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Examining the Organisational Structure of UK Private Security Companies

CHRISTOPHER KINSEY

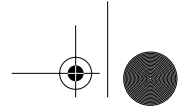
The end of the Cold War has witnessed an unprecedented increase in the number of Private Security Companies (PSCs) operating internationally.¹ These companies engage in a range of military and security tasks including humanitarian demining, protecting public and private officials working in post-conflict environments, guarding embassies, and training state militaries in developing countries. Historically these tasks were typically the responsibility of state militaries, however, over-extension, soaring defence costs, and increasing support for neo-liberal market reform, particularly in the West, has seen more and more of these tasks outsourced.

Although government outsourcing is not new, including the outsourcing of military and security tasks, the type of private security organisation prepared to take on this responsibility is very different today from previous generations. Yet little is known about these new international actors, particularly when compared to the bank of knowledge about state militaries. Consequently, there is a growing need among the international community to increase understanding of PSCs so they can be better integrated into the international system that contributes to international peace and security. With this in mind, the article sets out to examine and evaluate the organisational structures of PSCs.

The article is divided into five sections that will tell us about the types of structures adopted by PSCs and why, but also about the impact some technologies are having on the structure of PSCs. Only by understanding what the limitations are of the different types of PSC structures will we be in a position to take maximum advantage of the services they offer and devise new ways of organising security. Without this knowledge, our reliance on

Christopher Kinsey is an ESRC post-doctoral fellow at the Department of International Politics, University of Wales, Aberystwyth.

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PSCs will continue to be haphazard while the chances of making mistakes in relation to their employment will remain high.

The first section defines a PSC. The intention here is to establish the notion that PSCs have a distinct character based around a commercial identity. The next section discusses the role of structure in work organisation. Here, particular attention is given to the meaning and different types of structure. In the first instance, established patterns of relationships between different sectors of an organisation are discussed, while in the second instance, different types of structure are considered. Such an understanding is necessary before we can understand PSCs as structures.

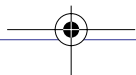
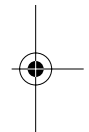
The third section examines the organisational structure of two types of PSCs, the nature of the loosely coupled organic structured PSC and the divisionalised and hierarchically structured PSC. The section explains the pattern of relationship between the different component parts of each structure before discussing two dimensions of structure, termed the vertical and horizontal dimensions, associated with the divisionalised and hierarchally structured PSC. The vertical dimension relates to levels of hierarchy, while the horizontal dimension is concerned with the level of differentiation of tasks in an organisation.

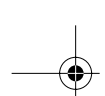
The fourth section considers the impact of technology on the structure, first as a tool used to shape the structure and then as a means to allowing it to function more efficiently.

Defining a Private Security Company (PSC)

Security companies established themselves in the UK as far back as the 1930s.² Then these companies provided a limited number of security services to a domestic market. Such services included the provision of guards to stand outside factories or guard the transportation of money. Today PSCs range in size and types from relatively large PSCs that include ArmorGroup and Control Risks Group, through to smaller though no less effective companies that include Olive Security and Rubicon International Services. Each of these companies provides a similar range of security services to a range of clients including multinational companies, governments, international organisations, and charities.

Moreover, they provide security services that can facilitate their clients' participation in post-conflict reconstruction projects undertaken in some of the most dangerous parts of the world. These services include, but are not exhaustive of, training local forces in security techniques, humanitarian demining, bodyguard work, and teaching other security related skills.





Further similarities between PSCs are their willingness to operate in dangerous environments and to arm their employees for self-protection. Such an attitude is in many respects a response to the lucrative nature of the market. For example, whereas previously Group 4 Falck may have distanced themselves from the military style security work that is now common in many post-conflict environments, the size of profits to be made in this area of work has resulted in the company changing its position over the last few years.³ Consequently, in terms of military security services provided by PSCs there appears little difference between the majority of companies.

The Role of Structure in Work Organisation

What is Meant by Structure?

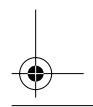
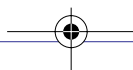
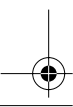
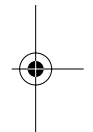
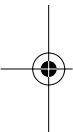
One way to describe any formal organisation is to outline its structure. Knowledge of the structure of an organisation allows us to understand the processes that occur within the organisation. Employees, for example, when asked to describe their organisation normally sketch out an organisational chart showing how their organisation works. They are not suggesting this is how the organisation operates since no single-dimensional approach can achieve this objective. Instead, the organisational chart simply gives some tangible evidence of who reports to who, how many levels of decision-making authority exist in the organisation, and how the organisation is assembled. The chart gives the formal authority and communications structure of the organisation.⁴

Even so, organisational charts do not tell us about informal processes that many organisations adopt to enhance aspects of their performance. The subject is discussed in greater detail below. This aside, an understanding of organisational structure is fundamental to those interested in organisations, including academics, since structure influences the performance of organisations in important ways.

How then are we to define structure? Structure can be defined as:

the established pattern of relationships between the component parts of an organisation, outlining both communication, control, and authority patterns. Structure distinguishes the parts of an organisation and delineates the relationship between them.⁵

At the heart of any structure is a set of social relationships between its component parts. This is normal considering all organisations are made up of individual persons. At the same time, these relationships are collective in





that a structure is made up of a collection of individual persons working together to achieve a set of goals or a task determined by the organisation. Moreover, organisations have to ensure that they build into the structure the means to achieve such goals or tasks to ensure the long term survival of the organisation. To achieve this, the structure has to meet specific needs and desires of the organisation. These needs and desires can be divided between two major groups, those of the individual employee, and those of the customer.

In the case of ArmorGroup for example, since they rely on a limited pool of experts, the company must take into account the needs and desires of those employees who supply that expertise otherwise the pool may dry up. At the same time, the company also sees itself as responsible for maintaining the highest possible standards for its customers. Thus ArmorGroup is certified to International Organisation Standardisation (ISO) 9001:2000,⁶ requiring it to demonstrate levels of good service and accountability, while also laying out class-leading standards of employee care.⁷

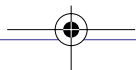
Furthermore, if the needs and desires of each of these groups were blocked through adopting an inappropriate structure, then the structure would need to change. This approach allows a much higher level of sustained commitment by individual employees, while the needs and desires of the customer are met or even surpassed.

Types of Structure

Before discussing the structure of a PSC, we need to know something about the types of structure that PSCs have evolved from. O. E. Williamson,⁸ one of the leading organisational economists of his generation, first used the term 'unitary organisation' for the undifferentiated structure of the small firm.⁹ According to Ackroyd:

a unitary structure is constructed around a single transformative process, for which little specialisation of task is required. As a result the levels of hierarchy are not elaborate. There are few layers of hierarchy, there is a simple, unified chain of command, and there is little horizontal differentiation.

