

FOLLOWING THE MONEY  
HOW EXTERNAL FORCES INFLUENCE GOVERNMENT CONTRACTING

By Daniel E. Bromberg

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By Daniel E. Bromberg  
Dissertation Chair: Dean Marc Holzer

Since the 1980's there has been a steady push to increase the use of private sector actors in providing public services. At the federal level of government, the previous four administrations have each taken steps to reach this goal. One of the primary tools the government utilizes to increase the reliance on private sector actors is a contract.

The use of contracts has proliferated in the last 10 years at the U.S. federal level. In the time period from 1996 to 2006 the total number of contract actions has increased more than six times. The total number has increased from 600,000 actions in 1996 to over 3,600,000 actions in 2006. The increase in contracts over this time period requires greater emphasis on studying government contracting.

Although there is a rich literature in public administration that examines government contracting, there is little research that looks specifically at external influences on government contracting. This dissertation examines if various influences, including private sector actors, influence the contracting process.

Utilizing a mixed-methods approach, this dissertation answers the primary research question Do private companies affect contracting decisions through various avenues of influence? The findings from both the interviews and the regression analysis suggest that a number of factors influence contracting, including both internal and external forces. The primary contribution of this dissertation is the finding that private sector actors, through campaign contributions, influence government contracting.

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## CHAPTER 1

### Introduction

In 2008 the federal government partnered in over four million contract transactions, which resulted in a total expenditure of over \$450 billion. This dissertation rests upon the assumption that multiple stakeholders find value in those transactions, making contract procurement susceptible to numerous forces of influence. Among those stakeholders are private sector actors – vendors in the contracting process.

Often portrayed as existing in separate silos, the public and private sectors are studied independently; such separation creates empirical models of reality that are incomplete and inaccurate. Government and the private sector work cooperatively forming the foundations of the social, political, and economic structures. Moreover, in the contracting process, government and private sector actors engage in a market transaction. Similar to any other market transaction the vendor's general goals are to maximize profit and minimize loss acting in the interest of their shareholders and owners. On this basis this study seeks to further explore the relationship between government and the private sector, thereby shedding light on the avenues of interacting.

This dissertation goes beyond the frequent acknowledgments that many bureaucratically implemented programs are influenced by stakeholders. Rather, it examines how those stakeholders might influence the process. More specifically, it seeks to answer the following primary research question: *Do private companies affect government contracting decisions through various avenues of influence?*

Broadly speaking, this research furthers our understanding of the perpetual debate over the politics administration dichotomy. The research question rests on the assumption that politics influence administration and private sector actors seek to capitalize on this influence.

Historically, literature in public management has lacked consensus on the line between politics and administration. This ambiguity has created an intellectual environment of uncertainty, allowing for a contradictory set of theoretical frameworks to take root. Many researchers develop theoretical models in which administration exists in a social and political context, whereas others theoretically model administration absent of these influences.

More recently, over the past three decades, two trends in particular have changed the way that government operates—privatization and new public management (NPM). Their combined influence on government has monumental implications for both public administration research and its practice. Most pertinent to this study, these trends have developed within a theoretical framework that is often devoid of social and political variables. Therefore, many of their proposed solutions do not account for these outside influences. This study seeks to address this gap for one such solution—government contracting. According to both privatization and NPM literature, contracting for goods and services is seen as a viable first option for public managers to provide public services in an efficient manner. The number of transactions has increased from 581,525 in 2000 to over 4,000,000 in 2008. This proliferation of contract transactions establishes a firm basis to conduct research on this topic.

To provide context, initial attention is paid to the historical environment established in public administration—focusing specifically on politics and administration. This study then looks at the current environment, which was shaped by ideas in privatization and NPM. Then this dissertation will turn to contract procurement literature to provide a better grasp of this topic. It then looks to research regarding political influence on the bureaucracy, along with corporate influence on government, which provides the theoretical foundation for this study. Then the methodology for the research is discussed. It is followed by the data analysis and the presentation of the results. The final element is conclusions drawn by the author.

#### Historical Perspective: Politics and Administration

The relationship between Congress and the executive branch was captured in Woodrow Wilson's (1887) seminal article "The Study of Administration," in which he claimed "[I]t is getting harder to run a Constitution than to frame one" (p. 23). In fact, the practical complexities of running a constitution have prompted Congress to delegate its Constitutional Article I, Section 8, law-making powers to the executive branch. More specifically, Clause 18 of this section specifies that Congress has the power "[T]o make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution, in the government of the United States, or in any department or office thereof." Hence, even though the courts have shifted back and forth on the issue of Congressional delegation, the principles of delegation were clearly articulated in the much-cited 1983 *Benzene* case, when Justice Rehnquist—and the majority of the Supreme Court justices—clarified and upheld the

idea of delegating Congressional power.

Based on this ruling, Congress can delegate its power to the executive branch as long as the power is accompanied by sufficient standards or guidelines to allow Congress to control the executive branch. Thus, this delegation of power not only establishes a constitutional basis by which the legislative and executive branches are deeply intertwined; it also points to a Congressional oversight of bureaucratic action that may be broader than often acknowledged. Essentially, the bureaucracy and public administrators in general have administrative responsibilities, but without the political environment, those responsibilities would not exist (Williams, 2003). In essence, the above dynamic describes the relationship between politics and administration.

Viewed historically, the politics/administration dichotomy was little more than a reaction to the system of government during a particular time period, a “behavioral prescription directed against contemporary practices of machine politics” (Montjoy & Watson, 1995, p. 232). Wilson (1887) suggested that the field of public administration faces two impediments: being saddled with corruption and being saddled with legislative oversight. Ironically, these two political factors still challenge public administration today. Hence, although Wilson was reacting to a specific time and government, his concerns should not be dismissed. Rather, they should be extended to the current, more advanced understanding of the interactions between politics and administration. In today’s environment, this may include not only administration by government, but administration by those private entities delegated by government.

Curiously, vague acceptance of the dichotomy remains at the core of public

administration logic and continues to challenge it. Peters (1995) explained that this artificial separation is useful because it allows administrators to engage in political activity while still claiming that their behavior is based purely on “technical or legal” criteria (p. 182); from a political perspective, politicians can *remove* certain decisions from the political process. In terms of research, Peters claimed that “[A]lthough scholars may discount the dichotomy between politics and administration in the abstract, when they confront the realities of how actors perceive their roles; they must accept at least the psychological reality of the separation” (p. 183). Viewing research in public administration through the lens of the dichotomy helps to clarify the environment in which research and practice have taken place. Failure to acknowledge the political influence on the bureaucracy places a burden of ignorance upon public administrators.

## The Environment

### *Privatization*

A brief overview of the growth of privatization may serve to illuminate the atmosphere that was prevalent in Washington D.C. during the 1980s and 1990s. Prior to the 1980s many of the programs provided by government were implemented to increase the public good. Yet, Ronald Reagan’s inauguration signaled significant shifts away from this *public good* mentality. In economic terms, the advent of the Reagan Administration represented a shift from a reform liberalist perspective to the neoliberalist perspective more commonly known in the U.S. as “Reaganomics.” Emerging out of the New Deal era, and in reaction to the welfare state, neoliberalism attempted to shift the focus back to the increase of wealth on an individual rather than a collective level (Cha,

2000), replacing the idea of “public good” with “individual responsibility” (p. 98). With this shift came what advocates would call the “freeing up of markets” from government interference.

Concurrent with his efforts to free up the markets, Reagan introduced a robust agenda to promote privatization. To pursue this policy goal, Reagan established the Task Force on Private Sector Initiatives (hereafter, the Task Force), whose goal was to advise the President on issues of privatization such as the following (reproduced from Executive Order 12329—President’s Task Force on Private Sector Initiatives, October 14, 1981):

- (1) Methods of developing, supporting, and promoting private sector leadership and responsibility for meeting public needs ...
- (2) Recommendations for appropriate action by the President to foster greater public–private partnerships and to decrease dependence on government...
- (3) Serve as a focal point for private sector action addressing public problems.

In essence, the Task Force, whose basic goal was privatization of government services, was used to promote public sector problem-solving in the private sector (Boris, 1999).

The main premise of the privatization movement was that “the public sector is too large and that many functions presently performed by government might be better assigned to private sector units” (Moe, 1987, p. 453). The movement rested partly on the idea that self-interested bureaucrats would continue to promote the growth of government to gain personal profit (Feigenbaum, Hamnett, & Henig, 1998). In an early article promoting this viewpoint, Ostrum & Ostrum (1971) made the following

observation:

...given the high potential cost for political stalemate for the continuity and survival of any administrative enterprise, we should not be surprised to find rational, self-interested public administrators consciously bargaining among themselves and mobilizing political support from their clientele in order to avoid political stalemate and sustain political feasibility of their agencies. (p. 212)

Prior to the Reagan Administration, much of this rhetoric was contained within the academic community and economic theory. However, advocates of privatization were able to gain practical policy support from the Reagan Administration for the movement's ideology (Feigenbaum et al., 1998). Privatization, they claimed, was already in place, especially at the local level; moreover, it was proving to be more efficient than government (Feigenbaum et al., 1998). As Savas (2000) also noted, "[T]he primary goal of any privatization effort is, or should be, to introduce competition and market forces in the delivery of public services" (p. 122). However, an article in the *Economist* pointed to the following problems:

The theoretical arguments for privatization are not as clear-cut or convincing as the propagandists would wish. There are three starting problems. How do you define privatization? How do you prove that the public sector is less efficient than the private sector? How do you satisfy yourself that consumers benefit? ... [Moreover,] the management of a private-sector company has a basic responsibility to maximize profits for the shareholders; the managers in a state organization may have a responsibility to deliver services regardless of price; or to employ labor which is surplus; or to sell a product or service below cost. How then can you sensibly compare the two managements? ("Everybody's Doing it Differently," p. 69)

Nevertheless, Reagan's combined effort to cut federal spending and promote private sector involvement created an atmosphere in which private sector actors were seen as viable providers of public service. Indeed, according to Box (1999), "[I]t was in the

1980s, amid the antigovernment ideology of the Reagan Administration and a wave of public sentiment for shrinking the public sector, that market-like concepts broke through the weak wall of separation between the values of the market and the values of public management” (p. 29). Accordingly, there has been an increase in private sector actors in providing public services and “[G]overnment has come to rely heavily on for-profit and nonprofit organizations for delivering goods and services ranging from anti-missile systems to welfare reform” (Kettl, 1997, p. 482).

Reagan’s attempts to privatize public services were a key factor in establishing a foundation upon which advocates of NPM could stand. Indeed, Box’s (1999) claim “...that market-like concepts broke through the weak wall of separation between the values of the market and the values of public management” is exemplified in many of the practices emphasized by advocates of NPM. Hence, within the field of public administration and under the umbrella of NPM, privatization advocates found champions to articulate their message. As a result, even though NPM advocates’ stated goal is not to promote privatization, many of their methods of implementation often indicate otherwise.

### *New Public Management*

The term “New Public Management,” coined by Hood (1991) and Hood and Jackson (1991), originally focused on both organizational design and administrative philosophy (Barzelay, 2002). According to Hood, NPM is based on two “streams of ideas:” public choice theory and business-type managerial reforms within the public sector (p. 5). Thus, Hood related NPM to what he called previous mega trends

appearing within government administration; namely, reductions in the size of government, privatization, technical advances in producing and delivering public services, and the growth of an international perspective in public administration.

More recently, Felts and Jos (2000) linked NPM to the greater cultural, social, and economic climate globally:

Much of the rhetoric and practice associated with the new public management can be viewed as reflections of this spatialization of our thought and experiences. Its emphasis upon flexible organizations, measurable performance criteria (i.e., TQM, benchmarks, goals, objectives), and the shorter time horizons made possible by contracting out clearly show a bias in how to think about time. Most importantly, the emphasis upon citizens as “customers” shows a spatialized thinking about their identity. (p. 525)

Hence, these authors suggested that NPM is a product of the social and cultural environment in which it emerged. They also explained that, just as the bureaucracy has been formed from a capitalistic perspective, so too has the organizational emphasis in NPM. However, independent of its source, NPM clearly values principles based on free-market economics and scientific methodology (Adams, 2000). Indeed, two primary objectives of those who advocate NPM are to reduce the distinction between the public and private sectors and increase results-oriented accountability structures (Hood, 1995). To achieve these objectives, Hood proposed the following seven management techniques:

- Unbundling of the public sector into corporatized units organized by product ...
- More contract-based competitive provisions, with internal markets and term contracts ...
- Stress on private sector styles of management practice ...
- More stress on discipline and frugality in resource use ...

- More emphasis on visible hands-on top management ...
- Explicit formal accountability measurable standards and *measures* of performance and success...
- Greater emphasis on output controls. (p. 96)

Despite having surfaced initially in Australia and the United Kingdom, NPM has grown into a significant global effort to promote many of these principles. Within the United States, much of NPM was captured in Osborne and Gaebler's 1992 text *Reinventing Government*, which was based on five core beliefs. Whereas four of these beliefs were simply generic ideas about government—for example, “We believe deeply in government”—one concept inherently addressed the administrative state and the basis for reform: “We believe that the people who work in government are not the problem; the system in which they work are [sic] the problem,” (p. xviii). Consequently, in their text, the authors were eager to offer solutions on how to fix the broken systems.

Osbourne and Gaebler (1992) also offered a number of catchphrases that encapsulated their ideas, including “separating steering from rowing” and “smaller but stronger”. Most specifically, believing that the bureaucracy was too large to address problems needing flexible and fast solutions, they claimed that managers should be free to “shop around” for the best solutions. They also asserted that reinventing government is not privatization, although many of their solutions clearly advocate the privatization of government services. For example, in their section on innovative service provision, they suggested such solutions as public–private partnerships, quasi-public corporations, procurement, vouchers, catalyzing nongovernmental efforts, and convening

nongovernmental leaders. However, their statement that “privatization is simply the wrong starting point for the discussion of government” (p. 45) begs the question of whether they believe that privatization is wrong for government or simply the wrong starting point. (In other words, will that point eventually be reached)?

Reinventing government and NPM were further crystallized in the National Performance Review (NPR), a reform effort initiated by the Clinton Administration and chaired by then Vice President Al Gore. One of the NPR’s basic premises, somewhat akin to reinventing government, was that government’s traditional bureaucratic apparatus was broken and reform was needed to free the public managers from the red tape within which they worked (Kamensky, 1997). Hence, the four key principles of NPR were cutting red tape, putting the customer first, empowering employees to achieve results, and returning to basics to produce better government for less (Kamensky, 2004). Thus, both the NPR and the Osbourne and Gaebler book embodied the reinvention movement in the United States, which was closely associated with NPM. The specific goals of this movement for government were the following:

- Being close to its customers ...
- Being performance-driven (targets, standards), not rule-bound
- Displaying a commitment to the continuous quality improvement (again targets, standards) ...
- Being structured in a “lean” and “flat” way—highly decentralized, with street-level staff who are empowered to be flexible and innovate ...
- Practicing tight cost control, with the help of modern commercial-style accounting

systems

- Using performance-related systems for recruiting, posting, promoting, and paying staff. (Pollitt, 2000, p. 276)

As is apparent, much of the language within NPM continues to blur the lines between the public and private sector. Moreover, it adopts private sector mechanisms and tries to apply them within the public sector. Most applicable to this dissertation is the environment that was created by NPM. In essence, it looks to strip the bureaucracy of its *political red tape* to pursue supposedly managerially centered goals. Therefore, it does not account for issues of political accountability that have been long established in the field of public management. Rather, by separating managerial reforms from political red tape it has established an atmosphere in which a lack of accountability is more prevalent.

In addition, even though the goal of many such processes may be efficiency, efficiency may not be the goal of all invested stakeholders. For instance, according to Thompson and Riccucci (1998):

Sensing that the devil is in the details, interest groups and others may favor alterations that make administrative agents more responsive to them regardless of whether such modifications serve the broader interests of democratic accountability or any of the three e's. [Hence,] the pursuit of administrative reform often features a heavy symbolic component. (p. 232)

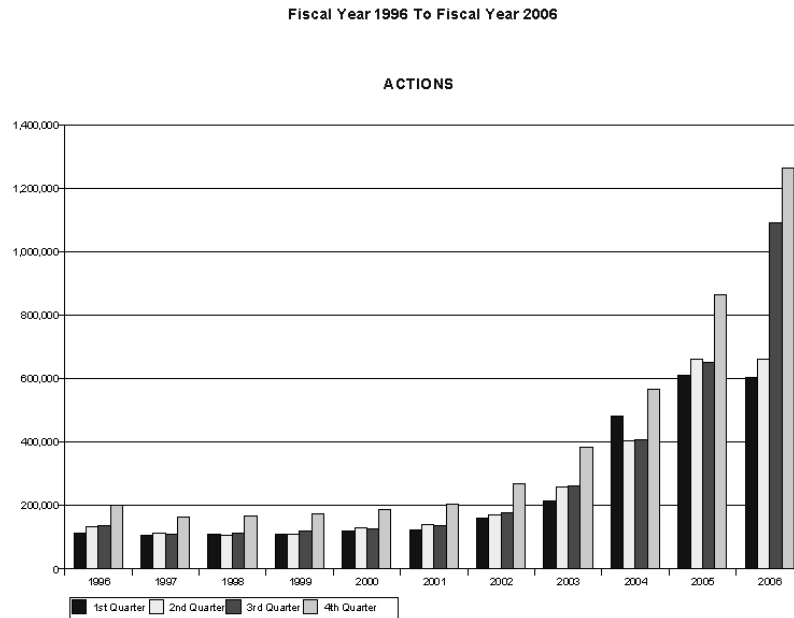
Because one such symbolic component is the idea of a smaller government, NPM, although administrative in nature, seems to reflect some of the policy goals established by Reagan in the 1980s.

According to E. S. Savas (2001) —who defines privatization as “the greater

reliance on the private institutions of society and less dependence on government to satisfy people's needs" (p. 1) — NPM and privatization align very well. Savas (2001) notes, that many of the market mechanisms of NPM share the same attributes of privatization. He writes, "Public-administration reforms are underway, and they have common characteristics... 'New Public Management' is the label applied to this set of innovative reforms, one of the defining features of which is the infusion of market principles into the political world... Privatization, in the mainstream of the New Public Management, exhibits all these characteristics" (2001, p. 2).

The Bush Administration perpetuated many of the ideas discussed above in the Presidential Management Agenda (PMA). Accordingly, "George W. Bush and Vice President Dick Cheney espouse competition and privatization as the best option to overcome bureaucratic resistance" (Milakovich, 2006, p. 463). Primarily, they only "...distinguished the PMA from the NPR by infusing the report with political rhetoric and a general lack of specifics" (Milakovich, 2006, p. 466). The Bush Administration's emphasis on similar administrative techniques speaks further to the general atmosphere that was created in Washington D.C. over a 25-year time period.

In a report by the General Accounting Office (GAO) contracting is noted as the "most common" form of privatization (1997, p. 1). The drastic increase in contracting on the federal level over the past decade as shown in Figure 1 indicates that much of what has been promoted by those in favor of NPM, privatization, and President Bush's PMA is in practice. Hence, shifting our attention to such practices is imperative.



*Figure 1: Federal Procurement History by Quarter: FY1996–FY2006*

*Source:* Federal Procurement Database System, <https://www.fpds.gov/>

### *Government Contracting*

A better understanding of government contracting provides insight for this study.

This section reviews the pertinent literature. Government contracting occurs when a government decides “not to produce a product or service itself but to buy it from the outside” (Kelman, 2002, p.282). This practice may take place for buying products as mundane as pencils to something as monumental as a space shuttle. According to the Office of Management and Budget (OMB), all services that are “commercial” and therefore not “inherently governmental” should be provided by the private market. An “inherently governmental” activity is defined as “an activity that is so intimately related to the public interest as to mandate performance by government personnel” (OMB,

Circular A76). To obtain these non - “inherently governmental” services government agents must use a contract.

Within the United States, government contracting has been present since the birth of the nation (Kelman, 2002). Some of the earliest contracts pertained to the postal service and military activities. Examples of this existed during the Revolutionary War in which food and arms were all contracted through private vendors (Cooper, 2003). Kelman (2002) wrote, “The use of contracting increased apace with the growth of government, and, like much of the growth of government, has especially spurred in times of war” (p. 287). This was apparent both during World War II and after during the lead-up and actions of the cold war. According to Gutman (2004), the cold war provided government reformers with two complementary reasons to contract for goods and services:

First the private sector would provide both technical expertise and powerful political support for increased federal commitment to national defense and public welfare tasks. Second, the private bureaucracy would countervail against the dead hand of the official bureaucracy and alleviate concern that a growing Government meant a centralized big Government. (p. 4)

It is often contended that the decision to contract is made to gain efficiencies that are not realized in government, and may be attained through market mechanisms (Savas, 2000). This may be the case when products are readily available and market forces, such as competition, are present. If there is a preexisting market for a certain supply or service then government can access the market in a fairly automatic manner (Kelman, 2002). However, if there is not a specific market for the product that the government is seeking, then the result may be inefficiency. For example, in the 1980s the Department

of Defense purchased a coffee pot for \$600. This was due to the specific requirements of the Department of Defense and the limited number of pots the contract was asking the supplier to create (Kelman, 2002). In this example the market did not have the preexisting structures to meet the contract's needs.

Furthermore, government often must provide specific stipulations in contracts that provide greater oversight than typically associated with market production. Government must remain in compliance with The Armed Services Procurement Act of 1947 and the Administrative Services Act of 1949—two of the main statutes governing contracting. Additionally, more than 4,000 legislative provisions regulate the contracting process (Hanrahan, 1983) including the Federal Acquisition Regulation (FAR). Moreover, the level of government involvement is often determined by the nature of the contract that is being utilized. For example, if a government is purchasing office supplies or needs a plumber to fix a leak, the administrative tasks and involvement are minimal (Cooper, 2003). There might also be a Blank Purchase Agreement for such services, which allows the government to contract in an efficient and speedy manner. In such a case the prices would have been pre-negotiated and an agency would simply have to choose the vendor from a pre-approved list. However, if government is purchasing a specific product that is unique to government and therefore unavailable in the market, government involvement will be much greater in carrying out the contract. According to Kettl (1993), "Government's contractors must provide services according to the government's goals; they must file frequent reports about their activities; in some areas, they must pay government wages" (p. 255). Hence, government requirements

may counteract the original goal of gaining efficiencies.

Even when legislative or executive requests are enacted to gain efficiencies it is not clear that the expected results are realized. For example, the Department of Defense (DOD) had been urged by various Congressional committees to utilize commercial acquisition procedures in their procurement practices to increase efficiencies. The DOD complied with such requests, and from 2002 to 2005 almost doubled its commercial acquisitions from \$4.8 billion to \$8 billion. Nonetheless, neither the Office of the Secretary of Defense or the Air Force "...has attempted to measure if the benefits expected from this increased use are being achieved" (GAO, 2006, p. 10). When an outside organization was contracted to determine if the intended benefits were reached, it was concluded that necessary data to assess such progress was not available (GAO, 2006).

Other barriers to efficiencies may emerge from policy goals. Historically, the government has attached social goals to contract criteria (McCrudden, 2004). For example, President Martin Van Buren issued an executive order to institute a 10-hour work day for individuals working under certain contracts, and the Davis-Bacon Act of 1931 required certain contractors to pay their employees the current local pay rates for construction services (McCrudden, 2004). Additionally, agencies are mandated to meet other socio-economic goals such as contracting with small businesses. According to the Small Business Administration agencies must have at least 23 percent of their contracts with small businesses. Therefore, the contract, as a policy tool, can

concurrently achieve an economic goal and a social goal (Cooper, 2003). Once again, this may take away from anticipated efficiencies.

Clearly, agencies receive guidance from numerous statutes, executive orders, and guidance documents in the procurement process. Nevertheless, public managers have a great deal of discretion in contract procurement (GAO, 2000). Key determinants such as the competitiveness of the bidding process and specification of service provider capacity provide administrators with great latitude in selecting a contractor. At points, administrators have used their discretion in conflict with certain guidelines. For example, rather than utilizing General Service Administration criteria of open competition, departments secured contracts with incumbent contractor because incumbent contractors were “most familiar with the current systems and that loss of either would have a detrimental effect on their mission” (GAO, 2000, pp. 6-7). It was not clear that these vendors would have been awarded the contract if full open competition processes were in place.

Discretion, however, is also needed due to ambiguity in guiding documents. As mentioned above Circular A-76 provides guidance as for what an administrator should contract. If something is “inherently governmental” then it should remain a service provided by the government; otherwise it can be contracted. According to Cooper (2003), however, “[I]t is becoming increasingly unclear just where the line can be drawn as to what is an inherently governmental function such that the government could not hire a contractor to deliver a particular service” (p. 72). This extends beyond typical

service provision to contracting out the oversight of contract provision. Citing the war in Iraq, Gutman (2004) wrote, “For example, AID [Agency for International Development] will not simply outsource contract oversight in Iraq, as noted, but, through master contract awards to companies like Bechtel, will call on prime contractors to, in effect, serve as the Government’s surrogate in the award and oversight of many further contracts and contractors” (p. 17). If monitoring a contract is not “inherently governmental” then this begs to ask what is “inherently governmental”; moreover, why is the decision made to contract out a good or service?

