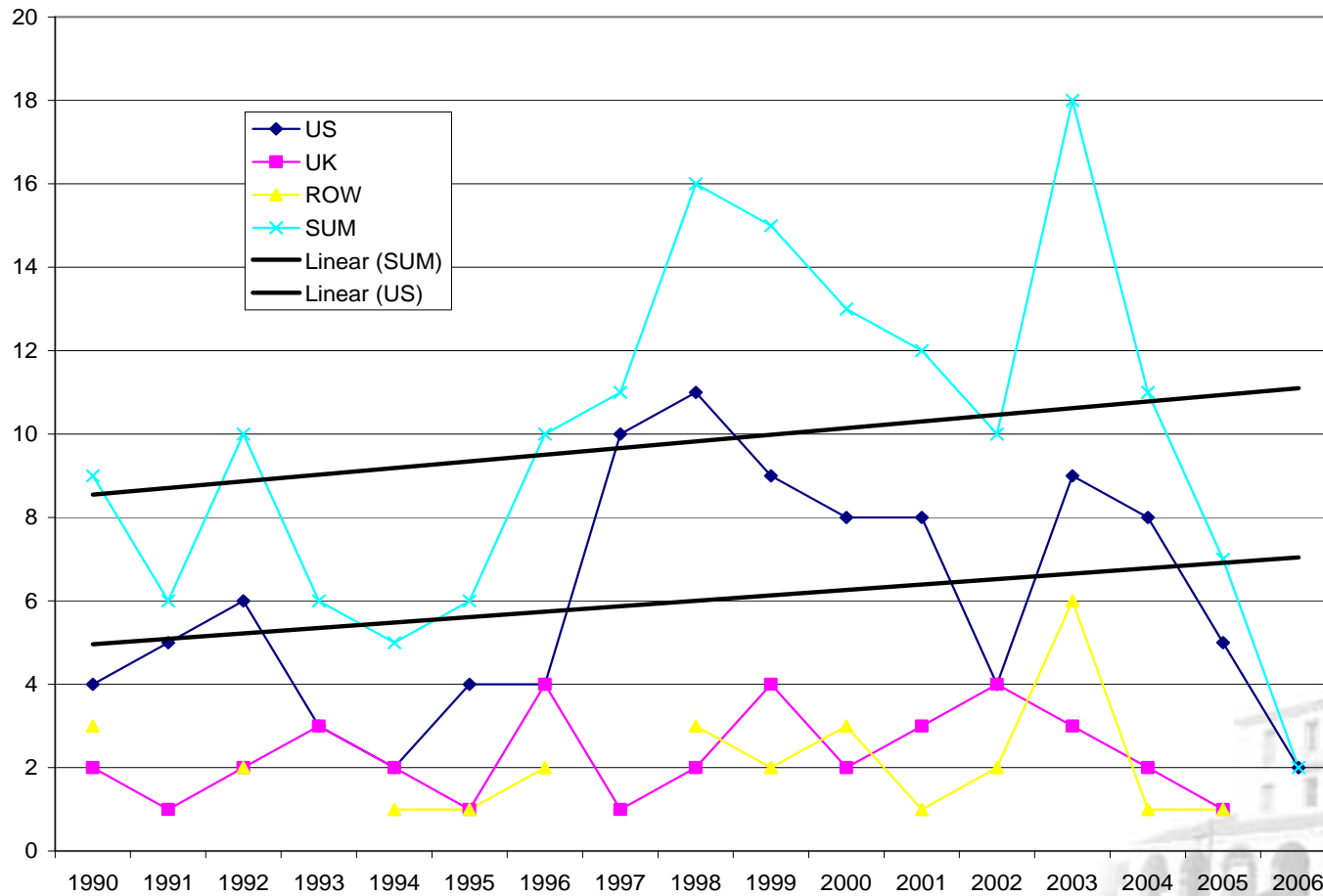
Where's the growth coming from?

PMF founding pattern by Region



It's a post-Cold War phenomenon...