A variation of this basic 'U' pattern structure is the loosely coupled organic network illustrated in Figure 1.¹⁰ The structure maintains a unique chain of authority, while at the same time reducing the number of levels of authority, in the case of PSCs usually to around three, as seen in Figure 2. The advantage of such a structure is that it can improve communication and is flexible. Neither does the structure function mechanically, but organically, making it better suited to rapidly changing environments.



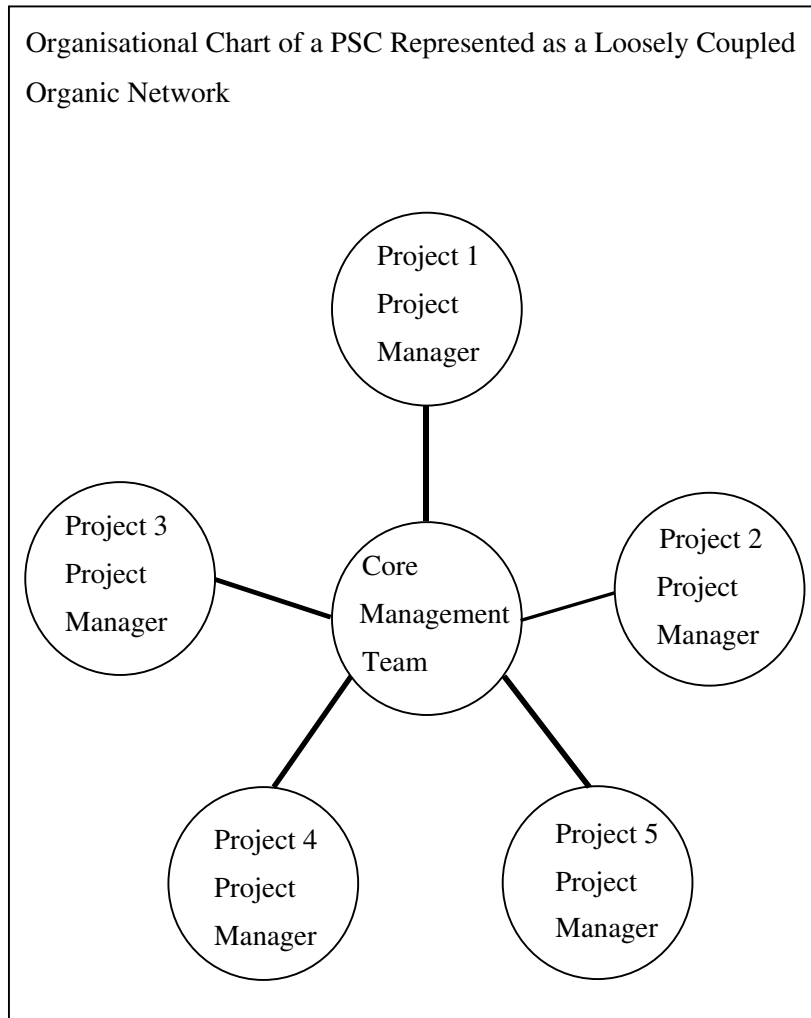


FIGURE 1 ORGANISATIONAL CHART OF A PSC REPRESENTED AS A LOOSELY COUPLED ORGANIC NETWORK

Although the unitary design illustrates very well the small company undertaking commercial activities, it fails to take into account complex interaction within organisations and the environment they operate in. As organisations grow they achieve greater complexity, or, to be more accurate, they become internally differentiated. Why differentiation occurs is simple to understand. As companies employ more and more people, there

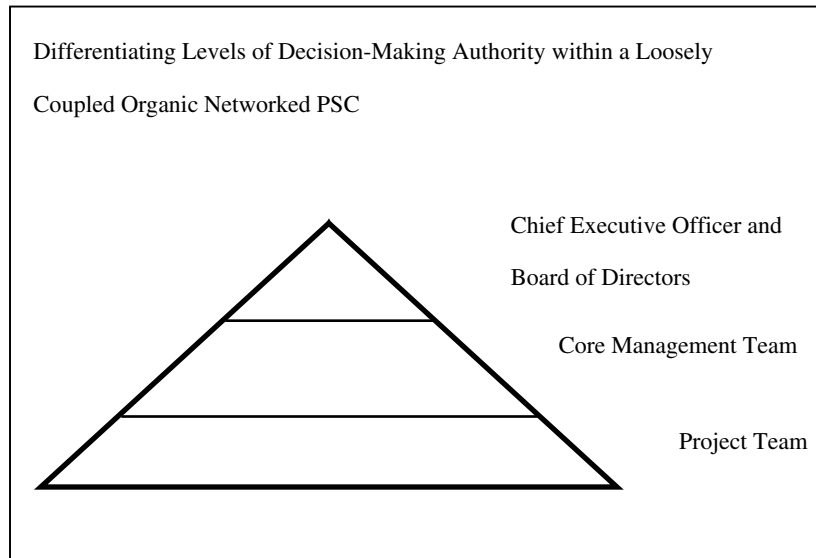


FIGURE 2 DIFFERENTIATED LEVELS OF DECISION-MAKING AUTHORITY
WITHIN A LOOSELY COUPLED ORGANIC NETWORK PSC

occurs within the company the opportunity for more specialisation of function. The company also experiences problems associated with the coordination of activities of more and more people. To overcome this problem and to help the company grow successfully, they employ people with specialist skills in areas such as management, finance, legal, and human resources.

Moreover, two types of specialist staff emerge, technical experts and administrators who undertake the organisation and coordination of the company.¹¹ However, this only achieves the internal differentiation of the bureaucracy of the company. It tells us very little about different aspects of the company, for example whether the company operates internationally. For this to happen there is a need to increase the complexity of the basic design of the unitary structure. We return to this subject in greater detail below.

Chandler is recognised as identifying the internally differentiated organisational design necessary to take account of different aspects of a company, and referred to them as 'M' form companies.¹² Mintzberg, on the other hand, prefers to use the term 'divisionalised' to describe this type of company.¹³ Furthermore, companies that divisionalise themselves are more efficient with different sectors of the company serving different market

areas. The market is divided geographically, as the PSC market is, or by products.¹⁴ The 'M' form is achieved when a centralised managerial committee, or, as in the case of PSC, an Executive Committee, is placed in overall control of the company's business strategy.¹⁵ In this situation, structure follows strategy because the separation of a company into divisions reflects decisions of the Executive Committee about market division. Finally, the company is organised around the Executive Committee that loosely coordinates each set of services in each division by determining company policy at the strategic level.

The Private Security Company as a Structure

The organisational charts below represent two different types of structures adopted by PSCs. The first chart, Figure 1, represents a loosely coupled organic network while the third chart, Figure 3, represents a divisionalised and hierarchal structure. Both charts are explained in more detail in the following sections. This section simply illustrates the component parts of the relationship that go to make up both structures. Finally, the charts also show the flow of information around each type of structure.