This dissertation argues that there are alternative reasons, in addition to efficiencies, which provide answers as to why government contract for goods and services. As described in the previous section, the environment created by advocates of privatization and NPM—in which red tape is deemphasized and contracting is emphasized—provides much of the impetus to conduct this study on contract procurement. Red tape, which may be understood as legal accountability, is replaced with results oriented accountability systems. Therefore, ensuring accountability in government contracting is deemphasized providing that the results are achieved.

The public management literature, together with research in political science, provides a strong theoretical foundation for establishing firm ties between the political environment and government bureaucracy. Nevertheless, much of this has been ignored while dealing specifically with contracting. Moreover, when the political environment is acknowledged, it is often void of private interests that may find

representation – a key stakeholder in government contracting. Hence, this dissertation seeks to address this gap in the literature by studying how the private sector may influence the bureaucracy, specifically in government contracting. It is assumed that this influence may come through political channels; therefore, in Chapter 2 the pertinent literature is reviewed.

## CHAPTER 2

### Literature Review and Theoretical Foundations

This chapter explores the pertinent literature that helps develop the theoretical foundation for this study. A number of research questions and hypotheses are proposed.

#### *Political Influence on the Bureaucracy*

Although political influence on the bureaucracy has been studied for a significant period of time, the complex nature of bureaucratic actions has confounded researchers attempting to develop appropriate models of study. Early models have been criticized for their static nature and limited inclusion of sources of influence (Eisner & Meier, 1990; Meir & O'Toole, 2006; West, 1995). Often the models depict influence as a one-way interaction, in which political actors influence implementation, thereby limiting the effect that an organization might have on decision-making. Improvements have been made to this static model which provides steps towards a more comprehensive framework. The growth of the research on political influence on the bureaucracy provides a clear theoretical foundation upon which this study rests.

In seeking to understand one such political influence—that of Presidential ideology—on independent agencies, Moe (1982) examined the Federal Trade Commission, the National Labor Relations Board (NLRB), and the Securities and Exchange Commission. Although his conflicting results ultimately limited his conclusions, his examination of the NLRB did identify an ideological shift of board

decisions dependent on Presidential ideology. More specifically, he found indications that when Democrats were in office, the Board was more likely to favor labor interests and when Republicans were in office, the Board was more likely to favor business interests. Nevertheless, he cautioned that this finding is simply one explanation and many other considerations may affect board decisions:

It is important not to ascribe too much significance to one or a few of these changes, since many factors aside from presidential administration are doubtless having a variety of impacts throughout the series. Nonetheless, a broad overview suggests that the decisional balance does seem to change systematically across administrations, and in the expected directions. (pp. 209–211)

Moreover, Moe's analyses of the FTC and the SEC produced conflicting results. Contrary to common beliefs, he found an increase in regulatory activities by both the FTC and SEC during Republican administrations and a decrease in activities when Democratic administrations were in office. Although he attempted to make sense of these findings, it became clear that conclusions conforming to theory were impossible to draw.

Hence, in a subsequent study, Moe (1985) included politically ideological variables for key Congressional members, as well as the Presidential administrations' ideological persuasion and economic variables. In contrast to his past findings, each such variable was significant in the direction predicted. That is, pro-labor decisions increased when the Democratic Party was in power, whereas pro-business decisions increased under Republican Party domination.

Woods' (1988) study of the Environmental Protection Agency (EPA) and environmental regulatory enforcement between 1975 and 1985 showed both a clear

decline in EPA monitoring actions which he attributed to two causes: a decrease in FY 1982 funding and the Reagan appointee Ann Burford. After Burford's resignation, the EPA monitoring actions increased significantly. Wood (1990) also found evidence in his study of the Equal Employment Opportunity Commission (EEOC) that political ideology affected agency action. He also found that from the Nixon–Ford Administration through the Reagan Administration the administration's political ideology was reflected in the actions of the EEOC. Moreover, the budget for the EEOC increased in accordance with the ideological averages of the committee. That is, a change in committee membership toward a favorable ideological persuasion resulted in budget increases, whereas a change to an unfavorable ideological persuasion produced budget decreases.

Once again, however, many of these earlier studies are not without their critics. For example, some have argued that too little emphasis on bureaucratic characteristics and the changing dynamics of political realities hamper these studies (Eisner & Meier, 1990; Meir & O'Toole, 2006; West, 1995). In addition, West (1995) argued that it is inaccurate to assume unified ideological influence. Political realities are much more complex. As West put it,

...the administrative discretion conferred by statutes often reflects more than uncertainty about the appropriate means-ends relationships. Indeed, it is a commonplace that the delegation is often politically grounded in the sense it results from Congress's inability to resolve conflicting social interests. To the extent that this obtains, it makes little sense to speak of pre-existing political objectives. (p. 147)

Hence, little consideration was given to ambiguous political goals.

Bureaucratic characteristics are also not included in many of these studies on political influence. Because bureaucratic agents have great discretion in the implementation phase, these variables may provide more explanatory power for certain agency actions than do political characteristics (Eisner & Meier, 1990). To examine this phenomenon, Eisner and Meier examined the Antitrust Division of the Department of Justice and hypothesized that an influx of economists and the creation of an Economic Policy Office would skew agency actions more than political influence. They did indeed find that Antitrust Division actions were significantly affected by the two economic measures they used, but were not significantly affected by any political factors. These findings imply that models of political influence should include bureaucratic values.

If bureaucratic values are not measured, it becomes challenging to identify what takes place because of political influence and what would have taken place without it. Yet, at present, “[T]he political control literature fails to measure bureaucratic values adequately, thus limiting what can be said about how well political officials direct bureaucratic actions” (Meier & O’Toole, 2006, p. 179). To address this issue, Meier and O’Toole examined Latino representation on both the school board (a political apparatus) and the educational staff (a bureaucratic apparatus). The results for their initial model indicated a significant relationship between Latino performance and school board representation, which led them to conclude that political influence existed. However, their inclusion of Latino representation on the educational staff in their second model changed the model dynamics so that political influence was apparently reduced,

but bureaucratic influence increased.

Since the original conceptions of political influence on bureaucracy, frameworks have become much more inclusive of competing influences to allow researchers to control for outside influences other than clear lines of Congressional or Presidential controls. For example, Wood and Waterman (1994) incorporated many variables of influence, including variables for the budget, presidential appointments, Congressional committee ideologies, presidential statements, court decisions, news coverage, and interest group influence. Other studies, including Hedge and Scicchitano's (1994) examination and Balla's (2001) investigation of interest group and advisory influence on aspects of political influence, not only addressed how the national political climate affects regulatory decisions but examined how state political climate affects regulatory implementation. Their findings suggest that state political climates should be considered.

When taken in full, the bureaucratic politics literature provides a theoretical framework for understanding how various influences affect bureaucratic actions. Nevertheless, because political influences may be shaped by factors other than ideology, it is important to examine those other forms of representation. To that end, this analysis now seeks to identify the key influences that are pertinent to contract procurement.

### *Influence on Contracting*

While efficiency may be one criterion in contracting, it is clear that many other factors affect contracting decisions. Meier and O'Toole (2004) identify a number of organizational factors that may be considered in contracting decisions. They identify

(in looking at school districts) organizational size and employee turnover rate as two key predictors of contracting. If an organization is small it is more likely to contract out because it lacks the internal capacity to provide certain services. This also holds true for organizations with high turnover rates. These organizations are more likely to contract out because they do not have the “organizational memory” to keep certain services within the organization. Organizational characteristics such as budget expansion and previous experience with contracting also seem to have an effect on deciding whether or not to contract (Brudney et al., 2005).

In addition to general organization characteristics, the public manager’s personal and professional experience also has an effect on the decision to contract for products or services. The manager’s professional experience—or years of service—may also help in alleviating outside sources of pressure such as political interference. Hefetz and Warner (2004) write that, “More professional city management, as found in the council manager form of government, may minimize the effect of politics...” (p. 174). This has also been suggested on the federal level. Brudney et al. (2005) write that, “Agency heads with higher education are likely to be more knowledgeable about privatization and better prepared to manage a privatization initiative successfully” (p. 407). At the local level research has shown that much of the decision to contract out is based on trust and past performance with the vendor (Rathgeb-Smith & Smyth, 1996). Similarly, at the federal level past performance is considered one of the three primary criterion in the decision-making process (Kelman, 2002). Therefore, the education and experience of officials involved should be considered.

Similar to the more general literature about bureaucratic politics, contracting is challenged by the influence of external groups—including political representatives.

Van Slyke and Hammonds (2003) found that the political climate created by the governor of Georgia is what prompted a privatization initiative to take place at a state park. This suggests ideology should be of specific consideration in contracting. Evidence on the federal suggests close ties between corporations' board members and the party in control of Congress may lead to more opportunities in contracting (Goldman et al., 2007).

Kelman (2002), however, does not see this type of influence as being pertinent in the discussion of federal contracting. Political interference in “source selection decisions is highly unusual” (Kelman, 2002, p. 310). Furthermore, Kelman (2002) asserts, “In the U.S. Federal Government today, corruption, the central historic political question involving the politics of contracting, has basically disappeared from the agenda, although this is by no means the case in other countries or even a number of American local jurisdictions” (p. 310).

More recently, on the state level, Ni and Bretschneider (2007) offered a model for studying political influence on contract procurement. In their study the authors analyzed the decision to contract out for information technology (IT) based on two dimensions: economic and political. Although they did find some significant relationships, their results were mixed to such a degree that drawing any clear conclusions, for either the economic or the political variables, is a challenge. For example, politically, they found a Republican Senate and a Republican governor have a statistically positive association with contracting out, but a Democratic House has the

same effect. Hence, when referring to political influences, they admit that

...the mixed findings blur the ideological discrepancy regarding contracting and reveals the rhetorical value of contracting as a strategy used by both parties to win popular support. The substantively important finding is that the political composition of government does have an impact on the internal decision to contract out services. (p. 540)

Ni and Bretschneider (2007) make a significant contribution to understanding the political elements affecting contract procurement, but their research was limited by the challenges of varying environments across the United States.

### *Research Questions and Hypothesis*

Based on the theoretical foundations above this study develops a number of research questions and hypotheses to test these theories in relationship to government contracting.

*R.1 Does Congressional members' political ideology affect contracting decisions?*

H.1 It is expected that if House and Senate committees that oversee department activities are ideologically conservative, then a larger percentage of departments' budgets will be spent on contracts.

H.2 It is expected that if House and Senate committees that oversee department activities are ideologically conservative, then larger contracts will be awarded.

H.3 It is expected that if the House Appropriations committee is ideologically conservative, then a larger percentage of departments' budgets will be spent on contracts.

H.4 It is expected that if the House Appropriations committee is ideologically

conservative, then larger contracts will be given.

*R.2 Does the type of education held by a political appointee affect contracting decisions?*

H.5 It is expected that if an appointed official has a Master's degree in business administration, then a larger percentage of departments' budgets will be spent on contracts.

H.6 It is expected that if an appointed official has a Master's degree in business administration, then larger contracts will be awarded.

*R.3 Does the previous work experience of a political appointee affect contracting decisions?*

H.7 It is expected that if an appointed official previously worked in the private sector then a larger percentage of departments' budgets will be spent on contracts.

H.8 It is expected that if an appointed official previously worked in the private sector then larger contracts will be awarded.

*R.4 Do organizational characteristics affect contracting decisions?*

H.9 It is expected that the average staff tenure at the organization will affect contracting decisions.

H.10 It is expected that if there is a larger percentage of contracting staff, then a larger percentage of departments' budgets will be spent on contracts.

H.11 It is expected that a greater number of employees in a specific geographical area will affect the size of contracts awarded.

*R.5 Does a vendor's past performance with the federal government affect contracting*

*decisions?*

H.12 It is expected that if a vendor has previously contracted with an agency then larger contracts will be awarded.

### *Corporate Influence*

Absent from the studies above, however, are the private interests that might attempt to influence the contracting process. This study offers literature on corporate influence in the contracting process to buttress the research already presented and help in forming a comprehensive theoretical framework. Much of this literature is focused on campaign contributions but extends to influence of lobbyists and interest groups.

Whereas studies of the modes by which corporations attempt to influence the legislature is commonplace, Smith (1995) provided a broad overview of the literature that focuses specifically on interest group influence over Congressional actions, particularly voting. Although an exploration of this entire body of literature is beyond the scope of this dissertation, Smith's summary, especially in reference to the effect of campaign contributions on political influence, offered valuable insights:

In fact, the real story, as pieced together from dozens of scholarly studies, seems to be that the campaign contributions of interest groups have far less influence than commonly thought, although even the scholarly work suffers from methodological problems and data inadequacies that make firm conclusions difficult. (p. 91)

This latter statement hints at the conflicting nature of the scholarly literature regardless of methodological prescriptions, which Smith further explained as follows:

These conflicting findings are present whether one looks at the House or at the

Senate, whether one looks at single votes, at indexes of votes on single issues, or at indexes of votes across several different issues (typically ADA or COPE scores). Conflicting results also occur regardless of whether one examines the contributions of a single interest group or the combined contributions of several interest groups, whether one enters contributions in nominal dollars, as a percent of total contributions received, or as the ratio of contributions compared to another source of contributions (e.g., labor contributions to corporate contributions), and whether one analyzes contributions in linear or logarithmic form. (p. 93)

Such lack of clear evidence in these past studies may point to the necessity for more nuanced examination of how political campaign contributions affect the actions of the federal government. An argument could also be made that the means, voting, is an inappropriate dependent variable and the ends, bureaucratic implementation, a more appropriate mechanism for study. That is, because bureaucratic actions impact political constituencies more than Congressional action, it would be more appropriate to examine bureaucratic actions as dependent variables rather than Congressional actions.

Admittedly, the relationship between campaign contributions and bureaucratic actions has been studied, but such research has often been limited in specificity and clear directional relationships. Moreover (as discussed below), most of the work has focused on corporate rather than government actions. That is, the research has primarily examined what leads to corporate campaign contributions as opposed to what leads to bureaucratic actions. Nevertheless, this literature does provide insight for the current study and helps in the development of the theoretical framework. More specifically, this study makes use of it for two reasons: First, there is limited research that examines corporate contributions and government contract procurement making this literature unique in focus. Second, not only does the literature on corporate contributions and

bureaucratic actions provide a theoretical basis for this study, but establishing connections between these two factors will allow meaningful application of such links to public administration theory.

One early attempt to make this connection was Masters and Keim's (1985) study on the determinants of political action committee (PAC) formation, which sought to establish a relationship between PAC formation and growth and the amount of federal contracting. These authors did in fact identify numerous indicators that led to PAC establishment and growth, including a unionized workforce, total corporate assets, total corporate profits, total number of employees, and type of industry. Admittedly, government contracting was not among the significant variables. However, nor was this variable accurately measured: the authors based the measure for government purchasing of goods on an SIC (Standard Industrial Classification) code. That is, probably because of the limited availability of data on specific PACs and the limited data available on the total dollars PAC sponsors received in government contracts.

Using a similar model, and again with campaign contributions as the dependent variable, Zardkoohi (1985) looked specifically at corporate campaign contributions in relationship to a number of government and corporation characteristics. He specified his independent variables in much the same manner as Masters and Keim (1985) and included a similar government purchasing variable, the amount that government purchased from the corporation's industry. To determine whether more or less regulation would have an affect on campaign contributions, he also included a regulation variable. The model also contained industry-specific variables such as industry

composition as measured by the Herfindahl index and whether or not a corporation operated in multiple industries. In contrast to Masters and Keim, however, Zardkoohi did find a relationship between campaign spending and government purchasing. His findings indicated that a one percent increases in contracting levels with state governments increased contracting activities by about \$19.

Somewhat more sophistication was added to the exploration of political contributions and the activities of government contractors by Lichtenberg (1989), who offered two models instead of examining a one-way interaction between government sales and sponsorship of a PAC. The first, a probit model, assessed whether those that receive a greater number of government contracts are more likely to sponsor a PAC. Lichtenberg found this indeed to be the case:

[The mean] total sales of PAC firms was \$5.8 billion, about 3.7 times that of non-PAC firms. [The mean] government sales was 6.6 times as large, and the ratio of mean government sales to mean total sales was 5.6 percent for PAC firms versus 3.2 percent for non-PAC firms. (p. 41)

He likewise concluded that a firm that receives a greater number of no-bid contracts is more likely to sponsor a PAC. Lichtenberg's second model, which explored PAC disbursement of money, used Ordinary Least Squares (OLS) regression to determine whether a larger percentage of government sales (compared to all company sales) lead a corporation to spend more on campaign contributions. His findings confirmed "...that firm size and government-sales-intensity have a significant positive effect on PAC disbursements" (p. 43).

Humphries (1991) not only tested the models used by Masters and Keim (1985)

but also sought evidence of additional reasoning in developing a PAC. More specifically, after testing Masters and Keim's conclusions using several of the same data specifications, he included variables for proximity to Washington D.C. and a dummy variable for the highly regulated industry. Although he drew the same conclusions as Masters and Keim, he also found that government contracting has a positive effect on PAC establishment. He attributed this different conclusion to his specification of government contracting, which differed from the earlier study in three ways: First, he looked at government purchasing and PAC development using a smaller time frame (only 5 years). Second, in contrast to Masters and Keim, he included figures from federal government enterprises such as the United States Postal Service. Third, rather than using an SIC code, he employed an industry grouping provided by *Fortune* magazine, which is more precise.

Humphries did believe, however, that his model omitted an integral piece of the possible explanation; that is, corporate lobbying efforts may also serve to explain the size of a PAC. Therefore, using OLS, he examined the relationship between the number of lobbyists and the number of PAC receipts and then looked at the number of employees in a firm, the number of in-house lobbyists, and the number of contracted lobbyists. On observing that the number of lobbyists serves to increase PAC receipts in a statistically significant manner, he concluded that more money spent by a PAC may provide greater access to members of Congress.

Hansen and Mitchell (2000) investigated similar aspects of the previous models. Following Humphries, they again addressed lobbying efforts in addition to the variables

established in the literature and found that government sales have a positive effect on both PAC disbursements and money spent on lobbying. Their study, however, used a more specific measure for corporate sales to government than the typical industry measure used in previous studies: the actual dollar amount that the corporation was awarded in defense contracts. Therefore, they showed the more money a corporation receives in defense contract the more money the corporation spends on campaign contributions.

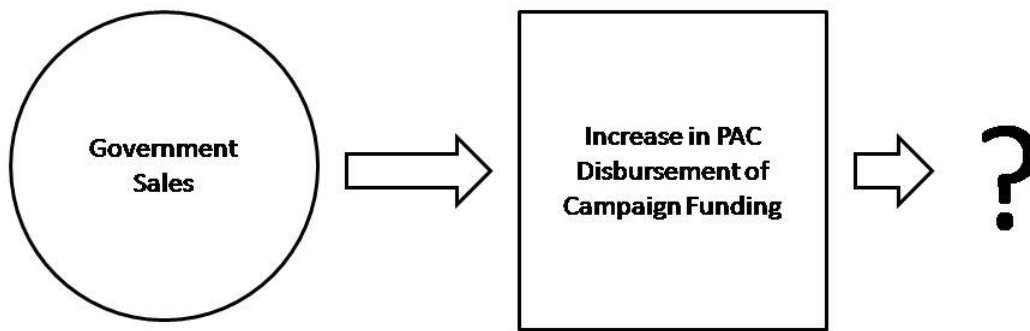
To produce a more nuanced understanding of how corporate donations relate to government contracting, Zullo (2006) used data from Wisconsin—a state whose Governor Tommy Thompson was a strong advocate of contracting for services—to examine political donations to Thompson’s campaign over a 10-year period (1991–2001). According to Zullo, Thompson’s longevity in office (1986–2001) provides a timeframe in which contract procurement cannot be explained by a shift in executive leadership. Based on monthly level data, Zullo identified two time periods that may be pertinent to contractor priorities: immediately prior to contract approval and immediately after contract approval. A priori activity indicates that a contractor is seeking to influence the decision process, whereas a posteriori activity represents a gesture of gratitude. His examination of three state agency contracting practices provided some evidence for his hypothesis.

In two of the groups, political activity increased both immediately before and directly after contract approval. In the third group, however, activity only increased directly *after* contract approval. Zullo attributed this inconsistency primarily to

differences in the contract processes. First, Group 1 and 2 on average received far fewer contracts from the government and overall distributed fewer funds during election years than Group 3. Thus, more activity around contracts made sense. Second, Group 1 and 2 entered the *negotiation* phase of the contracts after being officially awarded the contract, whereas Group 3 began negotiations prior to the official approval date. Zullo interpreted this finding to mean that the largest number of donations actually occur during the negotiation phase.

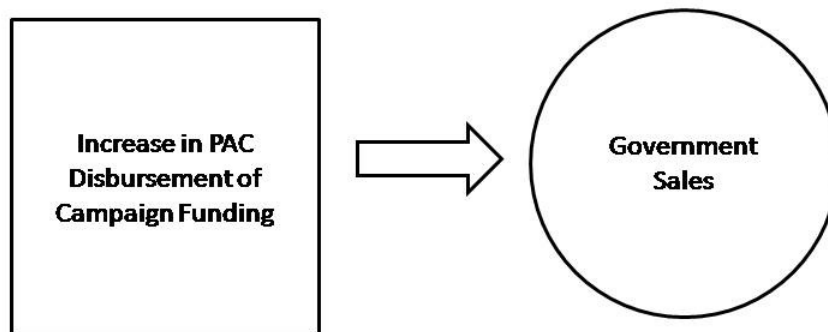
The emphasis that Zullo (2006) placed on his model specification reflects clear advances in research design. First, Zullo employed firm-specific data, which is much more appropriate than the previously used industry measure. Second, he controlled for time periods on a monthly level. Hence, although Zullo's model still used campaign contributions as the dependent variable, it was far more applicable for future research in this area.

This literature provides a strong theoretical to draw a connection between government contracting and corporate campaign contributions. Nevertheless, it is limited in its application because to public administration because of the directional relationship it proposes. The literature shows a one way interaction between a vendor being awarded a contract which leads to a vendor distributing more money through PACs or other campaign contributions. Figure 2 below depicts this relationship. As is shown, the research does little to show what happens when PAC disbursement of funding increases.



*Figure 2: Corporate Influence Research Framework*

This study suggests that it is would provide more applicable knowledge if we knew what happened due to the increase in PAC disbursement of funding. The previous models are limiting because the dependent variable is increase in disbursement of PAC campaign funding. It is suggested that the model should be flipped to examine the affect on government sales, or contracting as displayed below in Figure 3.



*Figure 3: Corporate Influence Research Framework Adjusted*

The idea that contracting out is contingent on purchaser merit is of great importance to public administration practice. That is, despite acknowledgment that

public administration is not immune to political influence, contracting for political purposes challenges many of these notions, a topic for which the literature on campaign contributions provides an exploratory foundation. More important, however, from a public administration standpoint, the focus should be on the bureaucracy in relation to these attempts at political influence.

### *Research Questions and Hypothesis*

Based on this literature three more research questions and the following hypothesis are developed.

*R.6 Do private company campaign contributions to Congressional committees affect contracting decisions?*

H.13 It is expected that larger contributions from industry to political campaigns of members on House of Representative oversight committees will result in a larger percentage of departments' budgets being spent on contracts.

H.14 It is expected that larger contributions from industry to political campaigns of members on U.S. Senate oversight committees will result in a larger percentage of departments' budgets being spent on contracts.

H.15 It is expected that larger contributions from vendors to Congressional members in vendors' home district will result in larger contracts awarded.

H.16 It is expected that larger contributions from vendors to Senate members in vendors' home state will result in larger contracts awarded.

H.17 It is expected that larger contributions from vendors to Congressional members on House of Representative oversight committees will result in larger contracts awarded.

H.18 It is expected that larger contributions from vendors to Senate members on U.S. Senate oversight committees will result in larger contracts awarded.

*R.7 Do public sector employee union campaign contributions to Congressional committees affect contracting decisions?*

H.19 It is expected that larger contributions by those affiliated with public sector employee unions to Senate oversight committees will result in a decreased percentage of departments' budgets being spent on contracts.

H.20 It is expected that larger contributions by those affiliated with public sector employee unions to House of Representative oversight committees will result in a decreased percentage of departments' budgets being spent on contracts.

*R.8 Do lobbying actions affect contracting decisions?*

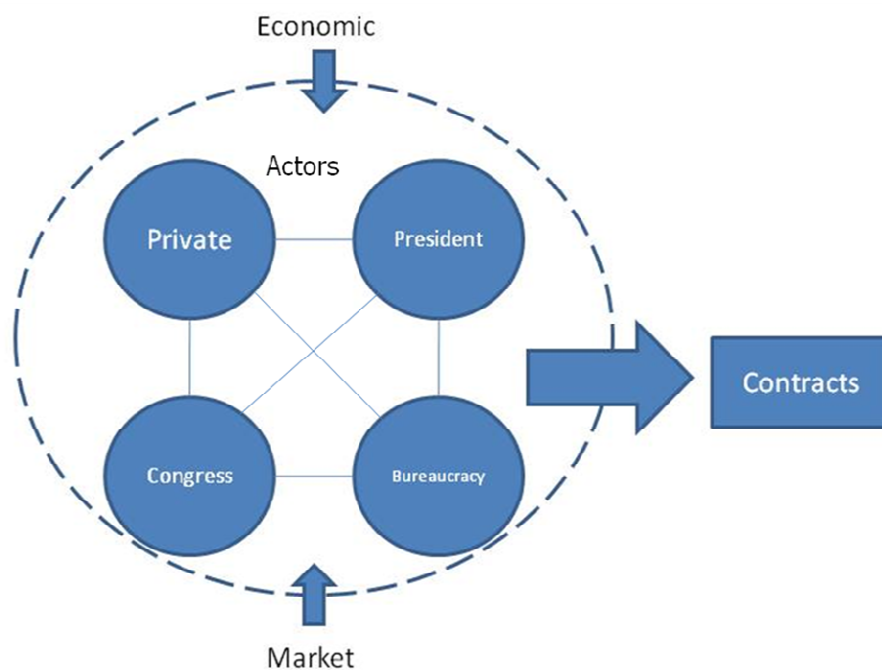
H.21 It is expected that more money spent on lobbying specific agencies by industry will result in a larger percentage of departments' budgets being spent on contracts.