PMF foundings 1990-2006



2. Capabilities Analysis: What do PMFs do?

Singer's "Tip of the Spear" Analysis

(Singer, 2003, p. 93)

BATTLESPACE

Military
Provider
Firms

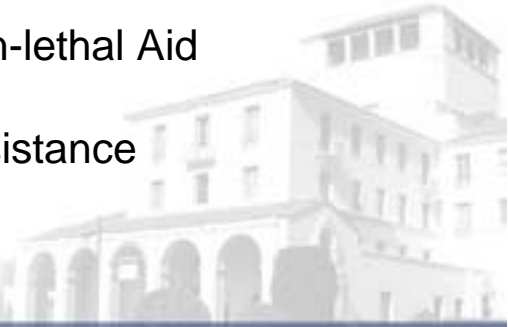
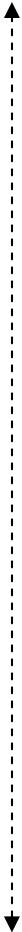
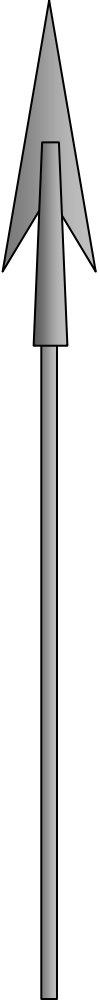
Implementation
/Command

Military
Consultant
Firms

Advisory
and
Training

Military
Support
Firms

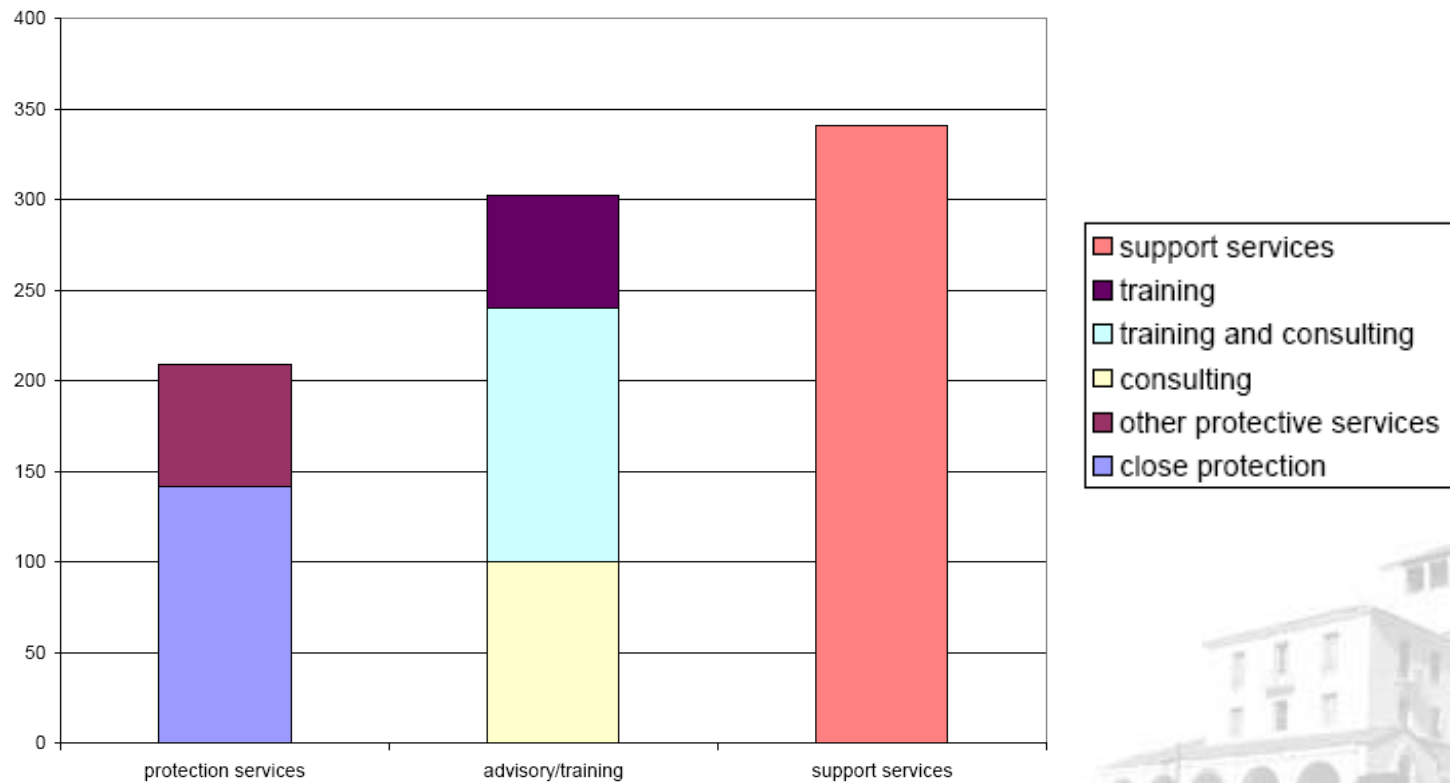
Non-lethal Aid
and
Assistance



What do firms do most?