The loosely coupled organic network PSC is dominated by a core management team (CMT) responsible for securing contracts and then ensuring contracts are properly managed. The CMT also undertakes all the activities associated with administration, finance, business development, and human resources. They may also share responsibility for a geographical region instead of appointing regional managers. A project will normally be managed by a project manager usually responsible to the CMT for every aspect of the project's schedule who will invariably be a technical expert in the area of the project the team is working on.

In the case of the divisionalised and hierarchal PSC, at the very top of the structure is the Chief Executive Officer (CEO) and Board of Directors while just below them is the Executive Committee. For operational purposes, day-to-day responsibility for running the PSC is delegated to service heads responsible for service lines, the Chief Operations Officer (COO) responsible for all regional operations, the Chief Administrative Officer (CAO) and Chief Finance Officer (CFO) both of who are responsible for the division that covers functions and administration.¹⁶ These managers are represented in Figure 4 as senior management.

Below this level in the hierarchy are the individual services offered by a PSC, the regions the PSC operates in, and the different functions that go to support the overall running of the PSC. As Figure 3 illustrates, PSCs are able to supply four wide-ranging services to virtually any region in the

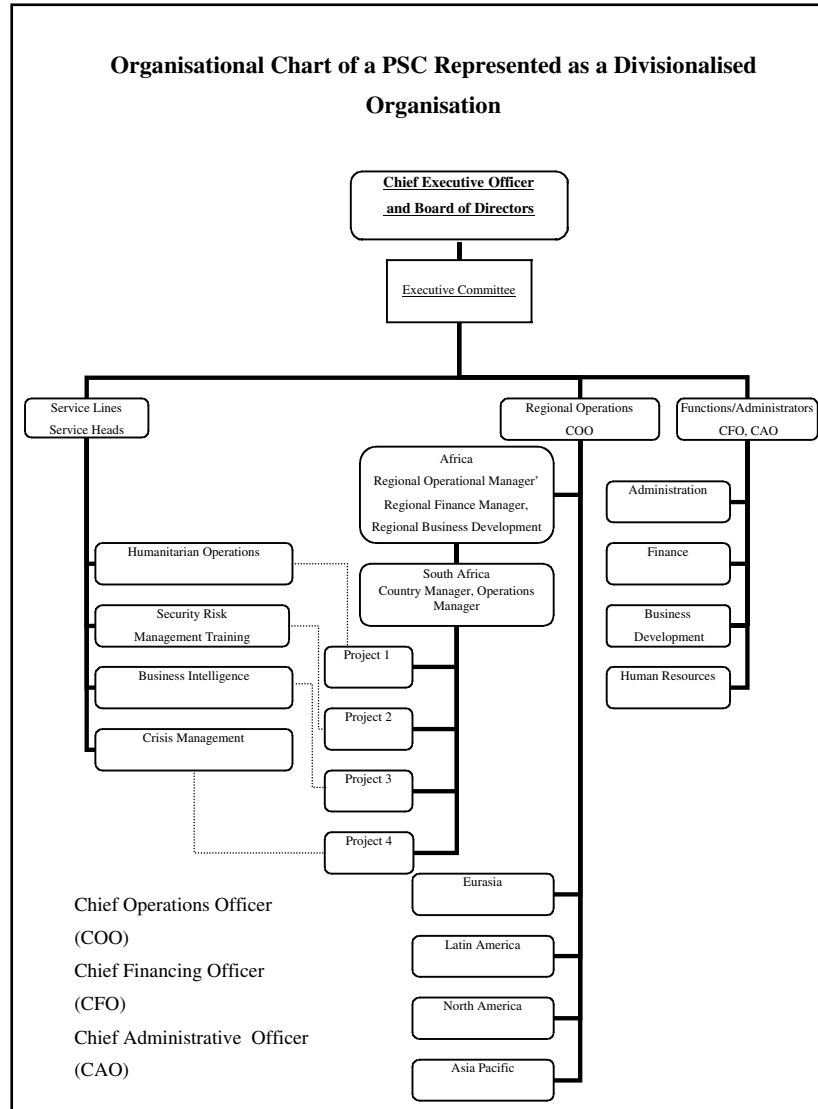


FIGURE 3 ORGANISATIONAL CHART OF A PSC REPRESENTED AS A DIVISIONALISED ORGANISATION²⁹

world. Support for a PSC's international operation is normally divided into four functions; administration, financing, human resources, and business development. Labels for these functions may differ between PSCs.

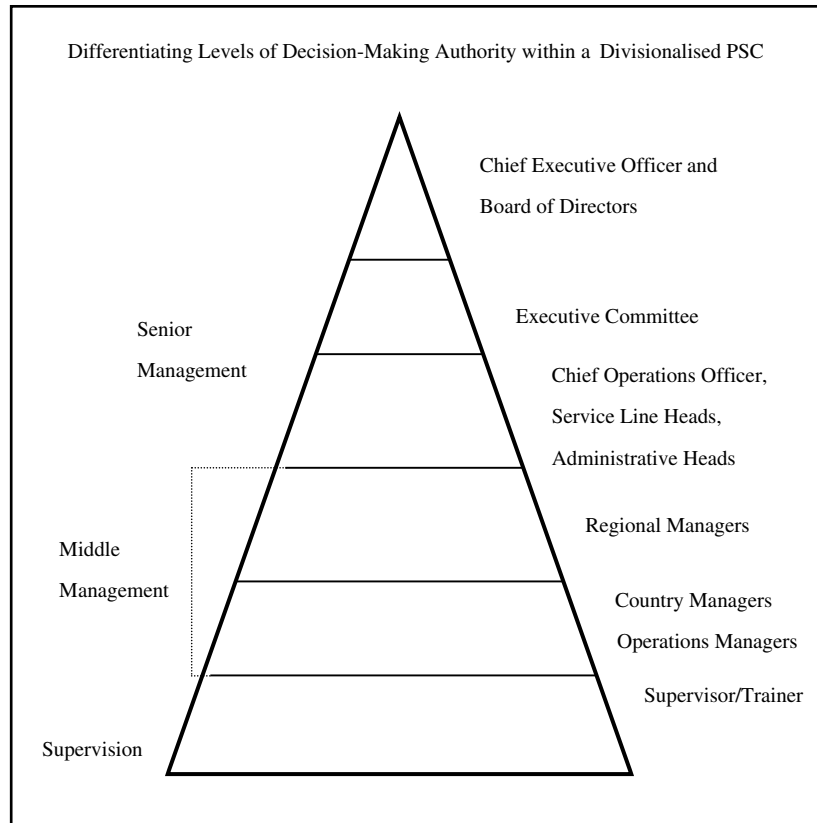


FIGURE 4 DIFFERENTIATING LEVELS OF DECISION-MAKING AUTHORITY WITHIN A DIVISIONALISED PSC

Beyond this level, only the division covering regional operations is further divided with responsibility for specific countries and projects being given to either country managers or operation managers who also replicate these functions to ensure conformity and stability is maintained throughout each level of the company. Finally, in terms of management levels, regional directors, country managers, and operation managers represent the middle management strata as shown in Figure 4.