H.22 It is expected that more money spent on lobbying specific agencies by vendors will result in a larger contract.

### *Theoretical Framework*

Integrating bureaucratic politics and corporate influence literatures seems to be a natural step in analyzing contract procurement. The factors of political influence broadly on the bureaucracy, more specifically on contracting, along with organizational characteristics and corporate influence are all part of the equation. Based on the theoretical foundation established above, this research offers a theoretical framework to test these theories of influence on contract procurement. By combining public

administration's traditional understanding of political influence on the bureaucracy with a more specific perspective offered in the corporate influence literature, this research offers a more comprehensive framework than previously studied. Overall, the basic framework assumes that multiple influences affect bureaucratic contracting decisions, with the primary variable of interest being private sector contractors. However, other variables of interest will include bureaucratic characteristics, political influences, the economic climate, and corporate factors outlined in the conceptual framework outlined in Figure 4.



*Figure 4: Theoretical Framework of Influences on Contract Procurement*

## CHAPTER 3

### Methods

Methodologically, this dissertation employs both qualitative and quantitative techniques. Qualitatively, this dissertation utilizes interviews to gather data about the contracting process. Primarily, the qualitative data is used to provide insight and a more nuanced understanding of the contracting process. Quantitatively, multiple regression analysis is utilized to answer the primary research question: *Do private companies affect government contracting decisions through various avenues of influence?* Specifically, the research focuses on the United States Federal Government and more particularly those responsible for contract procurement within federal agencies. In this chapter, the dissertation reviews the mixed methods approach and then discusses the separate methodological techniques utilized.

### *Mixed Methods*

A mixed methods approach was selected because it provides a deeper understanding of the phenomena under examination. Mixed-methods is formally defined by Johnson and Onwuegbuzie (2004) as, “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study,”(p. 17). The purpose is to, “draw from the strengths and minimize the weaknesses of both” methodological components – qualitative and quantitative (Johnson and Onwuegbuzie, 2004, p.14).

Generally, quantitative and qualitative methods have certain strengths and certain weaknesses. Qualitatively, a researcher can garner rich details and provide a vivid account of the subject under observation. Although, there are many techniques that can be used to generalize qualitative research, it typically does not provide information on the average experience in a broad manner. Quantitative research, on the other hand, can provide broad generalizations about the average experience. Furthermore, depending on data availability, quantitative analysis can introduce a time element to capture the average experience over a specific number of years. Nevertheless, because quantitative research can make such broad generalizations it can say little about the individual case. As a matter of fact, quantitative results may not provide any information that represents an individual case because quantitative methods are dealing with averages across cases. Therefore, by combining these methods into one mixed-methods approach the researcher can show broad trends and vivid detail in one study. According to Jick (1979) mixed-methods, “can also capture a more complete, *holistic*, and contextual portrayal of the unit(s) under study,” (p.602).

The use of mixed-methods allows researchers to combine qualitative and quantitative methods in numerous modes. One must decide if they plan to utilize the methods in a concurrent manner or a sequential manner. Additionally, one must decide if they will place equal emphasis on both methods or if one of the methods will be the dominant methodology (Johnson and Onwuegbuzie, 2004). In this study the data were collected and analyzed in a sequential manner, in which the data for the quantitative methods were collected and analyzed prior to the collection and analysis of the

qualitative data.

The dissertation uses a quantitative dominant methodology in order to answer the research questions. “Quantitative dominant mixed methods research,” according to Johnson, Onwuegbuzie, and Turner (2007), “is the type of mixed research in which one relies on a quantitative, postpositivist view of the research process, while concurrently recognizing that the addition of qualitative data and approaches are likely to benefit most research projects,”(p.124). The qualitative data, in this study, was used to “shed light” on the quantitative findings (Jick, 1979).

The final step in a mixed-methods approach is to “integrate” the findings of both the quantitative and qualitative data analysis (Johnson and Onwuegbuzie, 2004, p.22). In this dissertation the data are initially presented separately. In the quantitative analysis the integration process begins and in the conclusions the data is fully integrated. According to Jick (1979) the overall strength of a mixed-methods approach is, “it allows researchers to be more confident of their results.”

### *Quantitative Methods*

Quantitatively, this dissertation analyzes two separate models. The first quantitative model is a broad model examining department-level data. The study refers to this model as the *Structural Model*. The second quantitative model is a specific model on transaction level data. This model is referred to as the *Transaction Model*. Some of the data points overlap between models whereas other data points are exclusive to each model.

The Structural Model utilizes a panel series data set in which 60-70 cases are tracked over a six year time period. The unit of analysis in this model is the organization. The Transaction Model uses pooled cross section data with year dummy variables. A random sample of 300 no-bid contracts, per year, was drawn from the USA Spending database. The Transaction Model differs from the Structural Model in that it shifts the unit of analysis from the organization to the vendor. This shift changed the mode in which data collection was possible. Vendors are not consistently awarded contracts over a certain time period; therefore, a random sample of transactions had to be drawn for each year in the study.

This research employs multiple regression analysis to test the hypothesis about the relationship between the dependent variable and the independent variables. Based upon the literature above, along with the set of research questions, it has been determined that regression analysis is the most appropriate method to use in this dissertation. According to Wooldridge (2006), multiple regression analysis provides flexibility, while allowing the researcher to control for numerous factors that might affect the dependent variable. Furthermore, a greater deal of causality can be ascribed than other methods might allow (Wooldridge, 2006).

To attribute causality, one event must occur prior to the other event. In both quantitative models lagged independent variables are utilized so the researcher may gain a better understanding of the causal relationship. Therefore, all independent variables concerning private sector influence – those dealing with campaign contributions and

lobbying activities – are lagged one year. Previous literature (Zullo, 2006) has shown campaign contributions are time sensitive. This study accounts for the fact that campaign contributions and lobbying in one year may have lasting effects in the following year establishing a causal relationship. These independent variables are parsed out in greater detail in the corresponding chapters for each model.

Even though it is challenging to prove causality these models include time sensitive information which provides greater specification than has been previously studied. By incorporating time elements, such as panel data, lagged independent variables, and pooled cross section data this research advances the current literature.

The comprehensive nature of both models increased the number of independent variables utilized. Therefore, rather than making the models wider, by adding more independent variables, this study incorporated theoretically relevant controls into the design of each model. First, to control for the difference between different presidents this research utilized a similar technique to that of Zullo (2006). In his research of contracting and campaign contributions in Wisconsin, Zullo (2006) collected data while one governor's administration was in office. This eliminated variation due to a change in administrations. Similarly, this research collects data from 2001-2006 in which one president - George W. Bush – held office. Therefore, variation in the dependent variable cannot be attributed to different presidents.

The change in focus of the Transaction Model required an additional control built into the design of the model. Advocates of contracting and more generally privatization, argue that government should contract because it creates competition which

ultimately results in government savings. To control for this argument only no-bid or sole source, contract transactions were included in the sample. Therefore, these contracts were not awarded on a competitive basis. Hence, variation in the dependent variable cannot be based on the competitive bidding process. Further discussion of the data, possible limitations, and challenges to regression analysis is discussed in model-specific detail in each of the models corresponding chapters.

### *Qualitative Methods*

The qualitative method of data collection was semi-standardized interviews (i.e., permitting adaptation during the interview process [Berg, 2004]), which allowed for variation during the interview session (although they contained predetermined questions and topics). This method was selected based upon the nature of the mixed-methods approach and the set of research questions.

Alternatives to semi-standardized interviews were considered, but did not meet the needs of the current research. A structured interview limits a subject's response to a pre-identified set of themes or categories; whereas an unstructured interview, utilizes more open-ended questions allowing for greater depth of data collection (Fontanna and Frey, 2000). The semi-standardized interview is situated between these two extremes on the continuum of interviewing techniques (Berg, 2004).

In semi-standardized interviews the researcher must adapt their perspective to that of the subject (Berg, 2004). This includes the types of questions that are asked and the use of specific terminology. This differs from a standardized interview in which the interviewer uses more formulaic language. As opposed to a completely unstructured

interview, in which at points an interviewer may simply utilize ethnographic observation (Fontanna and Frey, 2000), the semi-standardized interviewer uses a pre-determined set of questions.

Along the continuum, the semi-standardized interviews utilized in this research fell closer to key characteristics in unstructured interviews. The key attributes shared by unstructured interviews and the semi-structured interviews used in this study were the need to develop trust and rapport with the subjects. Nevertheless, due the short time period in which the interviews were conducted – most interviews were one hour – the researcher had to construct the interview instrument and manage the time of the interview to establish trusting relationships. To that end, the first 20 minutes of each interview was focused on building a rapport with the subject.

As discussed above the primary purpose of the qualitative research was to supplement and elaborate upon the quantitative results. The semi-standardized interview format provided an optimum tool to reach this goal. A standardized interview would have provided limited insight on the research questions and may not have provided the depth necessary to illuminate the quantitative results. An unstructured interview would have provided great depth, but possibly would have shifted the research from a quantitative dominant study to a qualitative dominant study. The semi-standardized interviews bridged the gap between quantitative and qualitative methods in a constructive manner.

Based on the theoretical foundation established above, these interviews explored various influences in the contracting process in the federal government, which were

operationalized as the set of questions provided in Table 1 in Chapter Four. Each interviewee participated in one interview, taking between 45 minutes to 1 hour. Prior to administering the interviews, the instrument was piloted on a senior management level government official. After the pilot interview, the terminology and structure of the instrument was adjusted. The data for the interviews was collected over a 6-week time period in Washington D.C.

In Chapter Four the researcher provides further information about the sample and sampling procedure, the research setting, the interview instrument, and data analysis. Following Chapter Four, in Chapter Five and Chapter Six, the data, methods of data analysis and results, are provided for the quantitative models. As described throughout this chapter these separate methodological techniques were designed to compliment one another and provide more precise answers to the research questions.

## CHAPTER 4

### Qualitative Methods

As discussed in Chapter 3 the qualitative methods were used to support and illuminate the quantitative results. This chapter provides an explanation of the techniques used to gather the data and then presents brief summaries of each interview. The themes established in the interviews will be intertwined with the findings of the quantitative methods. In Table 1 below the interview questions are displayed.

The questions are divided into six categories: Background information, acquisitions, presidential/executive environment, congressional environment, industry, and accountability. The sections were designed – in part - to build a rapport between the researcher and the subject. Preliminary topics such as background information and general knowledge about acquisitions were initially discussed. Questions that reference political or industry influence were not discussed until the second half of the interview. By this time period the subject was comfortable with the researcher and willing to freely speak about these topics. Although the questions remained constant, a number of follow up questions were included in the instrument to be utilized when appropriate. This provided the necessary data to enlighten the quantitative methods.

Table 1

*Interview Questions*

Category	Question
Background information	<p>How did you get started working for the federal government?</p> <p>What types of positions have you held?</p> <p>How long have you been in this position?</p>
Acquisitions	<p>Can you explain your day-to-day activities?</p> <p>Can you explain the process taken to contract out? What steps need to be taken? When do you enter the process?</p> <p>Are there specific vendors that are easier to contract with than others? What makes it easier? Bid Protests etc.</p> <p>More generally, what determines whether or not you do something in-house as opposed to contracting it out?</p> <p>How do budget considerations come into play?</p>
Presidential/executive environment	<p>Does the OMB A-76 come into play on a day-to-day basis?</p> <p>Have you conducted any A-76 studies?</p> <p>Why would you conduct A-76 study? Are there specific expectations from the OMB?</p>
Congressional environment	<p>Can you talk a bit about the different administrations? Does this make a difference? (i.e., National Performance Review or President's Management Agenda)</p> <p>What about the legislative branch? Are they involved in the contracting?</p> <p>What about larger legislative acts like budget decisions or GPRA? Do these come into play?</p> <p>What about partisan politics? Do Congress people ever directly get involved, possibly suggesting a specific vendor?</p>
Industry	<p>What about lobbyists? Where do their efforts fit into the picture?</p> <p>Are lobbyists in contact on a day-to-day basis or is it more specific (e.g., when a client of theirs needs more information about a bid)?</p>
Accountability	<p>Can you discuss the balance between efficiency and accountability? How do you remain efficient while ensuring accountability?</p>

### *The Sample and Sampling Procedure*

The interview sample consisted of 10 participants: five senior management, two middle management, and three lower management/contracting officers. Admittedly, this sample is much too small to be representative in a statistically meaningful manner. Rather, it represents the type of “purposive sample” drawn “for qualitative fieldwork ... [that builds] in variety and [acknowledges] opportunities for intensive study” (Stake, 2000, p. 446).

To generate the sample two techniques were utilized. First, networking with various contacts provided access to contracting officials. A snowballing technique was used to open up access to additional contract officers in the federal government (Berg, 2004). These initial contacts served as guides in the process of information gathering. According to Fontanna and Frey, (2000) an informant, or guide, in the data gathering process aids the researcher in gaining an understanding of the organizational culture. The two guides identified in this study served to assist the researcher in gaining an understanding in organizational culture. They also helped the research navigate the organizations in an efficient manner. Second, e-mail letters were also sent to members of the Chief Acquisition Officers Council, a council composed of acquisition professionals in the Executive Branch to solicit additional interviews. In total six interviews were conducted as a result of the snowball technique and four interviews were conducted from responses to the emails.

### *Research Setting*

The interviews took place at the interviewees’ offices. Each interview was

scheduled in advance; a one-hour time frame was requested. The researcher accommodated any interviewee that needed to make adjustments. The research setting provided the subjects a level of comfort that may not have existed if interviews were conducted in a place of the researcher's selection.

### *Data Analysis*

The data collected was used primarily to provide a more nuanced perspective of the influences in government contracting. To this end, the major themes from each interview have been summarized below. The conclusions will be intertwined with the results of the quantitative analysis and summarized in the conclusion of the dissertation.

Overall, the interviews provided an insight that was impossible to glean from the quantitative analysis. Clear factors emerged, consistently throughout, which influenced the contracting process. Among them were organizational culture, presidential priorities, the marketplace, and legislative oversight. Many of these influences, as described by the subjects, were in coherence with the hypothesized relationships. In discussion, however, they proved to be much more nuanced. Moreover, time and time again, the most influential variable according to the public servants interviewed were the regulations. The Federal Acquisition Regulation (FAR)— or “The Book” as some called it—came up in every interview. The method of dealing with FAR varied, but all noted its relevance. Below are brief summaries of each interview.

### *Interview Summaries*

#### *Interview #1*

Interviewee #1 has been a career civil servant for 27 years. Working for the federal government has given him the opportunity to work for numerous agencies and travel the world. Twenty years of his career has been spent working in contracting. As he moved from agency to agency he has made his way up the career ladder; currently he works in a senior management position. His job responsibilities, as he described, are “everything and anything that the director asks me to do.” This ranges from big picture strategic planning, to dealing with personnel issues (primarily hiring), to working specific contracts.

He explained there is high demand for people working in acquisitions. Every government agency has some staff working in contracting. This often means he spends a great deal of time hiring because contracting officers are in such high demand and can move from agency to agency. When I asked what types of people he was looking to hire, he responded, “Generally people with a business degree and a year or more of business experience.” He went on to say that the contracting field in general was made up of highly skilled and trained professionals.

In describing his staffs’ responsibilities he explained that they do not enter the picture until a statement of work is provided to them by a program office. This is the document that tells the contracting officer what they need to buy. The first thing his staff does is determine if it is possible to compete the award and if a small business can

provide the goods or services. “Generally speaking,” he explained, “competition makes good sense.” He then explained that the agency is well above the competition goals set by the department, reaching levels close to 85 percent. He said the agency tries to compete all contracts. Only if a vendor has “rare or unique” skill set would a sole source contract be considered. Competition, however, could be challenged by the relationship developed with an incumbent vendor. He explained that, “There is a tendency often among the people that are getting the stuff or the services to go with what they know. They say ‘Well, I have been getting good service from Joe Smith...I just want to go back to Joe Smith’.” This would typically come from a program office that has developed this working relationship.

Interviewee #1 explained that you may consider past performance, but this is not a legal reason to go with a specific vendor. He went on to say that, “The interesting thing about doing business with the United States Government is that we have certain principles that we go by and probably the most important one is fairness. The government doesn’t operate on business rules in terms of lowest price. It doesn’t operate in terms of who you know. It operates on a principle of fairness.”

Interviewee #1 did not speak of outside influences affecting the way that he and his staff contract for goods and services. He explained that sometimes after a contract is awarded there may be Congressional inquiries asking why a specific contract was awarded, but not prior to the award. Furthermore, he claimed it was rare for lobbyists to contact him. He asserted, “We hold ourselves accountable” for all of the laws and regulations.

He defined accountability by the various goals the agency had reached. Clearly, this was performance-based accountability. The interviewee was able to cite the percent of competed contracts, the percent of small business contracts, and a whole list of other goals that the agency reached. He additionally stated that this was all done in an efficient manner. He said, “We have about 60 people that are frontline contract negotiators. We did 6,000 contract actions last year. That’s 100 per person. You work 204 days a year. That’s 1 every 2 days. We did over \$500 million worth of business. I don’t know how you can be any more efficient.”

#### *Interview #2*

Interviewee #2 has worked for the federal government for 20 years. Both of her parents worked for the government; she explained that it was a natural step for her to take. However, her education is in business so she found that she fit well on the acquisitions side of the government. She has worked at two agencies in the federal government—one within the Department of Justice and the other within the Department of Health and Human Services. She is currently in a mid-level management position overseeing procurement for IT goods and services.

She explained that when she receives a statement of work from the program or technical side of the agency her first thoughts are “Can we use a performance-based contract?” and “Is this ‘inherently governmental’?” She is referring to a longstanding OMB circular—Circular A-76—which directs agencies to contract out all goods and services that are not “inherently governmental.” She also explained that it is necessary to “Watch out for organizational conflicts of interest because every once in a while you

will get a statement of work that doesn't look like one of our people wrote it." She was referring to a section of the FAR in which contracting officers must ensure this conflict does not exist. As indicated by her statement, occasionally this might happen.

Interviewee #2 goes on to explain the relationship with the program office in which she portrayed a somewhat tenuous relationship. The program office, she said, might come to her and say, "Oh, we think we need to sole source this," and typically they would like to sole source because it is an incumbent contractor. The program office claims that the incumbent contractor can do the job cheaper, but as a contracting officer Interviewee #2 explained that they must put it out for competition. She said, "For us, it is the emphasis on the public trust in the public sector. Giving it sole source to one competitor doesn't seem fair with federal dollars." Often she explained that the contracting officers are seen as the "gatekeepers."

In trying to dissect this relationship further I inquired if program offices might attempt to circumvent the contracting officers. Interviewee #2 responded with an unqualified "Absolutely." She described that program offices could contract through other agencies that might not be as strict, therefore avoiding the gatekeepers at their agency and getting the vendor they originally desired. She explained the only reason to do a sole source is because nobody else can do a specific job. Nevertheless, the trusting relationship developed by the program office and the vendor persuades program offices to stick with certain vendors rather than competing.

More generally, Interviewee #2 explained that pressure to contract out comes from other sources. Referring to Vice President Gore, she said:

He wanted to revamp procurement. He wanted to do it more like the commercial sector. During his time frame is where everything became easier. There was less competition. Now people are seeing abuses from that time period in the 90s and they are starting to put more and more of our regulations are coming back to reemphasize competition.

She went on to explain that just like anything else influences on contracting are like a pendulum that swing back and forth. At points the regulations are strictly enforced and at other times they are not. It typically changes with new administrations and whoever might be in control of the Office of Federal Procurement Policy. This influence seems to be on a broader level, but still influences Interviewee #2's daily tasks.

In looking to understand if influences stem from the legislative branch, we discussed how Congress might get involved. When I asked if there was direct influence from Congress her response was, "I don't see that many earmarks for us. We are not like DOD." When I pressed her to explain this she said, "I have actually heard that sometimes it is specific money then a specific dollar amount to go build x number of these defense weapons because that happens to be in a Senator's jurisdiction so they will push that." Interviewee #2's perspective is in concurrence with the theory upon which this study is founded.

To determine how vendors influenced contracting decisions we started discussing lobbyists. She said in her position she does not see them at all. However, it is not uncommon for the vendor themselves to talk with the program office. The vendors will try to "sell them" on specific products. She explained when the contract office puts out a bid they must make sure it is not over specific. She said,

The technical people will sometimes put in specifications that we do not

understand because we are not technical. So we will look at it and it may look OK to us, but then it goes out and the way its written only one company can bid it or only one company's product will meet that requirement.

It is the contract officer's job to stop this from happening. Overall, Interviewee #2 explained a world in which numerous influences try to affect contracting; however, the acquisitions department ultimately must sign the contract. They do their best to mitigate these influences and make the process fair.

### *Interview #3*

Interviewee #3 has been working for the federal government for 23 years. He started as an intern in the Department of Defense. His entire career has been on the contracting side of government; however, his background is in the social sciences. He is currently in a lower-level management position leading contract officers. Prior to his current position in the Department of Health he worked for the DOD for 20 years.

Interviewee #3 expressed two issues he deals with when he receives a statement of work from the technical or program side of the agency. His job is to look at the statement of work and give it to one of his contracting officers to buy the good or services. Often, however, he must work with the program office to rewrite the statement of work. He explained that the program offices are not specific in what they need and often do not put as much time into the requisite package that is needed. According to Interviewee #3, this is primarily due to organizational culture more so than anything else. When he first arrived at this agency he explained that almost every statement of work he received would bring about a conflict with the program office.

They would often state, “We never had to do that,” and have a litany of questions such as, “What do you mean? What’s a statement of work? Why do we have to do this? We’ve always gone to this company. Why do we have to compete it?” Interviewee #3 explained that the program offices “have never been held responsible” for expectations that were familiar to him.

When I asked further about the question, “Why do we have to compete it?” Interviewee #3 explained a similar situation that others have described. The program office thought that a sole source contract was the best way to get their goods or services. He said,

The excuse would be, ‘Oh they’ve been working here for 10 years.’ Or ‘We couldn’t lose them. It would cost too much to train somebody new.’ There was no concept of arm’s length. Basically, it almost seemed like they were augmenting staff. They had these contractors that would just show up for work, do whatever they were supposed to do for that day.”

According to Interviewee #3, this arrangement was unacceptable. Therefore, he feels as if he is constantly training program staff on appropriate ways of contracting.

Although Interviewee #3 stated that he has rarely seen anything that could be considered corruption, he still had a hope that there would be less contracting in the future. He claimed that there are “too many contractors here already...I mean they are wedged and we are just doing everything we can to try to get that arm’s length separation between the government and the company -the contractors.” This arm’s length separation is something that is important to Interviewee #3, but he admits it is challenging. He has hope that the Obama Administration will push for utilizing fewer contractors. However, even if the administration can slow down the use of contracting

there is still the influence from Congress.

In his prior position at DOD, he said Congressional influence was more prevalent. This wasn't something that occurred on a daily basis, but often enough that he was able to recall numerous instances. He said, "You get a contractor that gets upset because something happened and they call their Congressman and you have to deal with the Congressman's office." He went on to explain a specific situation in which a contractor was upset because the program office had requested to terminate their contract. The program office made this decision because the services were no longer needed. The contractor "wrote his Congressman and said 'They're terminating my contract' and eventually we found another DOD agency that was interested in taking over the program and we were able to sort of transfer." Without this Congressional influence the contract would have been terminated.

Congress people may also attempt to influence through specific appropriations. He said, "You did see a lot of that in DOD where Congress people got stuff put in bills that were targeted towards individual companies. The company will prepare a proposal and it will be earmarked in the budget somewhere." Interviewee #3 went on to say,

The funny part comes when the company says 'Well we were given this money' and I'll go "No you haven't." You haven't been given that money. It may be earmarked, but I don't have to award this until I determine if the price is fair and reasonable or that we are going to be getting something good for our money.

This continued gatekeeper mentality was apparent with Interviewee #3. It was something that seemed to give him a great deal of pride. Ultimately, he concluded that although all of this is happening there is still a great deal of accountability. He said, "I

almost want to say that I think the contractors are probably held more accountable for their work than the government employees are.”

#### *Interview #4*

Interviewee #4 started his career as a letter carrier in the federal government 28 years ago. Throughout his tenure he has worked at four different agencies, including the Department of Commerce, the Department of Veterans Affairs, the Postal Service, and the General Services Administration (GSA). About 80 percent of his career was spent at bottom-line organizations such as the Postal Service and the GSA. He currently holds a high-level management position in which he oversees over 1,000 contracting officers. He believes through his career he has been awarded for higher-level innovative thinking. He quickly left any agency that held him to a “by the books process” of contracting.