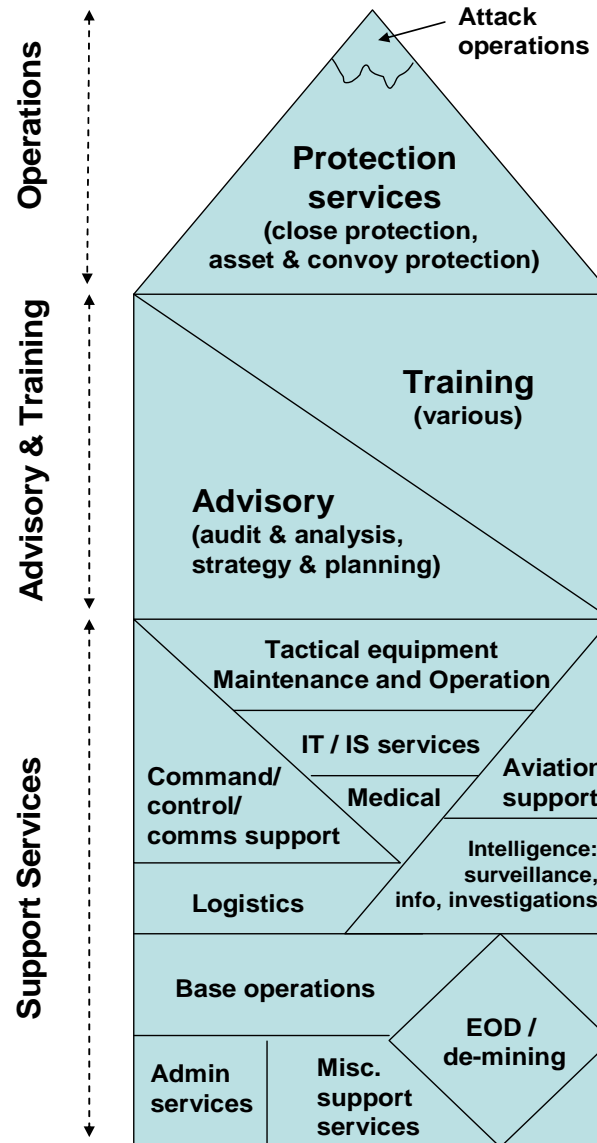
PMF Activity Summary

(number of active firms)



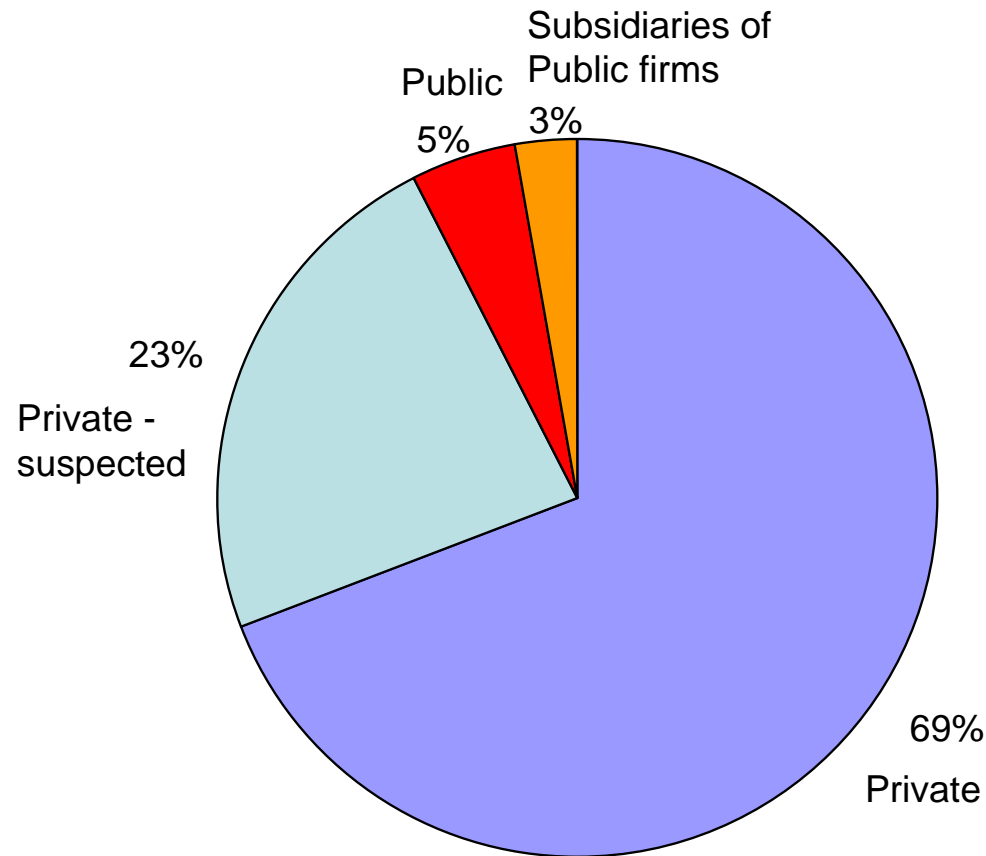
Revised “Tip of the Spear”