The PSC as a Loosely Coupled Organic Network Structure

The loosely coupled organic network is an organisational form representative of numerous PSCs. Typical examples of this type of PSC are Erinys



International, Olive Security, and Aegis Defence Services. At the heart of the network is a core management team representing a single source of influence. In extreme cases, this influence might centre on a single person, although it is more likely to be a power clique comprising a small number of well acquainted individuals.¹⁷ Furthermore, the atmosphere within the clique may resemble the atmosphere found among members of an elite regiment where colleagues have an intimate knowledge of each others' background as a result of serving together in the military.

The structure is dominated by three levels of management as explained in Figure 2. At the top is the CEO and Board of Directors who are responsible for the running of the company, and in certain cases they may also make up the CMT, the second level of management. By combining both of these groups the organisation maintains a flat management structure, while project teams may be structured along more conventional business lines.¹⁸ The CMT determines strategy and policy and runs the day-to-day business of the company. As mentioned earlier, the CMT is responsible for a range of functions that include administration, finance, human resources, and business development, as well as organising contracts entered into by the company. However, a function may also be delegated to a person within the CMT.

One of the main organisational features of the CMT is the range of military and commercial security skills and experience held by the team. Their collective experience may include explosive ordnance disposal, military intelligence, special operations, kidnap negotiations, diplomacy and business intelligence. Furthermore, if there is a skills gap within the CMT, it is normally filled by hiring in the necessary experience.

Team members working on projects however are normally hired for a specific task and must possess the necessary skill and experience to take on the task that the contract demands. In this respect, if a contract calls for a team of explosive ordnance disposal engineers then that is exactly what the team members will be skilled in. In this respect, they will not normally be in a position to extend the role of the team to include other tasks, unless the team have the additional skills to do so.

A further feature of this structure is the orientation towards the use of project teams. Each project is organised by a project manager, the third level of management. This person is responsible to the CMT, which also has overall authority for the project. Thus under this model authority remains centralised. This does not mean that project managers cannot make operational decisions about the project without having to refer back to the CMT. Strategic decisions on the other hand, which relate to the overall running of projects, will normally be taken by the CMT. They are





best placed to determine the impact of strategic decisions on the company since they are away from the operational coalface and thus able to view the bigger picture of the company's overall position. However, with only three levels of management, decision-making in general becomes a much more close interaction between individual persons.

Project teams consist of the necessary mix of expertise and training according to the project needs. Project teams also vary in size according to the nature of the project and services provided. Decision-making within the team is normally structured along more military lines.¹⁹ In this respect, a project manager may decide to appoint someone as second in command, while other team members take on roles that reflect the role they had in the military. This situation is even more assured if team members had previously served together. For the team, this is intended to ensure the smooth running of the project. Furthermore, such influence makes it easier for them to resort to a military style structure. Moreover, team members may adopt a position of responsibility within the structure similar to the position of responsibility they held in the military. For example, a retired sergeant might be given responsibility for running a project while delegating the position of second in command to a retired corporal instead of basing a staffing decision on merit.

Neither is the loosely coupled organic network restricted to a particular type or size of project. In this respect, structure is not a determining factor when deciding what projects to bid for, though it will influence the way the project is conducted and could impact on its success. Indeed, such structures have in the past taken on projects that include military operational support, military advice, logistical support, commercial security protection, and investigation and intelligence gathering, while the size of projects have varied. In Iraq, for example, a \$40 million contract to protect the oil infrastructure was awarded to Erinys Iraq, a subsidiary of a relatively new company Erinys International.²⁰ It then subcontracted responsibility for recruiting some of its employees to US recruitment firm, Security Application Systems International (SASI), a decision it later reversed.²¹ At the time larger companies questioned the suitability of awarding such a major contract to a relatively new company.²² However, US Army Colonel Tom O'Donnell, in charge of overseeing security of the Iraqi oil infrastructure, remains impressed with the company's handling of the contract.²³

Clearly then, the Coalition Provisional Authority decided that size or type of structure is irrelevant to a successful bid for a security contract. Erinys is not the only small PSC to have successfully bid for contracts in Iraq. Other small UK PSCs who have succeeded in securing contracts





apparently regardless of their structure and size include Olive Security Aegis Defence Services and Rubicon International Services.²⁴

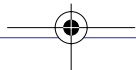
Finally, a significant number of UK PSCs resemble this organisational structure. More interestingly, quite a few of these companies do not appear to expand beyond this to a divisionalised and hierarchal structure discussed below. There is no obvious explanation as to why they remain loosely coupled organic network structures. Companies may simply find it convenient. Neither is their performance impeded by the structure. The fact these companies participate in as many types of security operations in Iraq as those PSCs that are divisionalised appears to confirm this. Indeed, the US Government Accounting Office awarded a multimillion dollar contract to Aegis Defence Services Ltd to coordinate and manage the activities of security contractors operating in Iraq. The award to Aegis surprised many in the industry because the company had no experience in the Middle East.²⁵ The company is also relatively new to the security service business and its characteristics reflect more closely those of a loosely coupled organic network structure. Other similar sized companies can also be found operating globally in the same high risk environments as PSCs that have a divisionalised and hierarchal structure. In this respect, as the old adage goes, 'if it isn't broke, why fix it'. Consequently, the desire to expand into a divisionalised and hierarchal structure may simply reflect nothing more than management ambition.

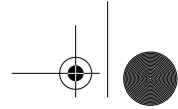
The PSC as a Divisionalised and Hierarchal Structure

The following section explains two features of organisational structure that are generally well known and are frequently referred to as dimensions of structure. A large proportion of PSCs exhibit these two dimensions. The first is horizontal distinction and is usually thought of as specialised task units across the organisation. Horizontal distinctions are illustrated in Figure 3. The second is vertical distinction and normally understood as levels of hierarchy. Figure 4 indicates how many levels of hierarchy are to be found within the divisionalised structure of a PSC.

According to Ackroyd, companies traditionally distinguish between three different levels of authority, senior management (the directors of the company and senior executives), middle management (who organise and coordinate the internal workings of a business) and supervision (concentrating on overseeing the work activity of employees).²⁶ All three are represented within the divisionalised PSC as Figure 4 demonstrates.