Interviewee #4’s current responsibilities include policy development and promulgation, career management, and systems management. Although he oversees a large number of contractors, rarely does he get involved on the day-to-day level of contracting. Rather, he would prefer to grant his contracting officers discretion and allow them to get the job done. He explains that he likes to,

Promote functional statements of work—performance based statements of work—that focus on outcomes and will give industry, the vendors, an opportunity to propose a solution based on those requirements. Instead of dictating to them do this, do this, do this we say, generally speaking, we need a solution that does the following and that gives them broad discretion to propose that solution.

Interviewee #4 clearly believes in promoting results over process. Although he believes in competition he is not as strongly in favor of it as others with whom I have spoken. He said, “Whether it is 3 or 300 it is still competition. That’s the way I look at it.”

Interviewee #4 is also a strong proponent of contracting out government services. In his own words, “There are few functions in government that are inherently governmental,” referring to the phrase used in OMB A-76. When I pushed further to determine where he draws the line of inherently governmental he said unless he was obliging government to do something it was not inherently governmental. I asked if policy decisions were inherently governmental. He responded, “Not even policy. I have contractors here writing policy...but I have to promulgate it because I am the government official. That’s the distinction I draw.” This point of view was shaped not only by his experience in bottom-line agencies, which tend to be more business like, but also by the initiatives in the 1990s.

He was wholeheartedly on board with the reinventing government movement paradigm that emerged in the 1990s and repeated the mantra, “If it is not illegal, immoral, or unethical then assume you can do it.” Too often, he sees contracting officers using the FAR as a crutch, and he believes it should be looked to as guidance. He claims that during the Clinton Administration such an approach was promoted. Interviewee #4 clearly sees shifts during different administrations and felt that the Clinton Administration did a good job of promoting their procurement goals. He said during the reinventing of government we were “sent permission slips saying if it is not

illegal immoral or unethical you have permission to do it.” The Clinton Administration decentralized authority so you did not have to constantly look to your supervisors for permission. According to Interviewee #4 this was “a breath of fresh air.”

Administrative influence continued with the Bush Administration; however, they returned to increased oversight and more centralization. He said, “The Bush Administration came in and they didn’t have a high regard for the civil service, so they tried to run everything through their political...” The political appointees he was referring to had trouble implementing policies because they were unorganized and they were not on the same page. According to Interviewee #4, the civil servants were able to avoid any influence because the agenda was not clearly articulated. Although there was an attempt to micro-manage the civil servants ultimately not much was accomplished as far as affecting the civil service.

Interviewee #4 also said that the legislative branch may have some influence on contracting. Typically though, he finds that unless the President and the agencies are on board there is little that Congress can do on its own. He claims that Congress is hard to work with because of the election dynamics and the need to campaign almost every other year. The Senate is often easier to work with because of the six-year terms whereas the House of Representatives is more focused on short-term constituency issues.

One of the main sources of influence, according to Interviewee #4, comes from the organization itself—the organizational culture. This organizational control makes accountability a challenging goal. He believes that because the organizational culture

is so strong it is often better to use contractors to gain more accountability. He said in government, “at least in this agency, the inmates run the asylum. I have more people here who tell me ‘That’s not in my job description’ or ‘We haven’t ever done that before’ or ‘It’s my A.W.S. day (my alternate work schedule) Monday. I don’t come in that day’.” He goes on to say, “My experience is that you have more accountability when you contract out...” Interviewee #4 is fearful that in the next administration public sector employee unions may exert more power, making it challenging to contract out. He remains hopeful that at the very least, “the new administration is going to be a bit more collegial,” than the Bush Administration.

#### *Interview #5*

Interviewee #5 has worked for the federal government for over 30 years. He started out working for the Department of Defense on the program side of contracting. He has worked for the Department of Commerce and the General Services Administration (GSA). Currently, he is a mid-level manager in the GSA.

Prior to becoming a contract specialist, Interviewee #5 was on the program side of contracting. His responsibilities included preparing all technical specifications and negotiating the price of the contract before a contract specialist even got involved. He said basically the only thing the contract specialist did was sign the document. This is in stark contrast with the contract specialists I have spoken to who continually refer to themselves as the gatekeepers of all rules and regulations surrounding procurement.

In his current position, Interviewee #5 prepares Blank Purchase Agreements (BPAs) for other agencies. This is a broad agreement made with a vendor that other agencies can use when they need a specific good or service. Similar to a specific contract, the BPA is negotiated based on best value criteria, which include technical capabilities, price, and past performance.

Interviewee #5 did not articulate much influence on his daily activities by presidential administrations. He explained that at points the rules in which contacting are governed might change, but it does not seem to affect his day-to-day operations. These were typically “bigger picture” changes. He also indicated that Congress can attempt to influence in a similar fashion, but once again these were bigger picture changes.

On a more specific level, Interviewee #5 claimed that Congress people may give very specific line items to agencies for contracting. He said they will not name a specific vendor, but their specifications will limit the number of companies that can bid. Often they will limit competition to such a degree that only one contractor can bid. He said at one point he had to procure goods with a United States-based company that made a specific type of engine. When he did the market research there was only one company. He said whoever “the Senator was that put that in there knew that the company in California in his district was going to get this work. It’s just that simple.”

Industry is another group that attempts to influence the process. Interviewee #5 mentioned that vendors are constantly aware of contracting cycles so they know when one cycle is about to end. During this time period they are in contact with the

contracting specialists to set themselves up to bid. He said there are also “industry days” where agencies invite industry in to learn about the upcoming contracts. At that point the agency has yet to release a request for proposal, so it is a more general informative session. Interviewee #5 noted that often vendors will just come to mingle with people working in the field and gain information.

According to Interviewee #5, contracting has “certain rules and guidelines to use;” therefore, influence from outside is mitigated. There is strict oversight and contracting officers must justify their decisions. He said you mainly lose this accountability if you do not know exactly what you need to buy. He said, “If you have people who don’t know what they want and what you’re buying, you are going to lose track of accountability and there will be no efficiencies because the contract will be in turmoil all the time.”

#### *Interview #6*

Interviewee #6 has worked for the federal government for 37 years. She started as a secretary and has slowly worked her way up through the government to her current post, which is a senior management post in acquisitions. She has worked at four agencies including the National Institute of Health, the Social Security Administration, NASA, and the Department of Commerce.

During Interviewee #6’s tenure at the government she has learned a great deal about government contracting. She believes that the success of a contract—or at least measuring the success of a contract—is often determined by the good or service

procured. For example, if you are contracting with a researcher to cure cancer that is obviously much harder to determine success versus buying medical supplies.

Ultimately, she believes it “has to be a partnership between the program office and the acquisitions office.” Members of both offices must sit down “face to face” to get on the same page. The contracting officers must understand the statement of work well enough to know exactly what they are buying.

In selecting a vendor, Interviewee #6 explained that it is often challenging. Typically, she does not believe past performance is a helpful criterion. She claims that many times there may only be three bids for a request and all three vendors bidding have negative past performance. Additionally, she does not believe that past performance is properly recorded by program offices, which makes it difficult to rely on such criteria. Moreover, she said, “My perspective is there is a tendency for most program officials to want to work closely with their contractors. Even when the contractor is not performing particularly well they try to assist them to acceptable performance.” This dynamic makes it challenging to determine the vendor’s performance versus the vendor’s performance with assistance provided by the program office. Instead, she relies heavily on technical capabilities and dedication of the vendor. For example, she will see how many employees or what personnel a vendor is willing to commit to a specific contract.

Interviewee #6 spoke of general trends in contracting that would flow from different administrations. She explained that in the 80s and 90s there was pressure to “downsize” government. Agencies were not given the authority to hire more full-time

employees (FTE), but they were able to hire contractors. “In many cases,” she said, “their costs went up because they were contracting it out.” This pressure was primarily coming from OMB; agencies did not have many options. Ultimately, she said, “Whether you thought it was the right decision to contract out you still had a mission to accomplish so you contract for it.” The legislative branch at points was also involved in this debate, but there were Congress people on both sides of the argument.

Like other Interviewees, Interviewee #6 also explained instances in which Congress people directly tried to influence contracting. Although this was not a common practice, she discussed numerous circumstances in which Congress people tried to get specific vendors a contract. In some instances, “A company who is competing will write their Senator or their Representative and will say ‘Any support you can get me’ and we will generally get an inquiry letter stating, ‘We understand they’ve applied, we want to make sure you give them all the fair treatment.’” She explained that they respond with a form letter that thanks the Congress person for their interest and they will treat every vendor equally. She also described situations in which a Senator will put a specific amount of money in a bill for a specific contractor. The contractor will come to them and say, “When can I get my money?” She explained, “If they appropriate something for us we still need to go through the process and determine what we can award.” If the vendor does not meet the specifications with the best value they do not give them the contract. More directly she said:

I won’t say it hasn’t happened in the past. In the time that I’ve been in the government I’ve seen cases where program officials and contracting officials bow to Congressional pressure to do something, but I have never had to do that, I’ve always gone in and said this is my decision. This is why I have made my

decision. This is the basis in regulation in what I propose to do.

Pressure is also exerted from vendors involved in the process. In these circumstances she said she is cordial and thanks them for their interest, but relies on the rules and regulations to guide them through the process. Interviewee #6 explained that when an agency is getting ready to take part in a large acquisition, vendors (or vendors' representatives), will be "crawling out of the wood work to talk to me...That is a normal part of doing business in acquisitions." She has formal conversations and does not share any information to make the competition unfair. Therefore, she said, "[we] never inform our planning for the future unless everyone is informed." However, in the end she said, "It is a normal part of what we do" and "Realistically we rely on the private sector."

In closing out our conversation we briefly discussed efficiency and accountability. She concluded that typically acquisitions departments do not have the resources to have full oversight. They behave in a much more reactive manner. As for efficiency, she said, "The government accomplishes a lot of things through acquisition policy," that have nothing to do with efficiency. She went on to say, "The processes we set up sometimes are not the most efficient, but in the spirit of fairness. Does that outweigh efficiency sometimes?"

#### *Interview #7*

Interviewee #7 started working for the federal government as a member of the military, beginning in 1970. As an active duty officer he became a contracting specialist in the mid 1970's. He continued his career at DOD through his active duty

status until the early 80s, when he began working for a private sector government contractor. He returned to government as a civil servant in 1984, once again in the DOD. Since then he has changed agencies and is currently working in the GSA as a contracting officer. For the most part, he enjoys the social aspects of contracting - primarily the interactions that take place during the negotiations phases.

He explained that contracting has changed quite a bit since he started over 30 years ago. Historically, the contract specialists were supposed to hold the expertise and business knowledge necessary to contract with the private sector. The program side was supposed to hold the technical expertise in their specialty. Therefore, both sides were able to offer a great deal to the equation. More recently, he claims the field has changed, whereas contracting officers are seen more like support staff. He said the program side has developed much of the business expertise and they assume that the contract officers' responsibilities are limited to the paperwork involved in contracting.

He suggested that national policies are not "felt that dramatically at our levels." He went on to say, "I think there is a lot of filtering that goes on between policies at the national level and the level that I work at." Although this was his position, he explained that a good amount of agency activity could be considered as policy objectives. He described the increased use of contracted employees taking on government work. In contracting, he said some people have the view that, "the only inherently governmental function is signing a contract." This means that a good deal of support staff can be taken on by contractors. Interviewee #7 explained that this can create an organizational conflict of interest. Many of the documents pertaining to

contracts are being maintained by contracted employees. He said, “If they’re sitting in the next cubicle over from the contracting officer listening to everything they say on the phone, you create a situation where you’re inviting one hell of an organizational conflict of interest.” The boundaries that were once necessary have blurred.

I asked why he believed this was happening; he gave a similar answer as others I interviewed. Primarily, the agency is not given the authority to hire any more full-time employees, but they do get funding to hire contracted employees. This change is in concurrence with some of the national policies that were being enacted throughout government. Furthermore, in 1996 during the Clinton/Gore push for more business-like operations in government, GSA made a major change in their funding structure.

Interviewee #7 said, “There is a problem in that we are industrial funded. You would normally think that a contracting office would try to get low prices. But it doesn’t seem to work that way around here.” According to Interviewee #6, the industrial funding began in 1996; it essentially sets up incentives for GSA to get higher prices. GSA gets a percentage of the money any time an agency uses a vendor and a product on a GSA schedule. This is somewhat like a blank purchase agreement. GSA establishes the prices and the vendors and other agencies can buy goods or services off of the different schedules. Interviewee #7 said:

All of a sudden we created a marketing organization to market to other parts of government and help our partners in industry market to other parts of the government... Effectively what’s happened is GSA has changed sides of the street. They are now partnering with the contractors and to increased dollar to the taxpayer.

He gave an example in which a product was listed in three different places in the GSA

schedule. The same product was listed at \$6,000, \$2,000, and \$500. Explaining this discrepancy he said, “My take is the reason it is in there is because the 1% industrial funding of \$6,000 is \$60 and 1 percent of \$500 is \$5 and we don’t want to go back to the Congress to ask them for more money to operate.”

The industrial funding, as described by Interviewee #7, brings about numerous sources of influence. First, there are clear budget implications for how the GSA does business. To maintain autonomy and organizational control there is clear incentive to remain industrially funded. This keeps GSA isolated from Congressional influence. In the 1990s when the push to operate in a business-like manner was foremost, such a funding structure would have been cheered by the administration. Lastly, industry would encourage such a structure because their products now have support from one of the largest contractors in government.

Although Interviewee #7 has never been directly affected by Congress people intervening in contracting he suggested that it was a practice that certainly took place. He explained that when you award a contract over \$3 million you need to let Congress know. In one instance he did this and the Congressman in the district in which it was awarded tried to take credit. Furthermore, the Congress person attempted to solicit campaign contributions from the vendor. The vendor simply explained to the Congress person that they competed for the contract and won the contract in a fair manner. The vendor knew the Congress person had nothing to do with them winning the award.

Contracting brings about many types of challenges. Interviewee #7 explained he would much rather work with someone directly below or above on the chain of

command, rather than dealing with a contracted employee. He said the layers of communication are extended, which ultimately makes accountability more challenging.

#### *Interview #8*

Interviewee #8 has over 25 years of experience in the federal government, along with extensive experience working for private sector government contractors. She has worked at four different agencies in the government including the Department of Defense, the Social Security Administration, the Small Business Administration, and the Department of Transportation. She currently holds a senior-level management position at a large cabinet-level agency. Her responsibilities include overseeing a small contracting operation along with promulgating acquisitions policy for the entire agency.

She believes the acquisition process should be a collaborative effort between program and contracting staff. To this end, she thinks that contracting staff and program staff should work together from the beginning straight through to the end of the process. Unlike the typical situation in which a contracting officer gets involved after a statement of work has been submitted, Interviewee #8 believes contracting officers should work with program staff to craft the statement of work. She claims that in a perfect world there would be more future planning; this collaborative process can help solve many problems.

Similar to other interviewees, this subject notes that sometimes program offices are not aware of the number of possible vendors. She said they believe that there is only one vendor that can do the job. It is the contracting staff's role to demonstrate that

there are multiple vendors and to get the best value they must open the bid to competition. She explained that at points in her career they have had to take large steps to seek this competition because both the agency and the field of possible vendors just assumed the incumbent vendor would get the contract. This was the case because this was the mode in which the agency had always worked.

In discussing other influences to contracting, outside of the agency, interviewee #8 mentioned that the Office of Federal Procurement Policy steers the ship. She explained there are many different facets to procurement so they can point it in many different ways. Typically, she explained, “The pendulum sort of swings from oversight to discretion.”

She also noted that a good indication for which way the government is moving is to watch the budget decisions. From this perspective Congress can influence acquisition policy. For example, she explained, if more funding is allocated to the Inspector General we know that there will be more oversight. On a day-to-day level she did not see Congress as an influential player.

Vendors, on the other hand, are often involved on a day-to-day basis. Although they have little influence, she said that vendors constantly attempt to try “to get close to anyone they think is making a decision.” She said, “One of my big charges is to maintain integrity so any vendor out there knows they have a fair shot.” From this perspective, she can not share any information with one vendor to give them a competitive advantage. This does not mean she does not talk with vendors. She is happy to meet with them, as long as she has time, but primarily to understand what they

can provide. She does not blame industry for trying to be involved, but she is very clear that integrity is her primary goal.

She explains, “There is that tension between trying to do everything fast, great, and efficient and yet you can’t because of these rules,” referring to government rules and regulations. She goes on to say, “We are not ever going to be like industry. We shouldn’t be like industry.” She explains that government’s role is to better the economy and the United States in general, and because of many of the government’s goals it loses efficiency. She said their job is to espouse the policies associated with the government and try to do their job as efficient as possible within the set of rules they are given.

#### *Interview #9*

Interviewee #9 has worked for the federal government for 25 years. Unlike the other interviewees he has been in one organization his entire career, gaining an appreciation and knowledge base for the mission the agency pursues. This unique perspective has allowed him to conduct his job in a different manner than others interviewed.

Interviewee #9 believes that contracting staff should work with program officials to translate their needs into statements of work. He thinks that contracting officers should be intimately familiar with the language the program people use and contracting officers must know exactly what they are buying. Furthermore, he believes that industry should be involved from the beginning of the process. He said, “The vendors

are right in here as I am translating that requirement.” He thinks this is important because he needs to ensure that industry can provide the services or goods that he needs.

This perspective sets up a partnership between industry and government that has not been articulated by other interviewees. He explained, “We are in this together. We are a partnership in whatever we are providing. But with my business I have a responsibility to keep the suppliers at an arm’s length. The arm’s length says I can still be your partner so long as I keep you at an arm’s length.” He went on to explain that unlike the vendor, his shareholders are taxpayers and he needs to make certain that they get the best value for their dollars. Once again, a large responsibility is placed on the contract officer in such cases. In working closely with vendors they must make sure to keep distance between the two.

Presidential and Congressional politics were both mentioned as an additional influence that might affect contracting. Interviewee #9’s view was that politics can be sorted out by the appointed officials and Congress. His role was to implement contracting and to ensure it is done in a fair, competitive manner in which government gets the best value. He said whether or not a politician was involved in a specific appropriation “is irrelevant to me.” He went on to say, “As a civil servant I signed up to keep that at the door.” He did mention though, that “in the late 90s we tried to go so much like commercial that we lost something as to the arm’s length with our suppliers...” This was during the Clinton/Gore initiative in reinventing government. He said that to be more like business, suppliers were telling government how to streamline certain processes. He did not believe this was a good thing for government.

Ultimately, Interviewee #9 believed in strong collaborative relationships, but thought both sectors had to be careful to “stay in their own lane.” Don’t allow industry to “Dictate to you your requirements.” He said, “The checks and balances must continue to exist in the type of world we are in.”

#### *Interview #10*

Interviewee #10 came to the federal government after a previous career in academia. She has held posts at the Department of State and an independent agency. She has had the unique experience to sit on both the program side of acquisitions along with the contracting side of acquisitions. This perspective has given her an insight into the entire process of contracting from start to finish. She also provides insight into what program offices are thinking when they develop a statement of work and send it to the contracting officer.

The common tone in most interviews was that contracting officers must help the program office develop a statement of work. This was either due to the program officer’s inability to describe what they want to buy or the need for a contracting officer to insert business-type language. Interviewee #10 described a different perspective. She explained that you want to leave your statement of work loose to maximize flexibility. She said,

Some contracting specialists will try to get you to be very specific, and they have good reason to do that, because you either want 2 inch nails or 3 inch nails or 2×4s or 2×6s or this kind of rocket fuel versus that kind of rocket fuel. So they want you to be very specific, but the more specific you are in a statement of work the more of a strait jacket you’re in and it doesn’t give you any flexibility. So I have always tried to be specific enough while building in flexibility.

This deliberate attempt by the program officer did not seem to be understood by the contracting officers with whom I spoke. She explained contracting officers as being in two camps. She said some "...want to follow the regs, they want to follow the rules" in an extreme manner. They are very specific and if "that word says that, that's it." She went on to explain, "Then you have your other contracting officers who understand how to read between the lines of the regs, and understand how to interpret and have experience backing them up that they are not risking too much. They are not making the government vulnerable." Working with the latter camp is preferable. Because of their experience they are not putting government at risk, but they are allowing government to get the best deal. This resonates with the argument for greater discretion as emphasized in the late 1990s.

This is a challenging balance because as Interviewee #10 described, many program officers do not work contracting to get government the best deal. She had seen instances where the incumbent contractor was used repeatedly because the program officer believed they were the only one who could provide the service. Moreover, the program officer often used the vendor in last-minute situations. Therefore, the vendor was able to charge more than the services were worth. Interviewee #10 explained that in these situations,

You put the federal government in a disadvantage because you didn't plan ahead. That is, the whole point of contracting and writing statements of work. You are supposed to be planning ahead. It is not supposed to be for last-minute urgent needs...As a program person in the federal government you need to work contracting to the advantage of the federal government. That is what we are supposed to do. We are not supposed to be filling the coffers of the vendors.

The dynamic between the program office and the contracting office was a major consideration to Interviewee #10, but she also referenced other relationships that might affect contracting.

She explained that the Bush Administration's Presidential Management Agenda mandated that they use specific contracts for certain programs. For example, she explained that they were required to contract out Financial Management Systems. She said vendors were able to charge you extra because you had to use their systems. "They loved the PMA," she explained referring to the vendors, "because we were forced to use their services." This pressure also came through OMB in other forms as well. They were pushed to conduct A-76 studies to determine if they could contract out a service. She said, "Each bureau had to fulfill their quota." Often times, her bureau was already contracting out a good deal of services, but they still had to push for more contracting.

In discussing the relationship with Congress she said, "Yes, Congress is trying to steer things." However, she indicated that this was typically through Congressional inquiries or bigger picture items. Although she had experienced earmarks in the past, they were never too specific that she could not find enough flexibility to use it to her advantage. She noted, however, that she was aware of a situation in which a Congressional inquiry that seriously damaged a contracting officer's career. She claimed the officer was trying to do the right thing, but was at odds with his agency. Although the details are not clear, this emphasizes the power that Congressional inquiries have in the contracting process.

The power dynamic was also expressed in the relationship with the vendor. Our discussion turned more toward accountability, and then toward the vendors' relationship with the program office. She said, "I do know people, cases, where a vendor has written a statement of work. You just abandoned your accountability right there. You gave it over to the vendor. You let them steer." She said it is common for managers to become familiar with vendors. "Even as an every day manager you get friendly with contractors, but you need to know where to draw the line and some people cross that line." She said using a specific vendor may also come into play if a high-level appointee came from the private sector. They may have relationships in which they want to take advantage. She said this is rarely malicious. They typically just do not know the rules. Ultimately, she described contracting as a balancing act. You need to make sure you stay within the rules and regulations while still insuring that government - the tax payers - still get a good deal.

Summing up, the overall purpose of this chapter was to provide a more descriptive understanding of contract procurement while providing additional support for the research questions. The personal nature of the interviews suggests details that are inaccessible in the following two chapters of quantitative methods. The themes that emerged through these interviews are intertwined in the next two chapters and integrated into the conclusions of this dissertation.

## CHAPTER 5

### Structural Model

As discussed throughout this dissertation, minimal research has been conducted to examine contracting in the U.S. Federal Government in its entirety. For the most part, the studies that have been conducted focus on specific sectors, such as defense or IT. Moreover, little if any research has offered a comprehensive model to study influences in the government contracting process. The model presented in this chapter fills the gap in this literature. Rather than looking at specific contract transactions, this model provides a broad overview of contracting in the federal government. Developing a macro-level understanding will further research in developing measures at both the macro and micro level of study. Figure 5, below, depicts the Structural Model in context with its variables.

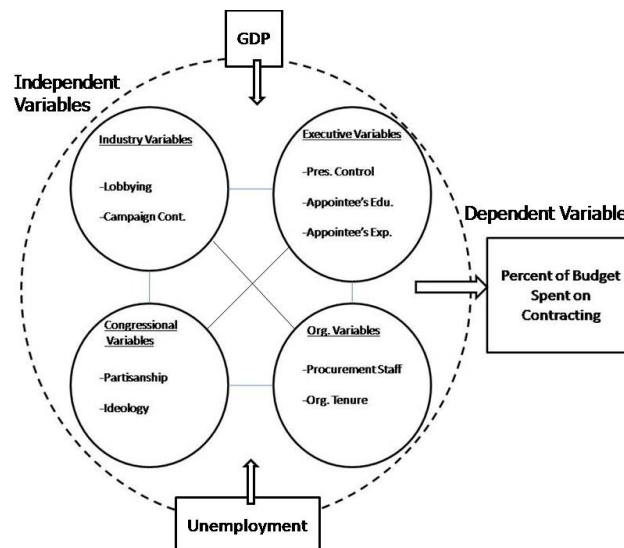


Figure 5: Structural Model

The unit of analysis in this model is a department/ agency within the executive branch; each is assigned a four-digit department ID number within the Federal Procurement Data System (FPDS). (This study uses department, agency, and organization interchangeably throughout the dissertation.) The dissertation examines the entire population of departments catalogued in this system, which ranges from 60 to 70 departments per year. The sample is the population. This study tracks the departments over a 6-year period of 2001–2006, making this a panel data set. The data were collected on an annual basis and each agency was given an identification number to operationalize it in the panel series. The data collection and variables are described in more detail below.