It’s a patchwork quilt;
by no means a unitary
industry



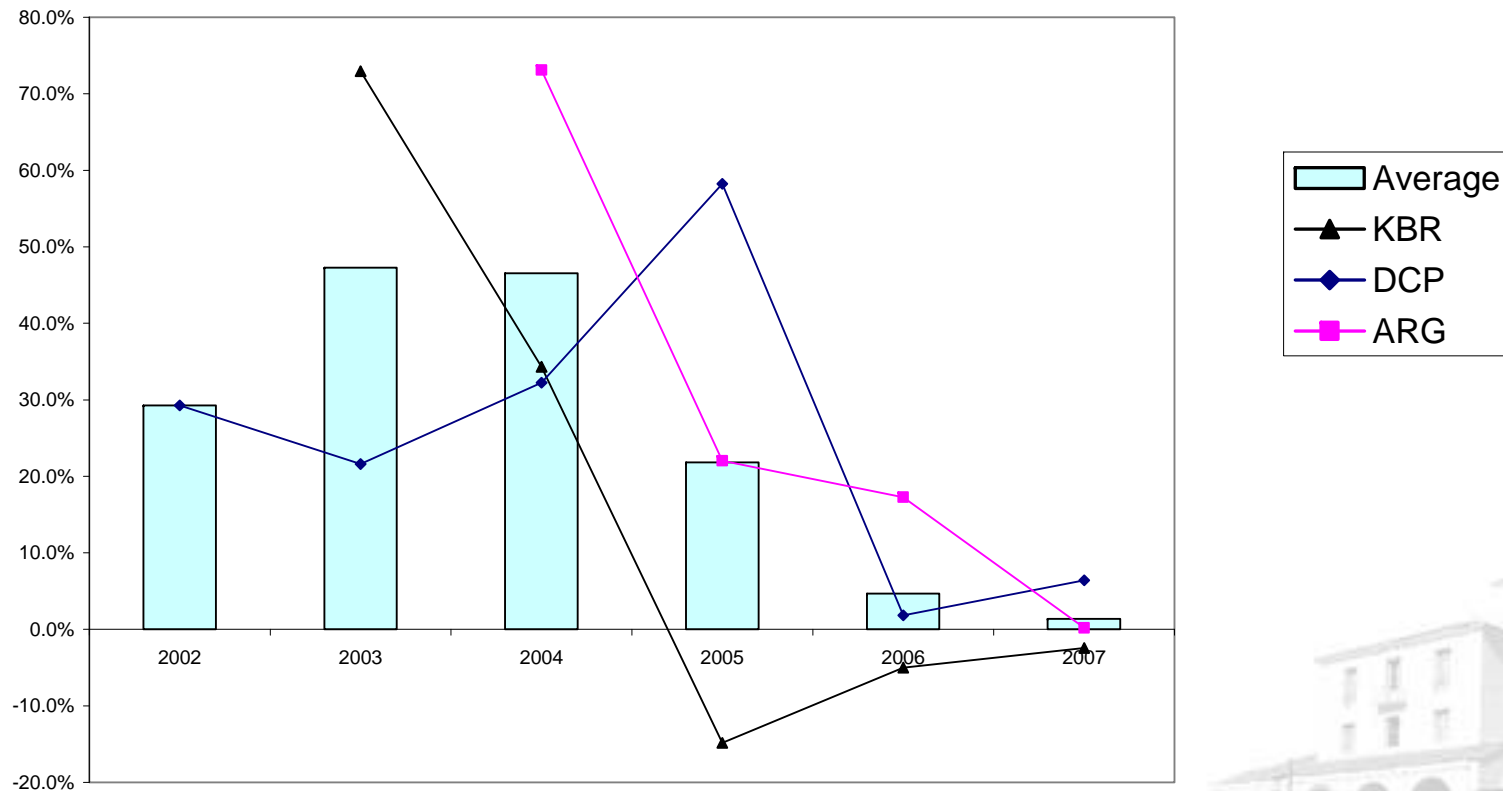
3. Public Firms active in the Sector

The vast majority of PMFs are privately-owned



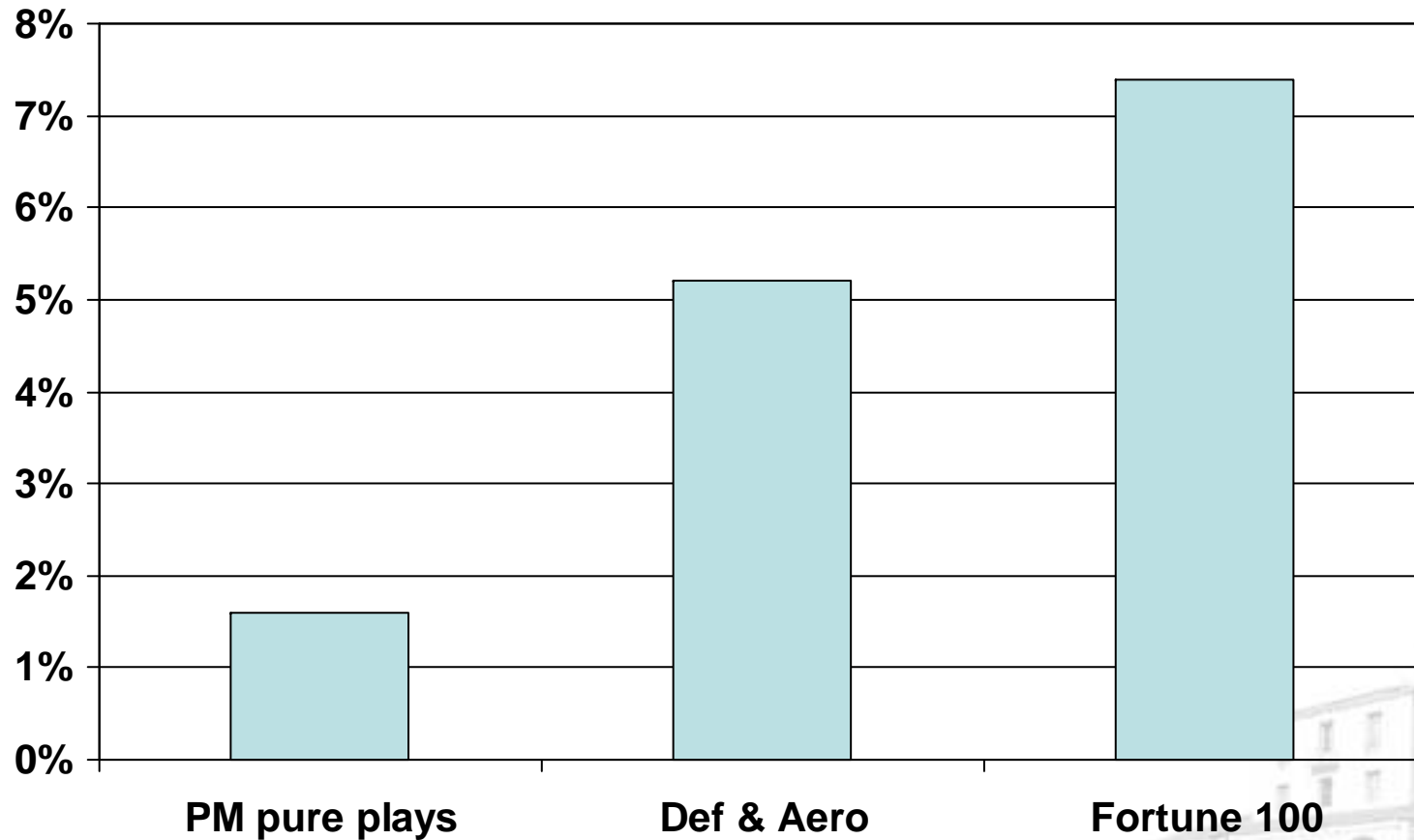
How fast has the PM Sector been growing?

Revenue Growth Year-on-year
(%)



“War Profiteering?”

2006 Net Profit Margin
(%)



Key Conclusions

A few important inconsistencies between our data and way the sector is often reported...

1. PM sector is a not a post-9/11-OIF phenomenon
 - It's a post-Cold War phenomenon
2. PM sector is by no means a unitary industry
 - Its very diverse; different pieces have different evolutionary trajectories
3. PM sector do not appear to be “war profiteers”
 - Much of the rent generated by firms is appropriated by individual employees, leaving slim profit margins for the firms