These levels of decision-making authority are responsible for the activities of the majority of the employees running the day-to-day business of the company. Moreover, in practice, a company can have as many or as





few levels of decision-making authority as it wishes. Today, however, there is a tendency for companies, including PSCs, to organise themselves with as few levels of formal hierarchy as possible.

In relation to the horizontal dimension of structure, there can be high levels of differentiation of activities in an organisation or a lack of such specialisation.²⁷ In the recent past for example, industry has tended towards extreme specialisation in the division of labour. Today the move is towards reducing extreme specialisation of activities. For PSCs however, the extent of the reduction of specialist activities that are overcomplicated and mentally taxing to a simple set of tasks is not straightforward or even possible in certain cases. For example, administration, finance, business development, and human resources cannot always be reduced to a level where any one of several individuals can undertake the task. Moreover, each service highlighted in Figure 3 requires a set of special skills which are unique to that service, and that cannot be reduced to a simple set of instructions for any individual to follow.

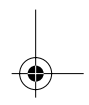
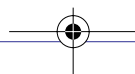
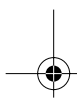
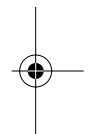
At the same time, major differences also exist between services to stop individuals from moving between them. As Christopher Grose, a director of Control Risks Group, explained, the day of the generalist who would do a security audit one day and a crisis management plan the next are long gone. It now requires people with different skills, different levels of client facing skills and different backgrounds so they can command creditability. Consequently, it is not easy or even possible to move people around anymore.²⁸

Taken together, these two dimensions are used to describe the basic organisational structure of a PSC. We return to this subject after examining the vertical dimension.

Explaining the Vertical Dimension of PSC Structure

The following section examines the vertical structure of a typical PSC. The section explains each level of decision-making authority that makes up the structure, while the pyramid in Figure 4 is used to illustrate these levels.³⁰ The top of the pyramid represents the highest level of decision-making authority while the base represents the lowest level. In the case of PSCs, the pyramid is tall, representing a high level of vertical differentiation. This normally means that directors and managers of PSCs allow decisions to be made at lower levels in the management structure, thus increasing the level of vertical differentiation experienced by the company.

However, if a senior manager were to have all decisions referred back to them then the result would be a low level of vertical differentiation. Consequently, we only need to examine the number of levels of decision-making



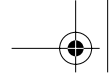
authority in a PSC to tell us whether the degree of differentiation is high or low. This, though, does not tell us how decentralised decision-making authority is organised in a PSC.

Figure 4 illustrates the six levels of decision-making authority that go to make up the structure of PSCs. As the following section explains, all the levels are important to the overall successful of the business. On the service line and functional side, only two levels of decision-making authority normally exist based at the senior management level and which are necessary for the day-to-day running of the company. However, on the operations side, five levels of decision-making authority exist, from the Executive Committee down to supervisors and trainers.

At the top of the pyramid are the CEO and Board of Directors who appoints the CEO. The Chairman represents investor interests, while the CEO is responsible for operational issues and, along with the Chairman and the Board, directs the business of the company. The CEO chairs the Executive Committee. However, this group is not responsible for the day-to-day running of the company, which is the responsibility of the COO, Service Line Heads, CFO, and CAO as mentioned earlier.

In the case of most PSCs, members of the Executive Committee are normally appointed by the CEO and represent the principle interests (regions, service lines and functions) of the business. In ArmorGroup, the Executive Committee meets monthly and is responsible for determining strategy, while administrators, who undertake the day-to-day running of administrative, financial, and business development affairs, support the role of the Committee.³¹ A similar situation exists with Control Risks Group, where the Executive Committee takes the strategic decisions responsible for ensuring the day-to-day operating procedures of the company are followed.³²

A PSC will usually employ a COO to undertake responsibility for the health and performance of all international business, a CFO with overall financial responsibility for the business, and a CAO responsible for human resources.³³ The final areas of responsibility at this level are the service line heads. Service lines represent the principal services offered by a company to its customers. These might change in line with the company's strategy and market forces and their headings can encompass subordinate services. Demining for example, includes surveys of mine or unexploded ordnance pollution, training of mine clearance engineers, mine awareness training for populations at risk, actual physical clearance, and quality assurance checks on third party mine clearance. In ArmorGroup, service heads hold intellectual supremacy in their chosen field, and are based in locations of convenience. They develop their services and offer them to customers through the company's regional headquarters.



However, not all companies operate in this fashion. Control Risks Group employs a former barrister who ensures that the modus operandi of the company is consistent and legal, while at the same time introducing a quality consistent position within the company whose role it is to ensure the company operates a common set of standards and within certain parameters.³⁴ Furthermore, it is customary for every position at this level of responsibility to have direct access to the CEO or the Executive Committee.

PSCs tend to divide their markets into regions, including Europe, Africa, Middle East, Asia/Pacific, and the Americas. It is reasonable to expect each region to have a regional director, some times referred to as a regional operations manager, assisted by a regional finance manager, and regional business development manager. Each manager reports to their appropriate director. Regional directors are responsible for all group activities within their theatre while at the same time assisted by their own finance and business development managers. Regional directors may even head one of the fields depending on their own skill base.

Below this level of management are the country managers and operations managers. These report to the regional operations manager and are responsible for countrywide activities and are also expected to heighten the PSC's visibility within a community to enable it to employ local labour. These two levels of responsibility represent the middle management as shown on Figure 2.

As with any other industry, the provision of a quality service in each country or region is the responsibility of an operations/country manager. Technical support can be generated through a service line head, or higher authority such as the COO based at the company's headquarters to ensure the quality of service. In ArmorGroup, the COO is responsible to the CEO for the proper delivery of services worldwide while the operations manager coordinates operational responses to incidents arising, such as medical evacuation or assault.³⁵

The final management level shown in Figure 4 is supervisor and trainer. The different titles normally reflect the nature of the contract. This last group usually works directly with local employees either supervising their work or training them to take over as local supervisors.

The explanation above explains the hierarchal structure of the PSC. Figure 4 illustrates this point emphasising the decision-making process whereby authority is dispensed from the top down. What is different about this structure compared to state militaries is that by utilising technology, PSCs are able to decentralise the decision-making process. This is a very important feature of the business because of the complex nature of the services companies offer and the remoteness of the areas they operate in.



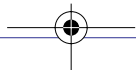
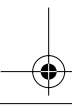
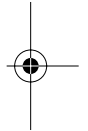
Thus, authority from the top is not oppressive. One reason for this is because in the majority of cases most senior managers are neither experts in the services being offered or at the actual location to oversee the operation, and must therefore delegate responsibility to subordinates instead. As Christopher Beese, ArmorGroup's Chief Administrative Officer explains, 'authority is exercised from the top down, but not without conferring with colleagues. In this respect authority is not dictatorial but uses extensive written policies for its support.'³⁶

However, according to Beese, senior managers are never far removed from the decision-making process since they are copied by e-mail or contacted directly on satellite phones on all matters of importance.³⁷ The same approach is used by Control Risks Group. As yet though, decisions are not so removed from senior management, even though senior managers are attempting to push them down lower in the organisation.³⁸ Consequently, the middle managers and supervisors are starting to make decisions away from senior managers, as long as the decisions are not strategic in nature.³⁹ Delegating responsibility also makes common sense because of the technical nature of the work and its location. At the same time, senior managers can link themselves into the process using information technology (IT), as discussed in a later section.