#### *Dependent Variable*

The dependent variable (DV) is the percent of a department's total budget outlays spent on contract procurement. This variable was developed from two sources. The first source is the budget documents for the agency for the specific fiscal year. This data was obtained from the U.S. Government Printing Office, which keeps a database on all U.S. budgets. The budget outlay figure is used to capture department expenditures. The second source was the Federal Procurement Data System, which keeps a database on contracting actions taken by all FAR-required federal agencies and departments. The total dollars contracted by each agency per year was collected from this data source. The composite measure of percent spent on contracting was then developed from these two sources. All dollar figures were adjusted for inflation and are presented in 2007 dollars. The descriptive statistics of this variable will be presented in the next section.

### *Independent Variables*

As discussed throughout this dissertation, one of the major contributions this research makes is to account for the combined influence that both internal and external forces might have on contracting decisions. Furthermore, it provides a bridge between bureaucratic politics research and corporate influence research. Most prominently situated in this study is the influence that private sector actors might have on contracting. To account for such influence, a number of variables were developed and are described below— Industry Lobbying Dollars, Industry Contributions to House of Representative Members and Industry Contributions to U.S. Senate Members.

**Industry Lobbying Dollars** – Lobbying efforts were identified in the corporate influence literature as being a key factor in the relationship between government and private sector actors (Hansen and Mitchell, 2000; Humphries, 1991). These efforts are accounted for by incorporating a lobbying variable in the model. This variable is measured as the total dollar amount spent lobbying a particular agency. The data was gathered from the Lobbying Disclosure Act database run by the U.S. Senate. The database was established based on requirements in the Lobbying Disclosure Act. The search parameters of the database allow the user to specify a time period along with an agency in which to collect data. Therefore, the researcher was able to collect an exact dollar figure spent by registered lobbyists attempting to influence an agency. The variable was operationalized as the total dollar amount spent by industry lobbying an agency during

the fiscal year prior to the fiscal year used in the DV. All dollar figures were adjusted for inflation and are presented in 2007 dollars.

This variable is limited because it does not differentiate between the interests in which lobbying was conducted. Therefore, the dollar figure used contains money spent for interests outside the scope of contracting. Nevertheless, this variable is theoretically important and provides one measure of outside influence on the contracting process.

**Industry Contributions to Members of Congress** –Literature about corporate influence on the contracting process shows strong relationships between government contracts and campaign contributions (Zardkoohi, 1985; Masters and Keim, 1985; Lichtenberg, 1989). Nevertheless, this literature is not from a public administration perspective. Often these authors are focused on how the amount government contracts leads to an increase in PAC disbursements of funding. While this study finds this research theoretically relevant, its applicability to public administration is limited. Therefore, this dissertation seeks to measure and utilize these variables in a manner more applicable to public administration. Rather than using these variables as a dependent variable, this study uses them as independent variables - switching the focus to contract – a bureaucratically implemented action. In total, four variables measure the amount of money donated to members of committees in the House of Representatives and in the U.S. Senate: Contributions to House Democrats, Contributions to House Republicans, Contributions to Senate Democrats, and Contributions to Senate Republicans.

Each congressional committee (both in the House and Senate) has primary jurisdiction over at least one executive branch department. Therefore, each department was matched with the congressional committees which held primary jurisdiction— one in the House and one in the Senate. The variables are operationalized as the total dollar amount contributed by an aggregate industry total to the campaigns of the members of congress that sit on the matched congressional committee in which the DV is measured. The total dollar amount was collected for the preceding election cycle of the fiscal year used in the DV. Furthermore, the contributions were coded by party affiliation.

The aggregate industry total contributions were only recorded from people affiliated with industries, not those affiliated with ideological causes. This included the following sectors: Agribusiness, Communications/Electronics, Construction, Defense, Energy & Natural Resources, Finance Insurance & Real estate, Health, Labor, Lawyers, Lobbyists, Miscellaneous Business, and Transportation. This did not include any ideological or single issues such as gun rights, gun control, human rights, environmental issues or any other issues focused on purely ideological terms. Additionally, contributions made by public sector employee unions were subtracted from the total and utilized as a separate variable. The contributions from each incorporated sector were aggregated and adjusted for inflation presented in 2007 dollars. This data was collected from a database run by the Center for Responsive Politics. The Center's methodological techniques as presented on the database are shown below.

The Center is the only organization that invests in categorizing campaign contributions by industry in a way that includes individuals' contributions, not just

money from political action committees (PACs). Here's the logic behind our methodology, whether it's the oil/gas industry, pharmaceutical industry or any of the more than 100 other industries we track on this site: Since corporations and other organizations are prohibited from making political contributions from their treasuries, you have to look at the contributions from people associated with the institution to gauge its political persuasion and how it might be trying to exert influence in Washington.<sup>1</sup>

Source: The Center for Responsive Politics,

<http://www.opensecrets.org/industries/methodology.php>

### **Public Sector Employee Union Donations to House of Representative Committees –**

Public Sector Employee Unions can be viewed as stakeholders in the government contracting. Public Sector Employee Unions represent public sector employees who are often affected by the government's decision to contract out for goods and services. For example, an A-76 study may be utilized to examine whether a service currently provided by government may be more efficiently provided in the private sector. Kelman (2002) points to some evidence that public sector employee unions try to influence the contracting process. He wrote (2002), "Thus, a significant focus of union efforts becomes political activity in support of the values and interests of public-sector employees. Opposition to outsourcing public employee jobs is an important issue on the agenda of public employee unionism (p.311).

As described above, this variable was collected from the Center for Responsive Politics' section in industry contributions. It was then segregated from the other data and operationalized as a separate variable. Similar to the industry contribution variables,

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<sup>1</sup> The centers full methodology appears in the appendix

these variables are operationalized as the total dollar amount contributed by public sector employee unions to the campaigns of the members of congress that sit on the matched congressional committee in which the DV is measured. The total dollar amount was collected for the preceding election cycle of the fiscal year used in the DV.

Furthermore, the contributions were coded by party affiliation. In total there are four variables operationalized to measure public sector employee union influence:

Contributions to House Democrats, Contributions to House Republicans, Contributions to Senate Democrats and Contributions to Senate republicans. The dollar amounts were adjusted for inflation and presented in 2007 dollars. The full methodology as to how the Center for Responsive Politics codes such data is described in the variable above.

As noted by many scholars, often research about political influence on public administration is void of organizational characteristics (Eisner & Meier, 1990; Meir & O'Toole, 2006; West, 1995). This makes it challenging to determine if an action took place due to political influence or a number of other external or internal influences. To control for organizational influence two variables are incorporated.

**Procurement Staff** – Eisner & Meier, (1990) explore how the influx of economists at the Antitrust Division of the Department of Justice affects agency actions in comparison to political influence. They find that the economists have a greater affect on the agency actions than the political actions. Their research points to the importance of including a measure for employees that might be important in the implementation of a specific agency action.

In this dissertation, contracting employees are identified as the key organizational members that might affect agency actions; therefore a variable is included to account for their affect on the DV. This variable was developed based on two measures: (1) The total number of employees at a department; (2) The total number of employees working in contract procurement. Contract procurement was defined as all employees working in contracting, purchasing, and procurement clerical and technician positions stipulated by the U.S. Office of Personnel Management. The aggregate number of these employees was divided by the total number of agency employees to create a percentage which represented the operationalization of this variable. The variable was operationalized as the percent of employees working in contract procurement. This data was obtained from the U.S. Office of Personnel Management's Fedscope database.

**Organizational Tenure** – The literature also places emphasis on broader organizational characteristics. One of the findings of Meier and O'Toole (2004) was that organizational memory plays a part in the determination to contract out or keep something in house. In other words, the organization may lose the capacity to accomplish a task because it no longer has the employees in place who remember, or have the skill set, to accomplish the task. Furthermore, as described at the beginning of this dissertation, the environment in Washington D.C. created by NPM and privatization might have had an affect on employees that were working during that time period. To account for the time one spends at an organization a variable of organizational tenure is used. This variable was operationalized as the average number of years all employees

had worked at the organization. It was operationalized on an annual basis in accordance with the fiscal year of the DV. The data was obtained from the Fedscope database maintained by the U.S. Office of Personnel Management.

Presidential appointees bridge the gap between presidential policy goals and the organization's mission. Evidence was found that the appointed officials had an affect on various policy initiatives that took place at an organization (Wood, 1998).

Furthermore, the research shows that past experiences of public officials influenced decisions to contract out for goods and services (Brudney et al., 2005). In combining these two strains of literature, two measures have been developed to account for such influence on the contract process.

**Appointee's Previous Work Experience** – Specifically, it is noted in the literature that professional experience plays a role in agency contracting (Brudney et al., 2005).

Therefore, if an agency head has professional experience in the private sector one might be more apt to utilize the private sector in service delivery. To account for a presidential appointee's influence a measurement for previous work experience was developed.

The highest level presidential appointee was identified for each agency. For agencies that utilized boards, the chair of the board was identified. The variable was operationalized as a dummy variable, which served to identify the sector in which the appointee previously held a position. If the appointee's job directly preceding his or her appointment was in the private sector a '1' was given as a dummy variable. If the job

directly preceding his or her appointment was in the public sector, a '0' was given as a dummy variable. This data was collected from the government agency website in which official biographies of presidential appointees were posted. If the data was not available on the websites the researcher directly contacted the agency by e-mail and then by phone to gain this information.

**Appointees Education** – Brudney et al. (2005) write that, “Agency heads with higher education are likely to be more knowledgeable about privatization and better prepared to manage a privatization initiative successfully,” (p.407). It is not clear how this affects contracting, but it is assumed that one’s knowledge base will influence the process to contract for goods and services. Once again, the highest-level presidential appointee was identified for each agency. For agencies that utilized boards the chair of the board was identified. The variable was operationalized as a dummy variable, which served to identify if the appointee held a Master’s in business administration. If the appointee held this degree a '1' was given as a dummy variable. If the appointee did not hold a Master’s in business administration a '0' was given as a dummy variable. This data was collected from the government agency website in which official biographies of presidential appointees were posted. If the data was not available on the websites the researcher directly contacted the agency by e-mail and then by phone to gain this information.

Literature concerning political influence on the bureaucracy has clearly shown

that partisanship and ideology affect decisions made by actors in the bureaucracy (Moe, 1982; Moe, 1985; Wood, 1988). There has been further evidence that suggests partisanship and ideology have a direct affect on contracting (Van Slyke and Hammonds, 2003; Ni and Bretschneider, 2007). Van Slyke and Hammonds (2003) find that influence from Zell Miller – a Democratic Governor had an affect on contracting in Georgia. More directly, research by Ni and Bretschneider (2007) looks specifically at partisan influences on contracting. Although they found conflicting results, their study points research in a new direction. Therefore, to account for ideology and partisanship, five variables are utilized. Two of the variables are similar to those used by Ni and Bretschneider – party partisanship. However, three of the variables use a more specific ideological score, taking the measurement further than previous studies.

**Partisanship Variable** – Partisanship was operationalized for both the House of Representatives and the Senate as the percent of Republicans in the Congress. The variable changed after each election cycle for each of the Houses. The data was collected from both the House of Representatives' website and the Senate's website.

**Ideological Variables** – There are three ideological variables used in this model. Each variable was collected in the same manner. A variable of ideology was included for the House Appropriations Sub-committee and the House and Senate oversight committees. The variables utilize ideological data obtained from the Americans for Democratic Action (ADA), whose scores are typically used in political science research that examines ideological issues. The ADA website explains this score as follows: Since ADA's founding in 1947, the Annual Voting Records have served as the standard

measure of political liberalism. Combining 20 key votes on a wide range of social and economic issues, both domestic and international, the Liberal Quotient (LQ) provides a basic overall picture of an elected official's political position.

More specifically, each year, ADA's Legislative Committee selects 20 votes that it considers the most important during that session—a choice that is then approved by approved by its National Board and/or National Executive Committee. The House and Senate members receive 5 points for voting with ADA, but no points for voting against the ADA position, or being absent. The total possible is 100, and data are available for the timeframes specified in this study. Data was collected for each member of the pertinent committees. The data was then totaled and averaged, giving each committee and ideological score. This was done for each fiscal year of concern in this study.

Discussed throughout the introduction of this dissertation the political environment created by many in favor of privatization and NPM played a large role in the proliferation of government contracts. Furthermore, as advocated by those in favor of privatization, contracting is seen as a more efficient manner to provide government services. As Savas (2000) noted, “[T]he primary goal of any privatization effort is, or should be, to introduce competition and market forces in the delivery of public services” (p. 122). Although it does not make theoretical sense to control for competition in the current model developed, the dissertation does control for outside market forces. Two broad economic indicators - gross domestic product and the unemployment rate – control

the external economic climate that might affect government contracting.

**Gross Domestic Product** – The gross domestic product was collected for each fiscal year of concern in this study. This variable controls for the general state of the economy and the production of all goods and services within the boarder of the United States.

**Unemployment Rate** – The unemployment rate was collected for each fiscal year of concern in this study. This provides a second indicator of the general economic trends in the United States.

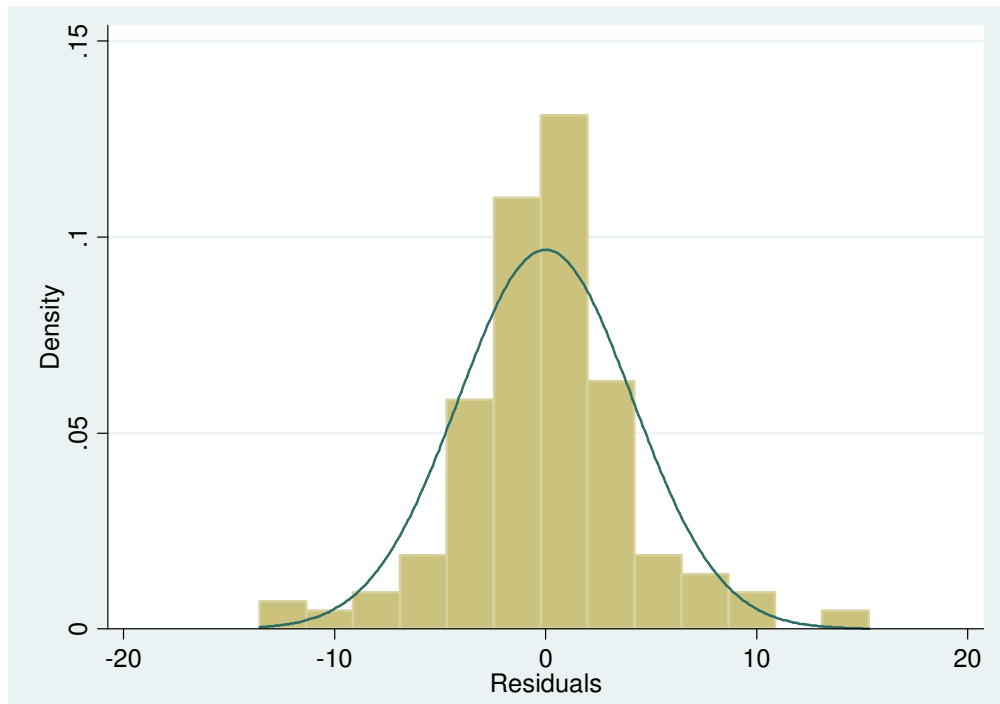
Both data points – the gross domestic product and the unemployment rate – were collected on the national level from the Bureau for Labor Statistics.

### *Regression Analysis*

As described in the methods chapter, regression analysis was utilized to analyze a panel series data set. A number of factors helped to determine the best method of analysis. Primarily, this study is looking to explain the movement in the percent of an agency's budget that it used to contract for goods and services. Regression analysis provides the tools to explore such relationships as long as the data is available. Previous research has demonstrated that various factors have a causal relationship with bureaucratic outcomes. Nevertheless, the literature is void of studies that utilize regression analysis to comprehensively study contracting – that is studies that incorporate a wide range of influences including private sector vendors. Ultimately, this study is looking to test the hypotheses by determining if change in the DV is a function of change in the independent variables. Regression analysis is the most appropriate statistical tool

to make this determination.

The time element in this model, along with key assumptions when dealing with regression analysis, introduces a range of possible challenges that must be addressed. First, the dependent variable in this model suggests that an alternative to a linear regression model might be considered. The dependent variable is the percent of money each department spends on contracting. The variable is operationalized as *the percent of each department's total budget outlays that the department uses for contracting*. The fact that this model uses a dependent variable based on a percentage may challenge the basic assumption in regression analysis that the errors are normally distributed. That is because a variable based on a percentage is inherently censored at 0 and 100. This would suggest that a model designed for a limited dependent variable should be used. To check for such a violation the residuals were graphed in a histogram. If the residuals are normally distributed then the model will meet the assumption of normally distributed errors and a linear regression model can be used. The graph below shows an approximately normal distribution.



*Figure 6: Residuals of the Structural Model*

It is important to ensure that the model does not break other assumptions required for regression analysis, including serial correlation, homoskedasticity, and multicollinearity. These topics are discussed below.

Perfect multicollinearity violates one of the assumptions while dealing with OLS regression analysis which states that an independent variable can not be a perfect linear function of another independent variable. If this assumption is violated it biases the estimates and violates the Gauss Markov theorem. Although perfect multicollinearity is easily corrected, the presence of some multicollinearity may still have a negative affect on the model. The presence of multicollinearity may increase the variance and the

standard error of the model. Furthermore, it may cause the estimated coefficients to change considerably with little change in the independent variables. Although this does not bias the estimates, it makes it more challenging to verify the accuracy of the estimates. As the variance and standard error increases the t-score will decrease. It is important to note that correlation between independent variables is acceptable; they simply cannot be perfectly correlated. Wooldridge (2006) wrote, “Since multicollinearity violates none of our assumptions, the ‘problem’ of multicollinearity is not well defined (p.102).”

Multicollinearity was checked for using two techniques. First, the statistical software utilized automatically drops a variable if it is a perfect linear function of another independent variable. Additionally, a correlation matrix was generated to view the levels of correlation among the independent variables. No variables were correlated higher than a threshold of .8, which was used in this dissertation. Therefore, based upon the theoretical importance of the variables, no variables were dropped.

A third major concern was the presence of serial correlation. Serial correlation may present itself in time series models, therefore in a panel data set one must account for its presence. Serial correlation, or autocorrelation, is present if the errors are correlated across time. These correlations may cause fluctuation in the dependent variable that would typically be attributed to change caused by the independent variables (Studenmund, 2006). Therefore, the assumption that regression analysis provides an unbiased linear estimation with the least amount of variance in comparison to other techniques is violated. Although the estimates are not biased they “increase the variance

of the distribution of the estimates” which means the model will not be as accurate as assumed (Studenmund, 2006, p. 324). Furthermore, serial correlation will bias the standard error. Usually, it will cause underestimation of the standard error which will result in an overestimation of the t-scores. This will cause the hypothesis testing to be unreliable.

To check for serial correlation the study used the Wooldridge Test for serial correlation. This test checked correlation in the errors for 1 year prior. Further tests to ensure that the serial correlation did not exist with years prior to 1 year back were also utilized. The initial Wooldridge Test had a p-value of .048, indicating that we could reject the null of no serial correlation. Therefore, the model suffered from serial correlation. The additional tests did not show further serial correlation; nevertheless adjustments were made to correct for the serial correlation.

The next test was run to test for heteroskedasticity. Heteroskedasticity is present when there is not constant variance of the error term regardless of the different observations. The error is assumed to be constant for every observation. Some observations, however, may naturally have more variance. For example, in this study the organization is the unit of analysis. There might be a greater amount of variance when looking at changes in one organization’s budget verse another organization. A ten percent budget change at the Department of Defense as opposed to the Equal Employment Opportunity Commission is substantially different. Therefore, the variance of the error term may be substantially different. The presence heteroskedasticity biases the standard error and therefore affect the t-score of the

estimation. This will cause unreliable hypothesis testing.

To test for heteroskedasticity, this study ran the standard regression of the independent variables on the dependent variables, controlling for each agency, and then ran the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity. The test had a p-value of .000, indicating that the null hypothesis of homoskedasticity or constant variance could be rejected. Ultimately, to address these issues a fixed effects transformation model with cluster-adjusted robust standard errors was used.

The fixed effects model helps control for any unobserved, constant effects that occur over a given time period. The effects are constant through time and not captured by any of the independent variables. Therefore, they exist in the error term of the model. If there is variation in this effect over the time period then the fixed effect model does not control for the effect. It must be the same unobserved effect over a given time period—in this case 2001–2006. The fixed effects estimation removes this constant effect. The fixed effects model is within estimation, therefore it accounts for the effects within the broad group of the independent variable – in this case the government organization. It does not address serial correlation within each specific group or heteroskedasticity. Therefore, cluster-adjusted robust standard errors were applied to solve these problems.

The cluster-adjusted robust standard errors account for both the problem of heteroskedasticity and serial correlation. The cluster-adjusted standard errors modify the standard errors in a manner which assumes each group's—in this case each agency's—errors will naturally be closer than to other groups. Therefore, the cluster-

adjusted standard errors account for clustering of the errors within the specific groups.

A further adjustment made in this model is known as the heteroskedastic-robust standard error, which corrects for the problem of heteroskedasticity. According to Bertrand, Duflo, and Mullainathan (2004), one can use robust standard errors with cluster-adjusted standard errors and both serial correlation and heteroskedasticity are addressed. The model is then estimated just like any cross-sectional ordinary least squares regression. The formal model is displayed below.

$$\begin{aligned} \text{Percentcontractdollars}_{it} = & \beta_0 + \beta_1 \text{industrylob}_{it} + \beta_2 \text{industconthousedems}_{it} + \beta_3 \text{industconthouseereps}_{it} + \\ & \beta_4 \text{indsutcontsendems}_{it} + \beta_5 \text{induscontsenreps}_{it} + \beta_6 \text{pubconthousedems}_{it} + \beta_7 \text{pubconthouseereps}_{it} + \\ & \beta_8 \text{pubcontsendems}_{it} + \beta_9 \text{pubcontsenreps}_{it} + \beta_{10} \text{orgtenure}_{it} + \beta_{11} \text{procurstaff}_{it} + \\ & \beta_{12} \text{apptwork}_{it} + \beta_{13} \text{apptedui}_{it} + \beta_{14} \text{houseappada}_{it} + \beta_{15} \text{houcomada}_{it} + \beta_{16} \text{sencomada}_{it} \\ & + \beta_{17} \text{unem}_{it} + \beta_{18} \text{gdp}_{it} + \partial_i + u_{it}, t = 1, 2, 3, 4, 5, 6 \end{aligned}$$

### *Descriptive Statistics*

The descriptive statistics below help provide an overview of the sample data. Each variable is described based on its mean, minimum, and maximum value. The dependent variable is described first, followed by the independent variables.

The average percentage of the budget that agencies used on contracting was 13 percent during the time period in which this study was conducted. The minimum percentage of the budget used was just over 0 percent. This was the amount used by the Select Service Commission. The maximum percentage of a budget used on contracting was 87 percent. This was used by the National Aeronautics and Space Administration or NASA in 2006. To give some context, in 2006, NASA's total budget was about \$16

billion. They issued 20 contracts that were worth over \$99 million. Three of those contracts were over \$200 million and one contract was over \$500 million. These contracts alone constitute more than \$3 billion. Moreover, NASA issued about 500 contracts worth over \$4 million. In total, NASA issued over 16,000 contracts in 2006.

Table 2

*Structural Model Dependent Variable*

Variable	Mean	Maximum	Minimum
Percent of budget spent on contracting	13%	87%	.00006%

The variable used to measure industry influence on contracting was how much industry donated to specific Congressional committees. This data is divided based on each House and Senate committee and then by the party affiliation of each member. As shown in the table below, the mean amount that industry donated to Democrats on a House of Representative Committees was \$28,900,000. The maximum amount contributed was \$57,059,142. This was the amount given to the Democratic members on the House Committee on Foreign Affairs during the voting cycle prior to the fiscal year under study. The minimum amount donated was \$2,683,081, which was given to the Committee on House Administration.

Contributions by industry to Republicans on House committees were greater than they were to Democrats. On average the Republican members of committees received \$38,700,000. This was about \$10,000,000 more than the average amount Democrats on committees received. The maximum amount contributed to Republicans on committees was \$76,717,605.91. This was about \$20,000,000 more than the maximum the

Democrats on a committee received. These contributions were made to the Republican members on the House Committee on Transportation and Infrastructure. The minimum amount donated was \$7,288,056.08, which was likewise given to the Committee on House Administration.

There were two similar variables to those in the House of Representatives to track contributions from industry to members of Senate committees. On average, industry donated \$102,000,000 to the Democratic members of Senate committees. This was about \$70,000,000 more than industry donated to the Democratic members on House committees. The minimum amount contributed by industry to Democratic members of a Senate committee was \$31,912,459.13. This was contributed to the Democratic members of the Senate Committee on Health, Education, Labor and Pensions. The maximum amount contributed was \$76,717,605.91. This was contributed to the Democratic members of the Senate Committee on Foreign Relations.

Unlike their counterparts in the House of Representatives, the Republicans on the Senate committees did not receive as much as the Democrats. The average contributions to Senate Republicans on committees were \$76,900,000. This is about \$25,000,000 less than the Democrats on the same committees. The minimum amount contributed to Republican members on a committee was \$32,278,593.96. Similarly, this was contributed to Republican members on the Senate Committee on Health, Education, Labor and Pensions. The maximum amount contributed to Republican members on a Senate committee was \$174,938,171.93. This was given to the members on the Senate Committee on Agriculture, Nutrition and Forestry.

Table 3

*Industry Contribution Variables*

Variable	Mean	Maximum	Minimum
Industry donations to House Committee Democrats	\$28,900,000	\$57,059,142	\$2,683,081
Industry donations to House Committee Republicans	\$38,700,000	\$76,717,605.91	\$ 7,288,056.08
Industry donations to Senate Committee Democrats	\$102,000,000	\$318,166,207.70	\$ 31,912,459.13
Industry donations to Senate Committee Republicans	\$76,900,000	\$174,938,171.93	\$32,278,593.96

An additional variable used to measure industry influence was direct lobbying at a particular department. This figure measures the total amount industry lobbied a particular agency during the fiscal year prior to the year in which the DV is measured. Some of the agencies received no interaction with lobbying efforts. These were typically smaller agencies that industry would have limited stake in their decisions, such as the Merit Systems Protection Board or the Corporation for National and Community Service. Therefore these agencies represent the minimum lobbying dollars spent, which was zero dollars. The mean amount spent by industry lobbying a department is much greater, which was \$132,000,000. The maximum amount spent lobbying a department was \$680,296,768.24. This was spent by industry on the Department of the Treasury.

Table 4

*Lobbying Variable*

Variable	Mean	Maximum	Minimum
Lobbying dollars spent on an agency	\$132,000,000	\$680,296,768.24	\$0

The variable of Public Sector Employee Unions was utilized to measure their efforts to keep government from contracting for goods and services. This variable is similar to the industry contributions, but it specifically measures how much people affiliated with these unions contributed to members of specific oversight committees. Once again it is divided by party affiliation and by membership in the House of Representatives and Senate. The average amount those affiliated with public sector employee unions contributed to Democratic members on House committees was \$1,793,869. The minimum amount contributed to Democratic members on House committees was \$124,034.90. This was contributed to Democratic members on the Committee on House Administration. The maximum amount contributed to Democrats was contributed to members of the House Committee on Transportation and Infrastructure. The Democratic members of this committee received \$3,043,668 in contributions.

The Republicans, as would be expected, received far less from those affiliated with public sector employee unions than the Democrats. The average amount received by Republicans on House committees was \$318,646.90. The minimum amount received was \$74,167.79. This was contributed to Republican members of the House Committee on the Judiciary. The maximum amount contributed was \$792,953.10. This was

likewise given to the Republican members of the House Committee on Transportation and Infrastructure.

In the U.S. Senate a similar picture is portrayed, yet on a smaller scale. The Democratic members of the committees received more than their Republican counterparts on the same committees. The average amount Democratic members of committees received was \$1,427,851, whereas the average amount Republicans received was \$238,784.50. The minimum amount received by Democrats was \$735,673.30 greater than the average of all Republican committees. This was given to the Democratic members on the Senate Judiciary Committee. The minimum amount contributed to Republicans was \$51,827.30, which was given to members of the Senate Committee on Foreign Relations. The maximum amount given to Democrats on a Senate committee was \$1,992,548. This was given to the Democratic members of the Senate Armed Services Committee. The maximum given to Republicans was \$428,791.70. This was given to the members of the Senate Committee on Homeland Security and Governmental Affairs.

Table 5

*Public Sector Employee Union Variables*

Variable	Mean	Maximum	Minimum
Public sector employee union contributions to the Democratic members of committees in the House of Representatives	\$1,793,869	\$3,043,668	\$124,034.90
Public sector employee union contributions to the Republican members of committees in the House of Representatives	\$318,646.90	\$792,953.10	\$74,167.79
Public sector employee union contributions to the Democratic members of committees in the U.S. Senate	\$1,427,851	\$1,992,548	\$735,673.30
Public sector employee union contributions to the Republican members of committees in the U.S. Senate	\$238,784.50	\$428,791.70	\$51,827.30

The percent of employees involved in contracting was an important organizational control. Many smaller agencies or commissions did not specify any employees within these categories. These were agencies such as the Commission on Civil Rights or the Merit Systems Protection Board. However, the average percent of employees working on contracting activities was about 1 percent. The maximum percent of employees working on contracting activities was about 9 percent. This was at the United States Trade and Development Agency.

Table 6

*Organization Employees Working in Contracting Variable*

Variable	Mean	Maximum	Minimum
Percent of employees involved in contracting	1%	9%	0%

A further organizational variable included was the organizational tenure. This variable was measured as the average number of years employees had worked at a specific organization. The average number of years that employees worked at an organization was 15.4 years. The minimum number of years worked was 3.9 years. This organization was the Millennium Challenge Corporation, which is a relatively young organization in comparison with the others in this study. The maximum number of average years employees worked at an organization was 24.1. This was, ironically, at the Railroad Retirement Board.

Table 7

*Organizational Tenure Variable*

Variable	Mean	Maximum	Minimum
Organizational Tenure	15.4 years	24.1 years	3.9 years

To measure political ideology, this model utilized three variables: House Appropriations Committee Ideology, House Committee Ideology, and Senate Committee Ideology. The House Appropriations Committee ideology proved to be the most ideologically conservative in comparison to the other committees. The House Appropriations Committees ideological score was measured for each individual sub-committee to provide a more precise measure. The average ideological score was 39.8 points. The minimum score was 30.7 points, which was given to the members of the House Appropriations Sub-Committee on Defense. The maximum score was 48.5 points, which was given to the House Appropriations Subcommittee on State, Foreign

Operations, and Related Programs. Overall, the House Appropriation's Sub-Committees are ideologically conservative.

The committees in the House of Representatives, while still ideologically conservative, lean more to the center than those members on the Appropriations committee. The average ideological score for the members of the House committees was 44.4. The minimum ideological score was 31.7 points, which was given to the members on the Committee on House Administration. The maximum ideological score was 54.9 points. Leaning slightly more liberal, this score was attributed to the members of the House Committee on Foreign Affairs.

The members of the Senate committees proved to be more liberal than the members of the House. The average ideological score in the Senate was 49.7 points, making the Senate almost perfectly in the center from an ideological perspective. The minimum score was 39 points, which was given to members on the Senate Committee on Agriculture, Nutrition and Forestry. The maximum score was 59.2 points, given to the members on the Senate Committee on Foreign Relations. The members of this committee are significantly more liberal in comparison to their House counterparts and the average score for all committees.

Table 8

*Ideology Variables*

Variable	Mean	Maximum	Minimum
House Appropriations	39.8	48.5	30.7
House committee	44.4	54.9	31.7
Senate committee	49.7	59.2	39

### *Results*

The results are displayed by coefficient and standard error in the table below.

There are six statistically significant variables, which we will be described in detail below. The Structural Model had a sample size of 192 organizations. The R-squared of the model is .42.

Table 9

*Structural Model Results*

Variable	Coefficient	Robust Standard Error
Percent Republicans in the House of Representatives	1.224	1.999
Percent Republicans in the U.S. Senate	.736	.577
Presidential Appointee's work experience	-.503	1.459
Presidential Appointee's education	*15.197	8.512
Organizational tenure	.921	.612
Percent contracting staff	*1.67	.969
House Appropriations Committee ideology	-.103	.168
House Oversight Committee ideology	-.300	.243
Senate Oversight Committee ideology	-.074	.173
Lobbying dollars spent on agency	-	
Public sector employee union contributions to Democrats in the House of Representatives	**-.00002	.0000648
Public sector employee union contributions to Republicans in the House of Representatives	-.00000805	.00000984
Public sector employee union contributions to democratic members of U.S. Senate Committees	*-.0000173	.00000927
Public sector employee union contributions to Republican Members of U.S. Senate Committees	.00000521	.0000147
Industry contributions to Democratic members of House committees	.0000000871	.000000127
Industry contributions to Republican members of House committees	.0000000601	.000000105
Industry contributions to Democratic members of U.S. Senate committees	.0000000261	.0000000166
Industry contributions to Republican members of U.S. Senate committees	*.0000000734	.0000000372
Gross domestic product	-.0029773	.0019482
Unemployment rate	*-1.191982	.5933558
*Significant at the .10 level	R-square .43	n = 192
**Significant at the .05 level		

The organizational variables in this model include the percent of contracting staff and organizational tenure. Both of these variables attempt to measure organizational characteristics that have often been void in previous literature examining political

influence on the bureaucracy. In this model one of the two variables was statistically significant—the percent of contracting staff. The coefficient associated with this variable is 1.67 and the standard error is .98. The t-score is 1.72. This variable is significant at the .10 level. Therefore, we can say with 90 percent confidence that there is a significant relationship between the percent of employees at an organization that work on contracting and the total dollar value awarded in contracts. More specifically, we can say that while holding all other variables constant for every 1 percentage point increase in the number of contracting employees, the percent of an organization's budget spent on contracting will increase by 1.67 percentage points.

This finding is in accordance with the hypothesis. One idea that was expressed throughout the interviews was that future planning should be a key part of contracting. Therefore, it is expected that staffing levels are coordinated with the number of dollars spent on contracting. If one is planning for staff levels at an acquisitions department, it is sensible to base those levels on the number of anticipated contracts.

The influence of presidential appointees is mentioned throughout the bureaucratic politics literature. Therefore, measuring both education and work experience of presidential appointees is relevant for this study. Both are measured as dummy variables and one of them is statistically significant. The presidential appointee's education has a statistically significant relationship with the total percent of their budget an agency spends on contracting. The coefficient is 15.19 and the standard error is 8.51. The t-score is 1.79. We can say there is a significant relationship with a 90 percent confidence level. Specifically, holding all other variables constant, if the presidential

appointee has an MBA degree there is an expected increase of 15.19 percentage points in total contracting dollars spent by an agency.

This result is in accordance with the hypothesis. If a presidential appointee has previous experience—whether that is work or education—in private sector techniques, he or she may be more likely to utilize contracting in the daily operations of the organization. Interviewees mentioned presidential appointees throughout the qualitative research section of this dissertation. Primarily, they were seen as an avenue for conveying the President’s message. This study confirms previous research that appointed officials affect bureaucratic implementation, but it is the first to demonstrate such results in the contracting process.

Public Sector Employee Unions are a constituency that was assumed to be opposed to government contracting. Their primary concern is employees working in the public sector. Therefore, any attempt to privatize government services would run counter to their objectives. There were four variables used to measure Public Sector Employee Unions’ influence on the contracting process: Contributions to Democrats on House Committees, Contributions to Republicans on House Committees, Contributions to Democrats on Senate Committees, and Contributions to Republicans on House Committees. Two of the variables were statistically significant.

The variable for contributions by Public Sector Employee Unions to Democrats on committees in the House of Representatives has a coefficient of  $-.00002$  and a standard error of  $.0000648$ . The t-score is  $-2.39$ . Therefore we can say with 95 percent confidence that there is a significant statistical relationship between contributions

by Public Sector Employee Unions to Democrats on committees in the House of Representatives and the total percent of an agency's budget spent on contracting. Holding all variables constant, for every \$1 increase in contributions by Public Sector Employee Unions to Democrats on committees in the House of Representatives, the percent of an organization's budget spent on contracting will decrease by .00002%.

The descriptive statistics show that the average amount donated by public sector employee unions to Democrats on House committees was \$1,793,869. The maximum amount donated was \$3,043,668. This demonstrates the practical significance of this variable. For every \$1,000,000 contributed by public sector employee unions to Democrats on house committees the percent an agency spends on contracting will decrease by 20 percentage points.

This negative relationship is in accordance with the hypothesis and it demonstrates the influence that these unions have on the public sector. Public sector employee unions have a vested interest in government retaining a public sector workforce. Therefore, displacing work in the private sector would be against this group's interest. This perspective was voiced by several subjects that were interviewed. In reference to an almost covert approach of contracting out one specifically said, "I would imagine the union would have all kinds of things to say about that if they were aware that it happens. But if you are doing a little here or there and you're hiding what you're doing you don't get caught."

This negative relationship was also seen with Public Sector Employee Unions Contributions to Democratic Members of U.S. Senate committees. The variable has a

coefficient of  $-.0000173$  and a standard error of  $.00000927$ . The t-score is  $-1.86$ . The statistical significance can be confirmed at the 90 percent level. Holding all variables constant, for every \$1 increase in contributions by Public Sector Employee Unions to Democrats on committees in the U.S. Senate, the percent of an organization's budget spent on contracting will decrease by  $.0000173$  percentage points. Once again, this negative relationship is in accordance with the hypothesis. Similarly, from a practical standpoint this finding demonstrates how public sector employee unions affect the contracting process. As described in the descriptive statistics the average amount donated Public Sector Employee Unions to Democrats on Senate committees was \$1,427,851 while the maximum amount was \$1,992,548. If contributions were made of \$1,000,000 then the percent of an agency's budget spent on contracting would decrease by 17.3 percentage points.

As described, the variable for Public Sector Employee Unions was divided into four categories—measuring contributions to both Houses of Congress and both political parties. As shown above, only those contributions to Democrats yielded significant results. This is to be expected. Republicans are generally associated with smaller government and ideologically, we assumed, would be more apt to contract government dollars. Although the ideological variables in this model did not yield significant results, the public sector union's variables may indicate the Republican ideological differences.

One of the major contributions of this research is to examine how industry campaign contributions might affect government contracting. One of the variables—

Industry Contributions to Republican Members of U.S. Senate committees—yielded statistically significant results. The coefficient for this variable is .0000000734 and the standard error is .0000000372. The t-score for this variable is 1.98. We can say the results are statistically significance at a 90 percent confidence level. Holding all other variables constant, as Industry Contributions to Republican Members of U.S. Senate Committees increase by \$1, the percent of an organization’s budget spent on contracting increases .0000000734. For example, if industry donated \$100,000,000 then the percent spent on contracting would increase by 7.34%. This variable is in accordance with the hypothesis. Although this figure seems large, in reference to the descriptive statistics, it is quite a plausible example. In fact, the maximum amount donated was \$174,938,171.93. The mean was \$76,900,000. The example provided falls in between these two figures.

Although these findings do not speak to the specificity of individual campaign contributions, they do indicate that the combined influence of industry is significant in the contracting process. To this author’s knowledge, this is the first study to empirically demonstrate this finding. Additionally, there is some support which would indicate why only one of the four industry measures is statistically significant. Two primary reasons lead us to this conclusion. First, as indicated above, neither variable for contributions to the House of Representatives were significant. The House of Representatives is a much more unstable body than the U.S. Senate. With over 400 members and 2-year term limits, the power of the House of Representatives might be seen clearly on a micro-level. As a Director of Acquisitions said, “It is very difficult to sustain change when you have a

House of Representatives that runs for election every 2 years and a Senate every 6 years. You can sustain change with the 6-year term, but when you have a 1 year, really a 1-year term for the House because they're running for reelection."

Second, the donations to Republicans in the Senate were significant, whereas donations to Democrats were not significant. Once again this may fall along ideological lines. It is assumed that Republicans will be more likely to contract for services than their Democratic counterparts. As this model demonstrates on a broad level, this holds true.

The Structural Model was developed to show broad trends in government contracting. Based on the theoretical foundations, the model controlled for a number of factors, including political, economic, organizational, and market influences. As demonstrated above many of the hypothesized relationships existed while many did not show statistical significance. As expected, however, there was a clear relationship between public sector employee unions' activities and contracting. Likewise, a significant statistical relationship between industry contributions and contracting was demonstrated.

The overall fit of the model as demonstrated by the R-squared was .43. This demonstrates that the overall model explains a great deal of why agencies spend certain percentages of their budgets on contracting. Admittedly, it is also clear that it does not show the entire story. This is to be expected in quantitative analysis in social sciences. Clearly, theoretical models do not tell the entire story. Notably, it does demonstrate on a broad level that there are influences from the organization itself, industry, presidential

appointees, and interest groups. Across the board the model shows numerous influences. As far as this author is aware this is one of the first attempts, in public administration, to develop a time-sensitive model that examines campaign contributions and contracting.

This model does have limitations. Primarily, campaign contributions are measured based on an industry measure. Therefore, a general trend is able to be determined, but it is limited in specificity. Differentiation between different sectors in relation to different agencies was not possible. The challenge is that agencies procure all types of goods and services and many of them are not function or mission specific. Therefore, controlling for a specific sector may not make sense. Nevertheless, it would provide insight that is not available in the current model.

Second, the model does not control for industry contributions to the President's campaign. Unlike members of Congress, who are perpetually collecting money and have election cycles every 2 years, the presidential cycle is once every 4 years. This limits our ability to collect time-sensitive data in an appropriate form. Furthermore, the Center for Responsive Politics does not have the most up-to-date data posted for presidential campaigns. Therefore, data collection—even if it was appropriate—in a similar manner as other campaign contributions, was unable to occur.

Last, the model is unable to capture many details that exist in contracting for goods and services. As many of the interviewees explained there are many day to day influences that take place in government procurement. This model did not capture those influences. Our goal is that the limitations in the Structural Model are filled by the

findings of the Transaction Model, along with the interviews.

## CHAPTER 6

### Transaction Model

The second model hinges on the same foundation of the previous model - that numerous influences affect bureaucratic implementation. This model, however, provides a more specific perspective. As shown in the figure below, many of the dependent variables remain, while additional variables were added to increase specificity. Moreover, as described below, a shift in perspective of many of the variables has taken place. This model will analyze this assumption on the micro-level of specific contract transactions, which allows determination of how specific vendors provide an impetus for political influence on the bureaucracy. The unit of analysis is the private sector vendor in the contract transaction.

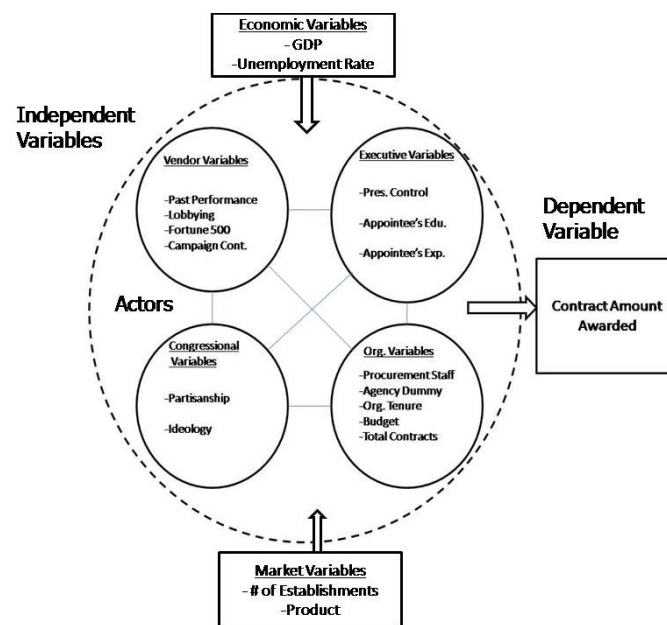


Figure 7: Transaction Model

As previously mentioned, corporations spend large sums of money on campaign contributions in the hopes of influencing the political process. Hence, this dissertation uses the database *USA Spending* to randomly select 200 no-bid contracts per year from the 6-year period 2001–2006. This choice of no-bid contracts is based on the privatization theory; more specifically, the assertion by privatization advocates that contracting out is essential because competition drives down cost, which results in greater efficiency. Hence, selecting no-bid contracts will control for the competition argument. The total population of no-bid contracts is 1,728,485. The dependent variable is *total contract amount in dollars of individual transactions*. The variables are described below starting with the dependent variable.

#### *Dependent Variable*

The dependent variable is the total dollar amount spent on a specific transaction between government and a vendor. This variable was developed from a random sample of contract transactions obtained from the database *USA Spending*. The *USA Spending* database was mandated to be developed in the Federal Funding Accountability and Transparency Act. The database has detailed transaction history for all government contracts dating back to fiscal year 2000. Only transactions by private sector, for profit entities, were included in the study. All dollar amounts were adjusted for inflation and presented in 2007 dollars.

#### *Independent Variables*

This model allows the study to examine contracts on an individual level. To

that end the researcher is able to measure specific vendor characteristics that might affect the contracting process. In total there are eight variables that measure vendor characteristics: Past Performance of the Vendor, Fortune 500, Campaign Contributions to the Vendors Congressional District, Campaign Contributions to the Vendors State Senators, Campaign Contributions to the Vendors Place of Performance, Campaign Contributions to House Oversight Committee, Campaign Contributions to Senate Oversight Committee, Lobbying Dollars.

**Past Performance of Vendor** – Rathgeb-Smith & Smyth (1996) note that often a contract was given based upon the public manager's trust and professional experience with the vendor. This relationship was built up over time during previous professional experiences with vendors. Although their research focuses on the local level of management it remains theoretically relevant at the federal level of government. Unfortunately, data on past performance of vendors is not made available to the public by federal government. Nevertheless, it is important to measure past performance in this study; therefore, a dummy variable was developed. If a vendor had any contract transactions with government during the fiscal year prior to the contract transaction under study the vendor was given a dummy variable of '1'. If the vendor did not have any transactions with government in the fiscal year prior to the contract transaction under study the vendor was given a '0'. This data is available through the USA Spending website. Although this measure does not capture the nuances of past performance it provides an indication whether previous work with the government may affect

government contracting.

**Fortune 500** – Literature examining corporate influence has shown that the size of a firm affects the amount of money a company distributes through their Political Action Committee (Lichtenberg, 1989). Therefore, in determining if campaign contributions affect contracting decisions it is theoretically important to measure the size of a firm. Furthermore, the federal government mandates a minimum number of contracts be given to small businesses. Controlling for the possible effects of this government program is necessary to account for in this model.

Data availability on smaller firms was limited and inconsistent. Both revenue and number of employees could not be attained for all of the firms in the sample. Therefore, rather than jeopardizing the sample size an ordinal measure was developed to account for firm size. The Fortune 500 ranking was used to place each vendor on a scale from 0–5 depending on their ranking on this index. The vendors were given a ‘0’ if they were not on the index; ‘1’ if they were on the index between 400 and 500; ‘2’ if they were between 300 and 399; ‘3’ if they were between 200 and 299; ‘4’ if they were between 100 and 199, and ‘5’ if they were between 1 and 99.

According to the Fortune 500 website the survey includes:

U.S. incorporated companies filing financial statements with a government agency. This includes private companies and cooperatives that file a 10-K and mutual insurance companies that file with state regulators. This also includes companies owned by private companies, domestic or foreign, that do not file financial statements with a government agency. Excluded are private companies not filing with a government agency; companies incorporated outside the U.S.; companies owned or controlled by other U.S. companies that file with a

government agency; and U.S. companies owned or controlled by other companies, domestic or foreign, that file with a government agency. Also excluded are public companies that failed to report full financial statements to the SEC for at least three quarters of the current fiscal year.

The ranking are based upon revenues which according to the website:

Are as reported, including revenues from discontinued operations when published. If a spinoff is on the list, it has not been included in discontinued operations. The revenues for commercial banks and savings institutions are interest and noninterest revenues. Revenues for insurance companies include premium and annuity income, investment income, and capital gains or losses, but exclude deposits. Revenues figures for all companies include consolidated subsidiaries and exclude excise taxes. Data shown are for the fiscal year ended on or before Jan. 31, 2008. Unless otherwise noted, all figures are for the year ended Dec. 31, 2007.

Although the Fortune 500 measure does not capture the revenue of all firms in the sample it provides an estimate that is theoretically relevant and an ordinal scale that provides a proxy for the exact measure.

Throughout the corporate influence literature campaign contributions were found to have a strong association with government contracting (Masters and Keim's, 1985; Zardkoohi, 1985; Lichtenberg, 1989). Most of the research, however, looked at the relationship from a corporate centric perspective. Therefore, their conclusions indicated that an increase in government contracting led to an increase in PAC disbursement of money. This correlation, although directionally different from the current research, demonstrates the theoretical relevance of campaign contributions.

Furthermore, the bureaucratic politics literature finds that key congressional

members may have more power over bureaucratic implementation than a random congress person (Moe, 1985). To that end, five variables have been developed to measure vendor campaign contributions: Campaign Contributions to the Vendor's Congressional District, Campaign Contributions to the Vendor's State Senators Campaign, Contributions to the Vendor's Place of Performance, Campaign Contributions to House Oversight Committee, Campaign Contributions to Senate Oversight Committee. The method and source of data collection was similar for each variable. It is explained at the bottom of this section.

**Campaign Contributions to the Vendor's District House of Representative Member, State Senators, and Senators in the Place of Performance** – As mentioned above key congress people were identified to account for vendor influence. One criteria used to identify key members of congress was geography. There is a rich literature that discusses congressional case work within districts and states (see Gilboy, 1992). This research finds that members of congress influence the bureaucracy through case work. In this current study it is not clear how members of congress influence the process, but measuring influences based upon geographic location are theoretically relevant.