Explaining the Horizontal Dimension of Structure of PSCs

As discussed earlier, horizontal dimension relates to the extent to which overall tasks are performed in specialist units across the organisation.⁴⁰ For PSCs, these specialist units refer to service lines provided by the company to its clients and the functions undertaken by administrators. The following section explains the functions of the different divisions that represent a PSC. These divisions can be divided between administration and service lines, but also includes the Executive Committee and geographical regions for reasons explained below.

Even though an Executive Committee of a commercial company does not constitute a division its own right, in relation to PSCs, the Executive Committee carries out a specific set of functions that are separate and distinct from the functions carried out by the other divisions in the PSC. In ArmorGroup, the Executive Committee meets monthly and decides on strategy. Only the Executive Committee is able to undertake this role.⁴¹ The same situation exists in Control Risks Group,⁴² The Hart Group however see this additional level of authority as an unnecessary constraint on the company's performance.⁴³ Thus, the Executive Committee has a limited but vital role to play in some PSCs and that warrants its inclusion as a separate body from the other divisions.



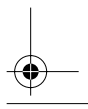
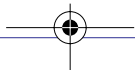
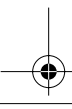
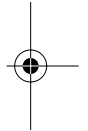
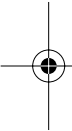


In a PSC, as with most businesses, the CFO coordinates the production of the budget and then accounts for results against the budget, which itself the board and investors would normally approve. In the case of Control Risks Group, the CFO is responsible for the general welfare of the company, while reporting directly to the CEO.⁴⁴ In ArmorGroup, the CFO works closely with regional directors and their finance managers to ensure that the London-based accounts department receives timely and accurate information for monthly consolidation. Furthermore, the CFO is responsible for the maintenance of fixed assets and for communications and systems worldwide.⁴⁵

The CAO is generally responsible for coordinating matters relating to recruitment, terms of service, compensation, pensions, insurance, codes of conduct, and termination. Not every PSC has a CAO. In Control Risks Group for example the responsibility associated with this position is undertaken by the human resources department and reports to the COO.⁴⁶ Where a PSC does employ a CAO, they may also be given additional responsibilities and functions including responsibility for public relations as in the case of ArmorGroup. Consequently CAOs work closely with all parts and at all levels of the company. The CAO might also direct the Company Secretary (CS) and be responsible to the CEO for the maintenance of accurate records, for compliance, for facilities at its head office, and for the maintenance of a Quality Management System (QMS) if the company operates one.

In preference to brash marketing, PSCs in the UK usually generate new business through a gradual approach to a particular client or market. Such an approach to new business is also reflected in the generally discrete way business is conducted, while potential clients, concerned about their business integrity are reassured by a more subdued, but no less effective, marketing approach. In ArmorGroup, business development is coordinated by the Vice President of Business Development who works closely with service line heads and regional business development managers. Client information is maintained on a client relationship management database.⁴⁷ Control Risks Group operates in a similar fashion with regional heads responsible for generating new business. It is in the remit of all managers, other than those controlling Europe where the size of the market is considered too large to be handled by a single regional head.⁴⁸

Two further functions that are not included in Figure 3 are public relations and IT. These functions may be combined with one of the other functions, or depending on how the PSC is organised, may be separated out. Finally, the list of functions detailed in Figure 3 is not exhaustive. They





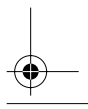
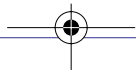
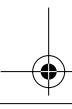
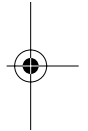
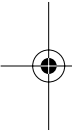
are the primary functions one would expect to find in any corporation, including those working in the security industry.

The services undertaken by the service division can be divided into four service groups that generally cover the range of activities undertaken by a PSC. These service groups include, but are not exhaustive of, humanitarian operations, security risk management training, business intelligences, and crisis management. Each of these services represents a series of specialised tasks that require the individual to hold a particular expertise in a given area of activity directly related to one of the services. For example business intelligence may include delivering concise and timely information on geopolitical or financial risk in a particular country. Other activities covered by business intelligence might include due diligence, competitor analysis, litigation support, and asset tracing. To cover all these activities, companies draw on individuals from a range of backgrounds including the law, banking, journalism, IT, and government service.⁴⁹

Security risk management training is also divided into specialist tasks covering a range of activities. These activities include risk analysis and planning, protecting facilities such as oil installation plants and maintaining lines of communication on the ground, and supplying manned guards. To undertake these activities successfully, PSCs draw on the experience of military and law enforcement personnel who understand the complexities of risk management and local levels of risk.

Humanitarian operations in support of post-conflict reconstruction covers activities as diverse as specialist mine clearance and battle area clearance of munitions, logistical support, administration, communication, facility management, and safety and security supervision. These activities are a crucial component of any project aimed at reconstructing the infrastructure of countries or regions that have been devastated by civil war. Such a wide range of activities also means drawing on the knowledge of experts that include military engineers trained in explosive ordnance disposal (EOD), water engineers, mechanical engineers, communication engineers, logistical experts, and administrators. Indeed, without these experts many humanitarian projects would simply not happen or struggle to achieve their objectives.

Finally, crisis management is concerned with personal security assurance against risks of intimidation, attack or abduction. This service tends to draw experts in the area of kidnap and extortion risk who have either served in a branch of a national police force responsible for this area of operation, or have worked for one of the leading insurance agencies specialising in this area of business. Whichever area they come from, they bring to the PSC intimate knowledge and experience.



As the service lines shown in Figure 3 demonstrate, PSCs engage in a very wide range of activities. Many of these activities require a great level of expertise, as in the case of ransom negotiation. At the same time, individuals who work delivering services for PSCs are normally very experienced in their field of operations. Furthermore, as mentioned earlier, for a PSC to undertake this range of activities effectively, decision-making needs to be decentralised and directed instead at those individuals with the necessary expertise and experience who will hopefully make the right decisions. In this respect, centralising decision-making through one person, or a small group of persons, at head office is unrealistic. This is especially so for operational decision where the situation on the ground may be continuously changing.

No expert in their field who is working for a PSC would in all probability accept a system of control that subordinates his or her decision-making authority to senior management simply because technology now enables groups to communicate very quickly across the globe. Thus, decentralised decision-making is a feature of the structure of PSCs and will probably remain so for the foreseeable future because of the complex nature of the activities and their environment. At the same time, senior managers can use technology to communicate with operations on the ground.

The Role of Technology in Shaping the Structure of PSCs

The previous sections have discussed the nature of the structure of PSCs. This section explains the impact of technology on both types of structure. It examines how prevailing technology, including telecommunication and computer networks that are now common features of the PSC business, has significantly impacted on each of these structures.

PSCs, as with any other type of company, use new technology to function effectively. They could choose to ignore such technology, but in their competitive environment they would invariably lose out to their competitors. It is the responsibility of management to decide how to utilise technology to achieve maximum levels of control and information flow. At the same time the process by which managers decide the best way to use technology entrenches that technology in a set of social and economic relationships. A good example of this is the impact of e-mail on social relationships in the office. As John Holmes, a director of Erinys International, explains, e-mail has made life more difficult for senior managers because it is now very easy for junior managers to defer decisions further up the management ladder.⁵⁰

At the same time, the World Wide Web (The Web) has made it much easier for junior managers to identify an emerging issue needing immediate

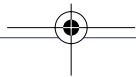
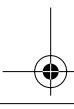
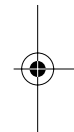
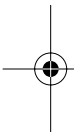


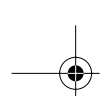
attention, and to refer it to senior managers and then wait to be told what to do. Before the emergence of the Web they would have taken responsibility for solving the issue themselves.⁵¹ Furthermore, since e-mails can be transmitted immediately they are composed it is important the message is clear. Confusing messages can increase reaction time or worse, lead to the wrong action being taken altogether. As Grose points out 'yes it is an asset, but one which carries a potentially huge risk'.⁵² Understandably, those who manage PSCs stress the need to educate employees in its proper use.⁵³

According to Beese, communication by e-mail has revolutionised command and control in ArmorGroup, while communication in Iraq would be impossible without handheld satellite cellphones.⁵⁴ Using e-mail allows an employee to share information as widely as is deemed necessary. This is important in a business where information about security is seen as a corporate asset.⁵⁵ In the case of the loosely coupled organic network PSC, e-mail permits information to flow easily and quickly between the CMT and the project. However, with regard to the divisionalised PSC, e-mail allows information to flow horizontally across the organisation and vertically up and down the company hierarchy. An employee can send information to any part of the company they believe would benefit from receiving that information. Thus in divisionalised PSCs, information flow tends to follow a matrix pattern, between divisions, and up and down within divisions.⁵⁶

Handheld satellite phones transmit information effectively and more easily than computers, especially outside of the office environment making them a vital piece of equipment for employees of PSCs working in dangerous regions of the world. The hostile environment of countries such as Iraq and Afghanistan places a premium on the immediate transmission of information, especially when lives are at risk. However, the use of this technology, which enables almost instant global communication, does not guarantee the successful or the appropriate end use of the information transmitted. Furthermore, the amount of information that can be disseminated in a single call is limited, while e-mails can disseminate larger amounts of information to any number of persons.

This type of technology can also have a significant impact on the way control operates in a PSC. While control is normally achieved through the establishment of levels of authority, technology now allows individuals to bypass parts of the system and report to higher levels of authority instead. In this respect, whereas levels of authority are still an important aspect of a PSC, control is much more pervasive because technology has made it much easier for senior managers to communicate with all levels of authority in the company. However, this can also create problems for a PSC if senior





managers insist on using technology to control every aspect of the company's business down to decision-making carried out in the field. Though it is important for senior managers to know what is happening on the ground, control over those working at this level is better undertaken by managers or supervisors with local knowledge of the environment.

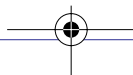
More importantly, achieving the right balance of control between senior managers, country or operations managers, and supervisors is essential if control is to be effective. Too much control by senior managers can stifle local initiatives, while too little can render a company ineffective. The use of e-mail and handheld satellite phones by PSCs helps achieve and maintain this balance.

Evaluating the PSC Structure

When examining the structure of PSCs, it is in the areas of command and control, decision-making and information flows, that we can assess the benefits, but also the drawbacks, of the type of structure they adopt. Each has a clear chain of command and control either as a consequence of there being so few levels of authority as in the first instance or because of their divisionalised and hierarchal structure. In relation to the loosely coupled organic network, senior managers are never far removed from the operational side of the business, placing them in a position to maintain close contact with the project teams and advise them if necessary. The divisionalised structure employs technology to achieve this situation giving senior managers the ability to communicate directly with operational staff if necessary.

By establishing a clear chain of command and control it is easier for each type of structure to identify who in the organisation is responsible for a particular task and who that person is accountable to if anything goes wrong. Many PSCs now operate in post-conflict environments. Alongside technical and managerial staff, they may also have local staff working for them. Consequently, for the companies, it is important to maintain clear lines of command and control to reduce the number of potential problems they may face, including the disruption of programmes as a result of the failure of employees to communicate effectively with their colleagues. Moreover, clear command and control procedures enhance the operational procedure of PSCs.

In the case of the divisionalised structure, separating out the service lines from the geographical regions and the core functions simplifies the processes by which PSCs operate while enhancing operational capacity. To include all three groups together would only increase the opportunity for confusion. Figure 3 illustrates the streamlining of the chain of command





achieved by separating out the different divisions. Separation also brings about improvement in the decision-making process and information flow around the company by speeding up each process in turn. Ultimately, the use of a divisionalised structure can improve the efficiency of a global supply chain of varying security services.

Employing new technology does not necessarily entail changing the structure of a PSC. Technology can only reshape the structure if other factors are taken into account. Instead technology is used to refine the decision-making process as well as the dissemination of information. For a PSC, the ability to transmit decisions and information quickly and efficiently is essential to its success. Technology allows information and decisions to pass around the company in a matrix pattern, while not affecting the structure. Moreover, the use of technology allows the divisional style structure to retain its flexibility, while at the same time maintaining clear lines of control. The use of e-mail and satellite communication systems have revolutionised this part of the security industry. They have allowed PSCs to respond to client needs quickly and efficiently, while the structure ensures internal cohesion. In a post-conflict environment, these two qualities are essential components in PSC operation.

Conclusion

The article set out to examine the organisational structure of PSCs. In doing so, it argues that PSCs either resemble a loosely coupled organic network or a divisionalised structure. In the case of the former structure, the PSC is dominated by a CMT. Loosely coupled organic network PSCs tend to share similar structural and business characteristics as other types of management consultancies. Neither are they any less effective because their size is smaller than the divisionalised PSC. The actual size of a company is not an indication of its efficiency; the collapse of the multinational energy company Enron and Arthur Andersen's bungled audit of its accounts is evidence of this.⁵⁷ The chain of command is also simplified with only three decision-making levels to contend with. At the same time, so few levels means they are able to react quickly to changes to their strategic and operational environment.