Three variables were based on geographic specific criteria. The vendor's activities took place at most in two locations. First, the vendor's headquarters was identified – as specified in the contract transaction. Second the state in which the goods or services were procured was identified in the contract transaction. Often the place of performance was the same as the state of the vendor's headquarters. Therefore, three variables captured the amount of money anyone affiliated with the vendor donated to the

members of congress in these locations. [These affiliations are described in more detail below] The first variable is the amount of money contributed to the member of the House of Representatives that represents the district within which the vendor's headquarters is located. The second variable is the amount of money contributed to the members of the Senate that represent the state in which the vendor's headquarters is located. The third variable is the amount of money contributed to the members of the Senate that represent the state in which the goods or services were procured. Each transaction provides an address for the vendor involved in that transaction. The dollar amount collected was the total dollars donated by all affiliates of the vendor for the fiscal year prior to the transaction under study. All data was collected from a database run by the organization the Center for Responsive Politics. A full description of the methodology is provided at the end of this section.

**Campaign Contributions to House and Senate Oversight Committees** – As discussed above the theoretical relevance of key members of congress has been identified in both the bureaucratic politics literature along with the corporate influence literature. Moreover, the findings suggest that congressional influence of key congressional committee members may have an influence on bureaucratic implementation. To determine if vendors may use congressional committee members as an avenue of approach this vendors' contributions to members of influential committees was measured. Each Congressional committee (both in the House and Senate) has primary jurisdiction over at least one executive branch department. Therefore, each department

was matched with the congressional committees which held primary jurisdiction— one in the House and one in the Senate.

The specific focus of this model allows the study to account for contributions from a particular vendor to a particular member of Congress. To take advantage of this perspective the model focuses on contributions by vendors to certain members of each committee - the chair and the ranking minority member. Members of congress serve on numerous committees. They wield different amounts of power on different committees. These two members were identified as the most powerful on each committee. This variable is operationalized as the total dollar amount contributed by those affiliated with the vendor to the campaigns of the chair and the ranking minority member of the identified committee. The dollar amount was totaled and adjusted for inflation presented in 2007 dollars.

All data on campaign contributions was collected from the Center for Responsive Politics. The Center is a “nonpartisan, independent and nonprofit” research group. They track money as it is involved with U.S. politics. The Center’s mission is to:

- “Inform citizens about how money in politics affects their lives...
- “Empower voters and activists by providing unbiased information...
- “Advocate for a transparent and responsive government.”

The Center attains all of its data from the Federal Election Commission. They present and categorize the data in a unique mode that allowed this researcher to collect vendor specific data. In their methodology they state:

These contributors were either the sponsors of a PAC that gave to the politician, or they were listed as an individual donor's employer. Donors who give more than \$200 to any federal candidate, PAC or party committee must list their occupation and employer. Based on that information, the donor is given an economic code. These totals are conservative, as not all of the individual contributions have yet been classified by the Center.

In cases where two or more people from the same family contributed, the income-earner's occupation/employer is assigned to all non-wage earning family members. If, for instance, Henry Jones lists his employer as First National Bank, his wife Matilda lists "Homemaker" and 12-year old Tammy shows up as "Student," the Center would identify all their contributions as being related to the "First National Bank" since that's the source of the family's income.

On the Center's web pages which show contributions from organizations to specific candidates they state, "The organizations themselves did not donate, rather the money came from the organization's PAC, its individual members or employees or owners, and those individuals' immediate families. Organization totals include subsidiaries and affiliates."

**Lobbying Dollars** - Lobbying efforts were identified in the corporate influence literature as being a key factor in the relationship between government contracting and private sector campaign contribution activities (Hansen and Mitchell, 2000; Humphries, 1991). Furthermore, the bureaucratic politics literature finds that there political influence arises through special interest groups in Washington D.C. (Balla, 2001). To account for lobbying influence a variable is included to measure lobbying activity for a specific vendor. The specificity of this model along with the data availability allows lobbying to be measured in a vendor specific manner.

Lobbying contributions is measured as the total amount of money (in dollars)

spent by a vendor lobbying a department during the 12 month time period prior to the award of the contract. The data was gathered from the Lobbying Disclosure Act database run by the U.S. Senate. According to the Lobbying Disclosure Act of 1995, all lobbyists must disclose all lobbying activity for the previous 6-month time period and all lobbying firms must disclose all lobbying-related income (rounded to the nearest \$20,000). All organizations that hire lobbyists are also required to report all lobbying-related expenditures (rounded to the nearest \$20,000). The search parameters of the database allow the user to specify a time period, a company, and an agency on which to collect data. Therefore the researcher was able to collect an exact dollar figure spent by registered lobbyists on behalf of a specific vendor, attempting to influence an agency. This variable is operationalized as the total dollar amount spent by the vendor, lobbying an agency during the 12- month period prior to the transaction date of the contract. All dollar figures were adjusted for inflation and are presented in 2007 dollars.

Organizational characteristics play a significant role in bureaucratic outcomes. It has been argued that many studies examining political influence on the bureaucracy minimize, or simply leave out, measurements to account for organizational influence (Eisner & Meier, 1990; Meir & O'Toole, 2006; West, 1995). To account for these characteristics and provide a comprehensive model, this research includes five variables to measure organizational characteristics: Jurisdictional Staff, Agency Dummy, Organizational Tenure, Budget Outlays, and Total number of Contracts.

**Jurisdiction Staff** – Mier and O’Toole (2004) find that the capacity of an organization (based on number of employees) plays a role in contracting decisions. Due to the diffuse nature of the federal government an organization’s total number of employees may not provide a proper measure to account for organizational capacity. For example, if 90 percent of employees are based out of Washington D.C. this will have little effect on the capacity of the agency office in Oklahoma City. Rather, a jurisdictional staffing measure was used to account for the number of employees in a specific location. This variable was operationalized as the number of employees in the state in which the performance of the contracted activities took place. The decreased capacity in specific locations provides a more appropriate measure for contracting in a specific location. This data was obtained from the Fedscope database on federal government employment statistics maintained by the U.S. Office of Personnel Management.

**Agency Dummy Variable** – A great deal of the literature focusing on federal contracting examines the Department of Defense. Primarily, this is the case because the Department of Defense is the largest contracting agency in the government. During the timeframe that this study took place (2001-2006) the Department of Defense spent about 67 percent of all federal dollars used to contract goods and services. It is acknowledged that this is large percentage; nevertheless, one of the major contributions of this research is to provide a comprehensive overview of the federal government. By limiting contracts to the Department of Defense the research would be limited in its conclusions.

Therefore, to control for the difference between the Department of Defense and other departments this study uses a dummy variable. All transactions that took place with the Department of Defense were given a dummy variable of 1 whereas all transactions that took place with other departments were given a dummy variable of 0.

**Organizational Tenure** – One of the findings of Mier and O’Toole (2004) was that organizational memory plays a part in the determination to contract out or keep something in house. In other words, the organization may lose the capacity to accomplish a task because it no longer has the employees in place who remember or have the skill set to accomplish the task. Furthermore, as described at the beginning of this dissertation the environment in Washington D.C. created by NPM and privatization might have had an affect on employees that were working during that time period. To account for the time one spends at an organization a variable of organizational tenure was used. This variable was operationalized as the average number of years all employees had worked. It was operationalized on an annual basis in accordance with the fiscal year of the DV. The data was obtained from the Fedscope database maintained by the U.S. Office of Personnel Management.

**Total Number of Contract** – As mentioned above organizational capacity plays an important role an agencies ability to contract for goods and services. In this model the choice was made to utilize a jurisdictional staffing variable to indicate capacity. Due to methodological issues a jurisdictional staff variable along with other staffing variables

could not be utilized. Nevertheless, as demonstrated in the Structural Model the procurement staffing levels and the percent an agency contracts are correlated.

Therefore, total number of contracts was used as one more indication of organizational capacity. This variable was measured as the total number of contracts an agency issued during the same fiscal year in which the contract in the sample was issued. The data was attained from USA Spending website which is run by the federal government.

**Budget Outlays** – The final measure of organizational capacity was Budget Outlays.

Unlike the Structural Model, budget is not embedded in the dependent variable, therefore the researcher must account for its influence. As mentioned above organizational capacity plays a large role in contracting. Therefore, both number of number of employees and budget should be included. The Budget Outlays measure was operationalized as the total outlays an agency expended during the fiscal year in which the DV is under study. The data was attained from the Federal Government Budget Database run by the Government Printing Office.

Presidential appointees bridge the gap between presidential policy goals and the organization's mission. Evidence was found that the appointed officials had an affect on various policy initiatives that took place at an organization (Wood, 1998). Other research shows that past experiences of public officials influenced decisions to contract out for goods and services (Brudney et al., 2005). There have also been some suggestions in the popular media and from President Obama's administration that people

move in and out of government through the revolving door. President Obama even issued an executive order in which all Presidential Appointees must pledge to a Revolving Door Ban. The statement reads:

All Appointees Entering Government. I will not for a period of 2 years from the date of my appointment participate in any particular matter involving specific parties that is directly and substantially related to my former employer or former clients, including regulations and contracts that there may be a revolving door problem in government.

In combining these strains of literature with the culture in Washington D.C. two measures are used to account for such influence on the contract process.

**Appointee's Previous Work Experience** – As noted above there is concern that previous work experience may influence one's decision to execute their executive responsibilities. Therefore, if an agency head has professional experience in the private sector one might be more apt to utilize the private sector in service delivery or even award a specific vendor a larger contract. To account for a presidential appointee's influence a measurement for previous work experience was developed.

The highest level presidential appointee was identified for each agency. For agencies that utilized boards, the chair of the board was identified. The variable was operationalized as a dummy variable, which served to identify the sector in which the appointee previously held a position. If the appointee's job directly preceding his or her appointment was in the private sector a 1 was given as a dummy variable. If the job directly preceding his or her appointment was in the public sector a 0 was given as a dummy variable. This data was collected from government websites that posted official

biographies of presidential appointees. If the data was not available on the websites an e-mail was sent to the agency to gain this information.

**Appointees Education** – In a similar vein it is assumed that one's knowledge base will influence the process to contract for goods and services. Therefore education was also considered to be an important measure in this model. Once again, the highest-level presidential appointee was identified for each agency. For agencies that utilized boards the chair of the board was identified. The variable was operationalized as a dummy variable, which served to identify if the appointee held a Master's in business administration. If the appointee held this degree a 1 was given as a dummy variable. If the appointee did not hold a Master's in business administration a 0 was given as a dummy variable. This data was collected from government websites that posted official bibliographies of presidential appointees. If the data was not available on the websites an e-mail was sent to the agency to gain this information.

<sup>1</sup>Literature concerning political influence on the bureaucracy has clearly shown that partisanship and ideology affect decisions made by actors in the bureaucracy (Moe, 1982; Moe, 1985; Wood, 1988). There has been further evidence that suggests partisanship and ideology have a direct affect on contracting (Van Slyke and Hammonds, 2003; Ni and Bretschneider, 2007). Van Slyke and Hammonds (2003)

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<sup>1</sup> The following section on partisanship and ideology appeared in the general model description

find that influence from Zell Miller – a Democratic Governor had an affect on contracting in Georgia. More directly, research by Ni and Bretschneider (2007) looks specifically at partisan influences on contracting. Although they found conflicting results their study points research in a new direction. Therefore, to account for ideology and partisanship five variables are utilized. Two of the variables are similar to those used by Ni and Bretschneider – party partisanship. However, three of the variables use a more specific ideological score, taking the measurement further than previous studies.

**Partisanship Variable** – Partisanship was operationalized for both the House of Representatives and the Senate as the percent of Republicans in the Congress. The variable changed after each election cycle for each of the Houses. The data was collected from both the House of Representative’s website and the Senate’s website.

**Ideological Variables** – There are three ideological variables used in this model. Each variable was collected in the same manner. A variable of ideology was included for the House Appropriations Sub-committee and the House and Senate oversight committees. The variables utilize ideological data obtained from the Americans for Democratic Action (ADA), whose scores are typically used in political science research that examines ideological issues. The ADA website explains this score as follows: Since ADA’s founding in 1947, the Annual Voting Records have served as the standard measure of political liberalism. Combining 20 key votes on a wide range of social and economic issues, both domestic and international, the Liberal Quotient (LQ) provides a

basic overall picture of an elected official's political position.

More specifically, each year, ADA's Legislative Committee selects 20 votes that it considers the most important during that session—a choice that is then approved by approved by its National Board and/or National Executive Committee. The House and Senate members receive 5 points for voting with ADA, but no points for voting against the ADA position or being absent. The total possible is 100, and data are available for the timeframes specified in this study. Data was collected for each member of the pertinent committees. The data was then totaled and averaged giving each committee and ideological score. This was done for each fiscal year of concern in this study.

Much of the emphasis on contracting and privatization has been to create competition in the public sector similar to that in the private sector. As Savas (2000) noted, “[T]he primary goal of any privatization effort is, or should be, to introduce competition and market forces in the delivery of public services” (p. 122). In this model both market forces and competition are theoretically important. As markets grow consumer spending grows. The tax base, the main revenue source of the federal government, will also grow. Two broad economic indicators - gross domestic product and the unemployment rate – control for the external economic climate that might affect government contracting. A third market indicator of number of establishments was added to control for the competition in the market place. Fourth, a product specific code was utilized to differentiate between types of products.

**Gross Domestic Product** – The gross domestic product (GDP) was collected for each fiscal year of concern in this study. This provides a broad measure of how well the economy as a whole is functioning.

**Unemployment Rate** – The unemployment rate was collected for each fiscal year of concern in this study. Closely related to GDP, the unemployment rate provides a different measure economic stability.

Both data points – the GDP and the unemployment rate – were collected on the national level from the Bureau for Labor Statistics.

**Number of Establishments** – As Masters and Keim (1985) indicated in an early study of federal government contracting it is important to control for market composition. Market composition may give a better indication of why an award was given to a specific vendor. For example, if a market is only composed of three companies the likelihood of receiving a contract is much higher than if the market was composed of 300 companies. Therefore, a dummy variable was developed to measure *number of establishments* to control for this market influence.

Each vendor in the sample is coded the by the federal government in the North American Industry Classification System (NAICS). The NAICS coding for each vendor were available in the contract description. According to the U.S. Census Bureau NAICS “is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data

related to the U.S. business economy.” The NAICS codes were then utilized in the Bureau of Labor Statistic’s Quarterly Census of Employment and Wages Database which specifies the number of firms (or establishments) that exist within a specific NAICS code. The variable was operationalized as the total number of establishments in the vendor’s NAICS code for the fiscal year in which the contract was awarded.

**Product Code** – A large portion of the contracting literature focus on specific sectors in their analysis. For example Ni and Bretschneider (2007) focused on Information Technology (IT) and Hansen and Mitchell (2000) focused on defense contracts. To some degree, these studies have a built in control for vendor products. Certain vendors specialize in IT and other vendors specialize in defense. The current study, however, is designed to examine the federal government in its entirety. Rather than limiting the study to one sector, it is theoretically important to advance the literature on a government wide scale. Therefore, a dummy variable was developed to control for different types of products government purchases. In total 11 dummy variables were added to the model to control for specific products.

### *Regression Analysis*

This model uses regression analysis to determine the relationship between the dependent variable and the independent variables. The data was collected as pooled cross-section data. Pooled cross section data allows the researcher to increase the

sample size leading to greater statistical power. According Wooldridge (2006) with pooled cross section data “we can get more precise estimators and test statistics with more power,” (p.449). Although this research does not have the benefit of time series data, in which a clear causal relationship can be established, year controls and lagged variables help account for time sensitive issues.

The model incorporates a dummy variable for each year in the regression other than the first year 2001, which will be used as the base year. The dummy variables account for the fact that the population may be distributed differently throughout different time periods. The incorporation of a dummy variable allows the intercept to differ across years.

As discussed above, many of the variables dealing with vendor contributions are lagged 1 year to account for the relationship between contributions and contracting. All private-sector influence variables were collected for the fiscal year prior to the transaction date. The Lobbying Dollars variable was collected for the 12-month time period prior to the transaction date. The model does not include data on presidential party affiliation. This is controlled for due to the fact that only one president was in office during the time period that the data is presented.

The major methodological concerns with this model are that it may suffer from heteroskedasticity and multicollinearity—which means two assumptions of OLS regression would be broken. Discussed at length in the previous chapter perfect multicollinearity means that one independent variable is a perfect linear function of another independent variable. If this assumption is violated it biases the estimates and

violates the Gauss Markov theorem. Perfect multicollinearity is rare, but the presence of any collinearity will still present challenges to the model. It does not bias the estimates, but it makes it challenging to determine which independent variables cause the change in the dependent variable. The presence of multicollinearity may increase the variance and the standard error of the model. Therefore estimates are more likely to suffer from errors.

To check for multicollinearity a correlation matrix was generated to determine if any of the variables were highly correlated. One variable was eliminated —vendor contributions to the Senator in the place of performance. This proved to be highly correlated with the vendor contributions to the Senator in the vendor's state. The correlation statistic was .96. Often, place of performance and the vendor's state is the same; therefore, eliminating this variable does not change the model drastically. The statistical package, STATA, ensured that perfect multicollinearity was not present. The software will automatically drop a variable if it is perfectly collinear.

The second assumption the model must fulfill is homoskedasticity. As described in the Structural Model, heteroskedasticity is present when there is not constant variance of the error term regardless of the different observations. The error is assumed to be constant for every observation. Heteroskedasticity biases the standard error and therefore affect the t-score of the estimation. This will make hypothesis testing unreliable. Furthermore, the presence of heteroskedasticity affects the efficiency of the regression analysis. If it exists in a regression analysis then regression may no longer be the best option for the analysis.

To check for heteroskedasticity the White Test was performed. The p-value from the White Test was .784; therefore, we can not reject the null hypothesis of homoskedasticity. Both of these tests indicate that further adjustments to the model are not necessary and the model can be run as a pooled cross-section regression analysis. The pooled cross-section model is formally displayed below.

$$\begin{aligned} TotalDollarsAwarded = & \beta_0 + \beta_1 pastperf + \beta_2 agency + \beta_3 houseappada + \beta_4 houcomada + \\ & \beta_5 sencomada + \beta_6 orgtenure + \beta_7 apptwork + \beta_8 apptedu + \beta_9 budout + \beta_{10} tocontracts + \\ & \beta_{11} camvendist + \beta_{12} camvensen + \beta_{13} camsenperf + \beta_{14} camhouover + \beta_{15} camsenover + \\ & \beta_{16} lobbyin + \beta_{17} jurisstaff + \beta_{18} fortune500 + \beta_{19} unem + \beta_{20} gdp + \beta_{21} numbestab + \\ & \beta_{22} productcode * + \beta_{23} yr02 + \beta_{24} yr03 + \beta_{25} yr04 + \beta_{26} yr05 + \beta_{27} yr06 \end{aligned}$$

#### *Data Description*

The descriptive statistics provide a general understanding of the sample on which the analysis was conducted. Below, data is provided on each variable including the mean, the minimum, and the maximum value. The dependent variable is displayed first.

The dependent variable Contract Amount is described below in Table 10. The largest contract awarded in this sample was for \$45,132,816.69. This contract was awarded to the ITT Corporation in 2001. It is not clear the exact product or service that was procured; however, it is stipulated that the product or service procured was categorized in the North American Industry Classification System (NAICS) as 334511: Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing. It was procured by the Department of Defense. The smallest contract procured was for \$1.13. This contract was awarded to the Motorola

Corporation in 2003. The NAICS code was 334290: Other Communications Equipment Manufacturing. It was procured by the Department of Homeland Security. This indicates that there is a large range in government contracting. In this sample it is over \$45 million.

Table 10

*Transaction Model Dependent Variable*

Variable	Mean	Maximum	Minimum
Contract Amount	\$349,226.80	\$45,132,816.69	\$1.13

The political ideology variable—ADA score—was used for each of the committees in the House of Representatives and the Senate. It was also used for the subcommittees of the House Appropriations Committee. The ideology rankings range from 0 to 100, with 0 being the most conservative and 100 being the most liberal. The maximum score for a House Appropriations sub-committee was 48.46. This was for the Sub-Committee on State, Foreign Operations, and Related Programs in 2003. This indicates that although the committee is close to the center on ideological issues it is leaning somewhat conservative. The Department of State is the primary department under this committee's jurisdiction. The minimum score for a House Appropriations Sub-Committee was 30.71. This score was given to the Sub-Committee on Defense in 2002. This indicates that the Sub-Committee on Defense has a conservative ideology. The range of these scores is about 18 points and the mean score is 37.22 indicating that the House Appropriation Sub-Committees are conservative in their ideological

persuasion.

The House Committees' ideological scores have a larger range than those of the Appropriation's sub-committees, which is about 21 points on the ideological scale. The maximum score was 54.89 points for the House Committee on Foreign Affairs in 2003, which has primary jurisdiction over the Department of State. The ideological score for this committee indicates that it is leaning toward a more liberal ideology. The minimum score for the House Committees' ideological scores was 33.37 points for the House Committee on Agriculture in 2006, which has primary jurisdiction over the Department of Agriculture. This indicates that the Committee on Agriculture is conservative in its ideological persuasion. The mean for the House committees' ideological scores is 42.53 points indicating that ideologically on average the committees are conservative.

The Senate Committees' ideological scores tend to be more liberal than the House of Representatives. The maximum ideological score is 59.21 for the Senate Committee on Foreign Relations in 2001, which has primary jurisdiction over the Department of State. This score indicates that the members of this committee are ideologically more liberal than they are conservative. The minimum ideological score for the Senate Committees was 39.04 for the Committee on Agriculture, Nutrition, and Forestry in 2003. This committee has primary jurisdiction over the Department of Agriculture. The ideological score indicates that this committee is ideological conservative. The range between committees' ideological score is 20 points and the mean score is 48.23. The mean score indicates that on average the Senate Committees are leaning conservative but are close to the ideological center.

Table 11

*Ideological Variables*

Variable	Mean	Maximum	Minimum
House Appropriations	37.22	48.46	30.71
House Committee	42.53423	54.89	33.37
Senate Committee	48.23	59.21	39.04

The organizational variables include organizational tenure, budget outlays, and the jurisdictional staff, total number of contracts and an agency dummy. Organizational tenure was calculated as the average number of years the employees of a specific organization were employed by that agency. This data was collected from the *Fedscope* database run by the U.S. Office of Personnel Management. The maximum average number of years worked was 19.1 years at the Social Security Administration. The minimum average number of years worked was 8.1 at the Department of Homeland Security.

Budget Outlays was another variable that was controlled for in this model. Unlike the previous model, budget outlays are not captured in the dependent variable; therefore, it is necessary to capture this information. The maximum budget in this study was \$632 billion, which was appropriated to the Department of Health and Human Services. The minimum budget in this study was \$11.7 million, which was appropriated to the National Mediation Board. The budget does not necessarily imply the staffing

levels in specific jurisdictions; therefore, a control for jurisdictional-level staffing was included.

The Jurisdiction Staff variable is the number of employees working in the place of vendor performance indicated in the contract award. The maximum number of staff working in a specific jurisdiction was a little over 80,000 people. This was for the number of employees working for the Department of Defense in the state of Virginia. The minimum number of employees in a jurisdiction was zero. This happened for multiple cases. For example, some of the larger independent agencies such as NASA do not have employees in a number of states. The Department of State is an example of a cabinet-level department that does not have employees in all 50 states.

The total number of contracts was measured as the total number of contracts an agency awarded during the fiscal year in which the DV was under study. The average amount of contracts awarded in this sample is 1,006,044 contracts. The minimum amount awarded is 144 contracts by the U.S. International Trade Commission. The maximum amount awarded is by the Department of Defense. They issued 3,436,084 contracts.

Table 12

<i>Organizational Variables</i>			
Variable	Mean	Maximum	Minimum
Organizational tenure	16.2	19.1	8.1
Budget outlays	294,000,000,000	632,000,000,000	11,700,000
Jurisdictional staff	17608	80,605	0
Total Number of Contracts	1,006,044	3,436,084	144

A large portion of government contracts are often done through the Department of Defense. To control for the distinction between the Department of Defense and other departments a dummy variable was included. The proportion, as displayed below, is 55 percent were Department of Defense contracts whereas 45 percent were with other agencies. The total populations of contract transactions during the time period under study 67 percent were defense contracts.

Table 13

<i>Agency Variable</i>		
Variable	Defense Contracts	Non-Defense Contracts
Agency	55%	45%

The variables utilized to measure presidential appointees were focused around their education and their previous work experience. Previous work experience was operationalized as a dummy variable. The appointees were given a 1 if their job directly preceding their appointed position was in the private sector; 36 percent of the appointed officials in this study worked in the private sector directly preceding their appointed positions. Education was also coded as a dummy variable. The appointee was given a 1 if he or she held a Master's in business administration. Only 11 percent had an MBA. Both of these measures indicate that a majority of the appointed officials had some experience in the public sector and did not have an education based on the theories of business management. Controlling for each appointee's life experience would be

impossible; therefore, these two measures should help measure influences arising from experience in the business world.

Table 14

*Presidential Appointees Work Experience Variable*

Variable	Worked in the Private Sector	Did not work in the Private sector
Presidential appointee's previous work experience	36%	64%

Table 15

*Presidential Appointees Education Variable*

Variable	Has MBA	Does not have MBA
Presidential appointee's education	11%	89%

There were also a number of characteristics pertaining to the vendor that were operationalized, in addition to how much they contributed to political campaigns. It has been stated in the literature that many contracting relationships are based on trust from previous endeavors with the vendor. To measure past performance a dummy variable was included that gave each vendor a 1 if they worked with the federal government over the previous fiscal year. Over 80 percent of vendors worked with government during the previous fiscal year. This indicates that a high number of vendors are repeat vendors with government.