The divisionalised structure with its separation of specialist skills, company functions, and geographical regions represents the other type of PSC structure. This type of structure is more common among larger PSCs that include ArmorGroup, Control Risks Group and HART GMSSCO. The structure has a longer chain of command utilising approximately six levels of hierarchy. The levels extend from supervisors overseeing the actual work on the ground to middle and senior managers, to the Executive

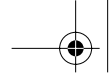
Committee, and finally the Chief Executive Officer and Board of Directors. However, the hierarchal structure does not appear to place companies at a real disadvantage from those PSCs structured around a loosely coupled organic network. By utilising technology, the problems associated with a hierarchy can be avoided.

The increasing range and complexity of activities carried out by PSCs suggests the suitability of these structures to the challenges these activities pose. Recent events in Iraq suggest each type of structure is able to function relatively well in hostile surroundings and post-conflict environments. Even so, these structures may not be suitable for all types of security challenges such as the challenge Fallujah posed for US troops. In this respect, PSCs have their functioning limits. Indeed, those limits may soon be reached in Iraq. As one former British Special Forces officer explained, 'the problem is the private companies often have a "yeah we can do it" attitude. They then become overstretched.'⁵⁸ Consequently, there may be a limit to what PSCs can do based on their structure, while the limits are different for each of the type of structures discussed above. The government needs to recognise this and other limits, otherwise what can be an asset for them will turn out to be a national liability.

NOTES

- 1 This research was funded by the Economic and Social Research Council (ESRC), grant reference number PTA-026-27-0049. The views expressed in this article are the author's and do not represent those of the ESRC.
- 2 See Group 4 Falck website (www.g4s.com/home/about/history.htm) (accessed 9 Aug. 2005).
- 3 Group 4 Falck is a good example of a company that has over the last few years moved into the military security market. The company now provides a range of military skills for its customers for projects around the world. See website (www.group4falcksss.ie/services.php) (accessed 9 Aug. 2005).
- 4 D. Wilson and R. Rosenfeld, *Managing Organisations* (London: McGraw-Hill Book Co. 1990) p.215.
- 5 Ibid.
- 6 The ISO 9000 family is primarily concerned with 'quality management'. To achieve this standard an organisation must fulfill:
 - the customer's quality requirements, and
 - applicable regulatory requirements, while aiming to
 - enhance customer satisfaction, and
 - achieve continual improvement of its performance in pursuit of these objectives.
- 7 Christopher Beese, Chief Administrative Officer, ArmorGroup, questionnaire, 10 Nov. 2003.
- 8 O.E. Williamson, quoted in Stephen Ackroyd, *The Organisation of Business: Applying Organisational Theory to Contemporary Change* (Oxford: OUP 2002) p.52.
- 9 O.E. Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press 1975).
- 10 Ackroyd, *Organisation of Business* (note 8) p.63.

- 11 Ibid. p.54.
- 12 A. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA: Harvard UP 1977).
- 13 H. Mintzberg, *Structure in Fives: Designing Effective Organisations* (London: Prentice-Hall 1993).
- 14 Ackroyd (note 8) p.58.
- 15 Ibid.
- 16 Not all PSCs that adopt this model will operate with a CAO and CFO, while they all appear to operate with a COO. HART GMSSCO Cyprus Limited for example has a COO but no CAO or CFO. The responsibilities attached to these two posts are in all probability undertaken by other members of staff. Lord Richard Westbury, Chief Executive Officer, HART GMSSCO Cyprus Limited, Interview, 1 April 2004.
- 17 Michael Grunberg, official spokesperson, Sandline International, personal communication, 5 Feb. 2004.
- 18 Grunberg, questionnaire, 18 Oct. 2004.
- 19 Ibid.
- 20 Erinys Iraq was established in May 2003, see K. Royce, 'US gives \$400m in work to contractor with ties to Pentagon favourite on Iraqi Governing Council', in *Washington Bureau*, 15 Feb. 2004.
- 21 Maj. Gen. John Holmes DSC OBE MC (Retd), Director, Erinys International, interview, 8 July 2004.
- 22 O. Morgan, 'Soldiers of fortune hit the jackpot', *The Observer*, 26 Oct. 2003.
- 23 C. Yarborough, 'British Firm Lays Groundwork for Iraqi Oil Security', *Newhouse News Service*, 19 Feb. 2004.
- 24 J. Ashworth, 'Ex-SAS protect firms in Iraq', *The Times*, 21 July 2003.
- 25 K. Peters, 'Protest of Iraq Security Contract Denied' (online) (www.govexec.com/dailyfed/0904/092704kp1.htm) (accessed 9 Aug. 2005).
- 26 Ackroyd (note 8) p.47.
- 27 Ibid.
- 28 Christopher Grose, Director, Business Development, Control Risks Group, interview, 11 May 2004.
- 29 The design of the organisational chart of a PSC in Figure 3 has been constructed from data supplied by ArmorGroup and Control Risks Group. The data was supplied through interviews and questionnaires filled in by employees of each company.
- 30 HART GMSSCO Cyprus Limited operates using five levels of decision-making authority. The company does not have an Executive Committee or Regional Directors. Westbury, interview, 1 April 2004.
- 31 Beese, personal communication, 19 Jan. 2004.
- 32 Grose, interview, 11 May 2004.
- 33 The names given to these positions vary from PSC to PSC.
- 34 Grose, interview, 11 May 2004.
- 35 Beese, personal communication, 19 Jan. 2004.
- 36 Ibid.
- 37 Ibid.
- 38 Grose, questionnaire returned, 8 March 2004.
- 39 Ibid.
- 40 Wilson and Rosenfeld (note 4) p.216.
- 41 ArmorGroup, *Group Procedural Manual*, Vol.1, Section A-2, p.2.
- 42 Grose, interview, 11 May 2004.
- 43 Westbury, interview, 1 April 2004.
- 44 Grose, interview, 11 May 2004.
- 45 ArmorGroup, *Group Procedural Manual*, Vol.1, Section A-2, p.3.
- 46 Grose, interview, 11 May 2004.
- 47 Ibid.
- 48 Grose, interview, 11 May 2004.



- 49 Beese, personal communication, 19 Jan. 2004.
- 50 Holmes, interview, 8 July 2004.
- 51 Ibid.
- 52 Grose, interview, 11 May 2004.
- 53 Westbury, interview, 1 April 2004.
- 54 Beese, questionnaire, 10 Nov. 2003.
- 55 Ibid.
- 56 Grose, interview, 11 May 2004.
- 57 D. Kadlec, 'Enron: Who's Accountable'(online) (www.time.com/time/business/article/0,8599,193520,00.html) (accessed 12 Aug. 2005).
- 58 D. Leigh, 'Who commands the private soldiers', *The Guardian*, 17 May 2004.