Table 16

Vendor Past Performance		
Variable	Previously Worked with Government	Did not previously Work with Government
Vendor past performance	84%	16%

To measure vendor capacity the Fortune 500 ranking was utilized. The Fortune 500 ranking uses revenues to rank companies. Each vendor in the study was given a number on a scale of 0–5 in accordance with their ranking. Zero indicated they were not on the ranking; 5 indicated that they were among the top 99 firms.

Table 17

<i>Fortune 500 Variable</i>						
Variable	Not on Fortune 500	Ranking Between 401-500	Ranking Between 301-400	Ranking Between 201-300	Ranking Between 101-200	Ranking Between 1-100
Ranking on Fortune 500	73%	< 1%	3%	2%	7%	14%

One of the major contributions of this dissertation is the addition of variables to control for campaign contributions donated by the vendor to specific people in the U.S. Congress. The member of the House of Representatives representing the vendor's district was one of the people specified. This variable accounted for the amount of money—in dollars—the vendor contributed to the representative during the election cycle prior to the year in which the contract was in which the contract took place. On average \$1,364.61 were contributed by the vendor to the representative in the vendor's district. The maximum amount donated to a specific representative was \$30,459.19. This was

donated to Representative William Clay of the Missouri 1<sup>st</sup> district by the McDonnell Douglas Corporation—a subsidiary of the Boeing Company.

The Senators from the vendor's state were also included in this model. The average amount contributed by a vendor to the senators in the vendor's state was \$3,146.55. The maximum amount donated to senators was given by the United Technologies Corporation whose products range from Otis elevators to Sikorsky helicopters. They gave a total of \$115,614.70 adjusted for inflation to the senators from the state of Connecticut. Senator Joseph Lieberman received more than 80 percent of the contributions while Senator Christopher Dodd received the remaining money.

To control for oversight of agencies a variable of contribution to campaigns of members of the House and Senate oversight committee was included. Rather than looking at all members of each committee, the two most powerful members on each committee—the chair person and the ranking minority member on the committee were used. The average amount donated to these two members on the House committees was \$2,316.11. The maximum amount donated to members on the House oversight committees was \$25,270.60 to the chairman and ranking member on the House Committee on Armed Services. This contribution was given by the Lockheed Martin Corporation to Representative Floyd D. Spence of South Carolina—the Chairman—and to Representative Ike Skelton of Missouri—the Ranking Democrat. The contributions were split relatively evenly with about \$1,000 more going to Ike Skelton.

This was also examined for Senate oversight committees. The average amount donated to Senate oversight committees was \$1,290.70. The maximum amount donated

was \$37,355.37. This amount was donated by General Dynamic Corporation, a defense contractor that manufactures aerospace equipment, marine systems, combat systems, and information systems and technology. This vendor contributed this money to Senator Carl Levin, who was the Chairman of the Senate Armed Services Committee and to John Warner who was the ranking Republican member on the Committee. Senator Carl Levin received over 70 percent of the contributions.

The last variable to examine vendor's spending and how it might affect contracting was lobbying dollars. This variable identified how much money the vendor spent lobbying the agency, which procured services, during the 12-month time period prior to the contract transaction. The average amount vendors spent on lobbying was \$1,278,948. The maximum amount spent lobbying agencies was done by the General Electric Company. The General Electric Company manufactures products ranging from jet engines to dish washers and provides services ranging from financial to water processing. During a 12-month time period preceding a 2006 contract transaction they spent \$54,900,000.

Table 18

*Vendor Contributions to Campaigns Variable*

Variable	Mean	Maximum	Minimum
Contributions to vendor's District Representative	\$1364.61	\$30,459.19	\$0
Contributions to vendor's State Senator	\$3146.55	\$115614.70	\$0
Contributions to House Oversight Committee	\$2316.11	\$25270.60	\$0
Contributions to Senate Oversight Committee	\$1290.70	\$37,355.37	\$0
Lobbying dollars spent on contracting agency	\$1,278,948	\$54,900,000	\$0

*Results*

The results are displayed by coefficient, beta, and standard error in the table below. There are five statistically significant variables in the model, which has an Adjusted R-squared of .05. The sample size is 698 cases. Overall, many of the secondary variables—those not associated with the primary research question—proved insignificant, but three of the variables concerning the primary research question were significant.<sup>1</sup>

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<sup>1</sup> Table 19 does not show coefficients for year dummy variables and product dummy variables. A more extensive table is shown in the appendix.

Table 19

*Transaction Model Results*

Variable	Coefficient	Beta	Standard Error
Percent Republicans in the House of Representatives	-82753.21	-.0335718	381036.2
Percent Republicans in the U.S. Senate	64237.55	.0588807	421954
Presidential appointee's work experience	-389642.7	-.0781382	441777.3
Presidential appointee's education	268323.9	.016364	694141.1
Vendor's past performance	195276.4	.0287723	267470
Agency	666164.8	.1332055	585469.8
House Appropriations Committee ideology	-4462.588	-.007835	48112
House Oversight Committee ideology	33712.09	.0374984	61712.43
Senate Oversight Committee ideology	-33942.35	-.0594377	81472.8
Organizational tenure	20232.66	.0125862	97603.25
Budget outlays	-.0000000426	-.0034198	.000000972
Total contracts	-.0607723	-.0329849	.184607
Vendor campaign contributions to the House of Representative member in the vendor's district	***130.3124	.2164677	26.91577
Vendor campaign contributions to the U.S. Senators in the vendor's state	-12.63239	-.0631871	8.762373
Vendor campaign contributions to members of House Oversight Committee	15.43253	.0396283	21.57329
Vendor campaign contributions to members of the Senate Oversight Committee	** 64.5011	.144339	20.62887
Lobbying dollars spent by vendor on agency	*.0445206	.0862641	.0245812
Staff in jurisdiction of place of performance	-3.715942	-.0340432	4.783212
Fortune 500	**-.223115.9	-.1922024	69838.11
Unemployment rate	-303712.9	-.0709004	288878.1
GDP	-205.6421	-.0967904	917.2859
Number of Establishments	**-.2.19167	-.1017364	1.087835
*Significant at the .10 level    **Significant at the .05 level    ***Significant at the .001 level			
R-square .05            n = 698			

Examining how and if vendors influence government contracting was a major contribution that this research offered. Overall, three variables that measure this influence were significant in this model. This not only points to influence that comes from vendors and approaches through politicians, but it speaks to larger issues of accountability.

The variable Vendor Campaign Contributions to the House of Representative Member in the Vendor's District is statistically significant. The variable has a coefficient of 130.31, a beta coefficient of .22, and a standard error of 26.92. The t-score for this variable is 4.89 with a p-value of .000. Therefore, with 99 percent confidence we can say that this variable has a statistical significant relationship with the dependent variable. Specifically, we can say holding all other variables constant that for every dollar a vendor contributes the campaign of the House of Representative member in the vendor's district, on average, the vendor's contract amount will increase by \$130.31 or .22 standard deviations. This is in accordance with the hypothesized relationship.

Practically, these findings suggest major influence on behalf of vendors from members of congress. The findings are quite plausible in comparison to the descriptive statistics. The average contract in this sample was over \$300,000. The average contribution to House members in a vendor's district was a little over \$1000. With a \$1000 contribution this would give the vendor a contract of about \$130,000.

Furthermore, this influence was confirmed in the conducted interviews. Vendors'

communication with the members of congress in their district was something that was mentioned numerous times throughout the conducted interviews. In one interview the subject said it is common for vendors to write their representatives looking for support. Obviously, the interviewee had no idea if campaign contributions had been made. Therefore, based on the theory and the information garnered through interviews this is not an unexpected relationship. Nevertheless, it presents empirical proof of a relationship that raises many ethical questions. Furthermore, this author is unaware of other studies that show such a relationship.

Contributions also proved to be a significant factor in looking at Vendor Campaign Contributions to members of the Senate Oversight Committee. This variable has a coefficient of 64.50, a beta coefficient of .14, and a standard error of 20.63. The t-score for this variable is 3.13 and the p-value was .002. With 95 percent confidence we can say holding all other variables constant that for every dollar a vendor contributes the campaign of the chair and ranking minority member of a Senate oversight committee on average the vendor's contract will increase by \$64.50 or .14 standard deviations.

This is in accordance with the hypothesized relationship and similar to contributions in the House it presents a plausible relationship while considered in reference to the descriptive statistics. The average amount contributed by vendors to Senators on oversight committees was about \$1,200 which would increase the vendor's contract by about \$76,000. These findings indicate that targeting specific Senators with campaign contributions pay off in the form government contracts.

This relationship, as discussed above has a firm basis in theory and was

mentioned throughout the conducted interviews. One interviewee stated “[whoever] the Senator was that put that in there knew that the company in California in his district was going to get this work. It’s just that simple.” The relationship between Senators and vendors was noted numerous times. In this author’s knowledge this is the first study to empirically demonstrate this statistical relationship.

A different avenue of vendor influence was tested to examine lobbying activities. Lobbying is a direct mechanism in which vendors can bypass congress and try to directly influence and agency. Lobbying efforts by vendors on the specific agency with which they contracted also showed statistically significant results. This variable had a coefficient of .04, a beta coefficient of .09, and a standard error of .03. The t-score for this variable was 1.81 with a p-value of .071. We can say with 90 percent confidence that a vendor’s lobbying efforts at an agency has a statistically significant relationship with the size of the contract they receive. More specifically, we can say holding all other variables constant that for every one dollar more a vendor spends on lobbying an agency on average they receive .04 cents more or .09 standard deviations more per contract. This is in accordance with the hypothesized relationship.

Although vendors return for lobbying activities (based on per dollar per contract) is less than that received for campaign contributions there are no limits on what a vendor can spend on lobbying. The average amount spent lobbying by the vendors in the sample was a little more than \$1,000,000. The average amount this would increase their contract if they spend \$1,000,000 is \$40,000. The maximum amount spend by a vendor was about \$50,000,000. Lobbying activity of this magnitude would increase the

vendor's contract by \$2,000,000. Both of these figures are plausible, in comparison to the descriptive statistics and seem relatively small in comparison to the population of government contracts. The average contract in 2008 was for a little over \$100,000.

Theory indicates that lobbying should have an influence on government actions. However, this lobbying was not clearly mentioned throughout the interviews. Rather, the Interviewees mentioned the relationship vendors had with government more so than buying lobbying influence. Nevertheless, industry influence was clearly something discussed in the interviews. Typically, the subjects mentioned frequent contact representatives from industry had with their offices.

This model provided further controls for market activity. The theory establishes that competition and market forces are one of the main purposes to contract government services. Two variables – Number of Establishments and Fortune 500 – were significant while controlling for market forces.

The number of establishments was measured as the total number of companies in a vendor's NAICS code. Although the contracts in the sample were no bid, or sole source contracts, each vendor still faces competition from other companies in their market. The coefficient for this variable was  $-.1017364$  and the beta was  $-.1017364$ . The standard error was 1.08. The t-score was -2.01 and the p-value was .044. Therefore, we can say with 95% confidence that for an increase in the number of establishments in a vendors NAICS market their contract will decrease by about 10 percent. This variable is to be expected and in accordance with market theory that competition drives down cost. In the case of federal contracting this is a plausible

argument. For example, if one were to examine defense contracts there might be less than five vendors that could provide a particular good or service. As discussed in the literature of this dissertation, a limited number of vendors which can produce a good that is not readily available in the market place will drive up cost.

The final variable of significance was that of Fortune 500. This variable was a scale variable that measured a company's position on the Fortune 500. The coefficient was  $-219512.2$  and the beta was  $-.19$ . The standard error was  $65417.22$ . The t-score was  $-3.36$  and the p-value was  $.001$ . Therefore with 99 percent confidence we can say the smaller the vendor, as measured by its Fortune 500 ranking, the larger the contract it will receive.

Although this seems counterintuitive it is in alignment with the government's goal of contracting with at least 23 percent small businesses. Furthermore, most interviewees suggested that determining if they could contract with a small business was one of the first thoughts they considered. As one of the subjects said, regardless if the contract is small or large the first thing he decides is whether or not a small business can be awarded. He went on to say, "competition and small business goals are our highest priority." He stated they always exceed the goals set by the SBA. This provides grounding for the findings in this research.

This model had five significant variables. It had an adjusted r-squared of  $.05$ . Three of the four variables that were significant each focused on the primary research question. Furthermore, two of the variables were significant at a 95 percent confidence level. This model presents the first attempt (that this author is aware of) to examine

campaign contributions and federal contracting from a public administration perspective. Although the model cannot draw direct causality—because it is not a true time series analysis—the method of specification helps to advance such a relationship. Each variable that was associated with contributions or lobbying was collected for the year prior to the transaction in question. Therefore, it appears that the contributions one makes in one year have significant effects on contracting in the following year.

Clearly, there are limitations to this model. First, it does not control for many vendor-specific attributes. Primarily, this is the case due to limited data availability. The two variables that one might consider relevant are company size based on employees and revenue. Government contracts with a number of small businesses. As mentioned above this is a clear goal for acquisition departments. Therefore, getting such data for all small businesses proved to be a limiting factor. Data is available for large businesses and all publicly traded corporations. Although some data is available for small businesses it is limited and inconsistent.

Second, the model does not control for industry contributions to the President's campaign. Unlike members of Congress who are perpetually collecting money and have election cycles every 2 years, the presidential cycle is once every four years. This limits our ability to collect time-sensitive data in an appropriate form. Furthermore, the Center for Responsive Politics does not have the most up-to-date data posted for presidential campaigns. Therefore we were unable to collect data—even if it was appropriate—in a similar manner as other campaign contributions.

Last, the model uses pooled cross section data. Although this gave the

researcher the ability to increase the sample size and include some time sensitive variables it is not as strong at predicting causality as a time series model. Furthermore, even with the pooled cross section data, the sample size was only about 700 cases. Mostly, this was due to dropping a number of cases because they did not fit the researcher's criteria of private sector vendor to be in the sample. Future, research may look to increase the sample size in a panel model.

These limitations considered the model still provides a positive step forward for contracting research. It provides a comprehensive framework to examine government contracting. It is inclusive of organizational, private sector, executive and political measures. Taken together, this perspective sheds light on influences in the contracting process.

## CHAPTER 7

### Conclusions

Overall, this dissertation confirms that contracting is susceptible to influence from many stakeholders. The influences stem from the legislative and executive branches, along with influence from government vendors. The quantitative models, along with the qualitative research, have all confirmed such findings. The quantitative models indicate the directions from which the influence is appearing and the interviews suggest the avenues from which the influence approaches.

The findings present a troubling reality. Together these models paint a picture of a field that is subverted by the very actors that are so intimately involved—Congress and government vendors. Research in public administration must address this challenge to help alleviate the burden placed upon public administrators. The complementary aspects of these models provide initial steps towards moving research forward.

### *Complementary Models*

The two quantitative models represent two different perspectives on government contracting. The Structural Model shows a general overview of government contracting, whereas the Transaction Model provides a micro-level perspective. The results from these models indicate a distinct difference in the manner that government contracting is studied.

The broad view of the Structural Model allows us to see big picture influences on

government contracting. As a matter of fact, each of the broad influence categories—organizational culture, executive influence, political influence, and market forces—all had significant variables. However, as noted in the results, this was not the case for the Transaction Model. The dynamics of the different models allows for this difference. These differences are explore below.

Three variables from the first model highlight this difference: percent procurement staff, public sector employee unions' contributions, and presidential appointees' education. These variables represent broad-level efforts to affect contracting. The percent procurement staff was one variable used to help demonstrate organizational culture. Organizational culture may not affect an individual contract, but it does help shape how the organization, in its entirety, does business. Multiple interviewees confirmed this line of thought. One interviewee said, "[J]ust look at the budget allocations." That will be a good indication of where the organization's priorities will be focused. Cases in which more funding was geared toward procurement staff more contracting was the result. Others also mentioned the lack of experience of organization employees as hindering the contracting process. Additionally, one interviewee mentioned that procurement staff was highly professional and extremely well trained. This would indicate that if more money was put toward hiring procurement staff they might be able to handle a greater number of contracts, mitigating the interference from their untrained colleagues.

Public sector employee unions also proved to be significant in the Structural Model. Public sector unions have a vested interest in government employees.

Therefore, they regularly lobby against government contracting. On a micro-level it does not make sense to examine such a variable, but it does provide insight into the practice of government contracting for services. Numerous interviewees mentioned that public sector unions were an influence in the contracting arena. One expressed skepticism toward their influence in the Obama Administration. He was worried that the unions would have a “larger voice”; therefore, contracting would decrease. A different interviewee suggested that unions were unaware of the services that were currently being procured. He suggested his agency purposefully contracts in a deceptive manner, which suggests a similar theory to the one confirmed in the results. Mainly, public sector unions *do* try to influence government to reduce contracting; judging by the results they are successful.

The third variable that speaks to the differences between the perspectives of these models is the Presidential Appointee’s education. The variable Presidential Appointee’s education is in both models, yet it is only significant in the first model. Once again, this seems to be the case because of the appointee’s role in an organization. The appointee is involved in broad policy goals rather than day-to-day operations. Multiple interviewees confirmed this perspective. One indicated that any political influence was worked out at higher levels between appointees and Congress. He said the legislative branch and the political appointees “iron out” those political decisions. Another interviewee explained that broad policy agendas flow through political appointees, but they do not affect the job on a day-to-day basis. This is in line with the results. On a general level the appointees’ influence is present, but it is not significant on a micro-

level.

One additional set of variables also highlights the differences between these models. Both models included variables to account for industry contributions to Congress. The variables were measured differently, and they present two different findings. In the Structural Model, the industry contributions variable is only significant when looked at for contributions to the Senate; whereas, the Transaction Model has significant variables for both the House and Senate. This difference highlights how the perspective of each model corresponds with the difference between the two Houses of Congress. On a broad level, trying to gain influence through the House of Representatives may not make sense. As indicated by an interviewee, the House of Representatives changes so frequently that the members are hard to work with. The Senate on the other hand is much more stable. Therefore, it makes sense on average that industry would gain more by working with the stable body that has a broader perspective. This underscores why the Transaction Model might look different. Contributions to members of the House of Representatives in the vendor's district were significant. The House, with a greater number of members, is often seen as being closer to their constituents than the Senate. Therefore, it is not surprising that vendors get more for their money in working with their House Representative.

The contribution of these two models shows a complementary view of government procurement. They provide the field with a broad scope of contracting and a precise view of the transaction. The direct implications that this dissertation has on the field of contracting are many. They can be learned from both the interviews with

government employees and the regression analysis of the data. Combined they provide insight on the challenges and opportunities that exist through the use of contracting.

### *Politics and Administration*

In the introduction of this dissertation, Guy Peters was quoted as saying, “[A]lthough scholars may discount the dichotomy between politics and administration in the abstract, when they confront the realities of how actors perceive their roles, they must accept at least the psychological reality of the separation.” In the abstract, this study, like others before it, demonstrates that the separation between politics and administration is blurred. Furthermore, in practice it is not clear that this statement rings true for those interviewed in this study. All but one interviewee expressed an awareness of the political murkiness involved in government contracting. Moreover, each expressed a confidence in mitigating political behavior. Although few suggested it affected their day-to-day behavior, there was no denying that it was a significant piece of the puzzle. As an example, many discussed downsizing efforts that took place in the 1990s.

As discussed in the beginning of this dissertation much of this effort was made by both the Reagan and Clinton Administrations. This was confirmed throughout many of the interviews. Additionally, the interviewees claimed that policy-driven efforts did affect them on a day-to-day level. As their agencies were pushed to downsize they were no longer able to hire full-time employees; therefore, in order to reach their mission they had to hire contractors. This led to an influx of contracted employees and as one interviewee suggested, private sector vendors became “wedged” into government. Another interviewee said it became increasingly challenging to keep the “arm’s length”

between government and contractor. Moreover, interviewees confirmed that the effort to downsize was attached to an effort to use business-like practices.

During the interviews two examples of business-like practices in the 1990s emerged. First, government employees were encouraged to streamline processes. This created an atmosphere that encouraged employees to interpret regulations loosely. Second, it created an environment in which business partners were often looked to as a source of advice on government processes. One interviewee said, “In the late 90s we tried to go so much like commercial that we lost something as to the arm’s length with our suppliers.” He went on to say, “Commercial industry convinced us to change the way we did business.” Often the interviewee explained that he or she wanted government to streamline processes. Ultimately, the private sector spends less money to contract with government due to lower of compliance costs. Government, on the other hand, is not able to hold vendors to high levels of accountability.

The second business-like practice that occurred in the 1990s was the mechanism to fund the GSA—industrial funding. As discussed in the interviews, this broke down a wall between government and industry. It placed an emphasis on GSA to promote the products from vendors and market within government.

Although the quantitative models cannot speak to such an emphasis on downsizing government, they do demonstrate that industry attempts to influence government contracting. Vendors influence through making campaign contributions to key Congressional members, who in turn voice their support for certain processes of implementation. As government continues to be downsized, the number of vendors

performing government services increases. This may lead to the number of vendors gaining representation through Congress.

The political ambiguity that divides the three branches of the federal government finds its way into government contracting. The result obliges public administrators to navigate this environment, which is often in divergence with their technical responsibilities. For example, technically a public servant should look for competition in contracting, but it may be politically expedient to award a sole source contract. This study develops a framework for mitigating political influence which may have direct implications for the field.

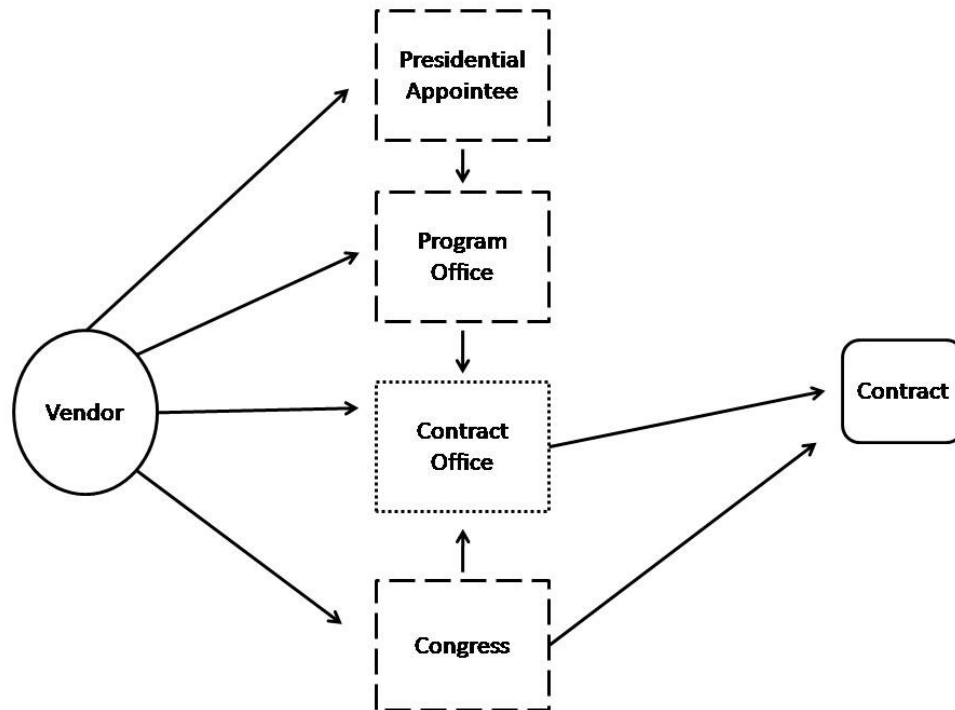
### *Implications for the Field*

Time and time again, interviewees discussed the relationship between the contracting office and the program office. This relationship was often portrayed as a work in progress more so than a cohesive collaborative relationship. Often contracting officers depicted program officers as lacking contracting knowledge, while those from program offices noted the rigidity of the contracting offices. Ultimately, it became clear that the combined efforts of both of these offices determine the outcomes in contracting for goods and services. If contracting officers are too rigid they risk hamstringing the program office, making it challenging for program officers to work toward the organization's mission. As one interviewee repeatedly said to me, "First and foremost, contracting is an overhead. We are not a mission." Nevertheless, if contracting officers are too flexible they risk losing a great deal of accountability. This balance that

must be struck by the two offices seems to be the most important relationship that can emerge in government contracting.

A number of interviewees stressed this relationship. They were trying to promote a collaborative relationship. Often, they were met with a resistant organizational culture that was not willing to shift to a new way of doing business. Nevertheless, from the interviewee's perspective, this shift was essential to ensure both efficiency and accountability. From an efficiency standpoint, the earlier the collaboration with both offices began the easier it would be to implement the contract. From an accountability standpoint, the strength of the relationship between the program office and the contracting office would ensure open lines of communication and increase accountability. The findings in this dissertation stress the importance of this relationship.

The results from this research indicate that a number of influences affect contract procurement—of primary concern is the influences of the vendor or industry. How do they exert influence in the process? What is learned through this study is that vendors enter through numerous avenues. As depicted in Figure 8 vendors can gain access through at least four entry points.



*Figure 8: Vendor Access to Influence*

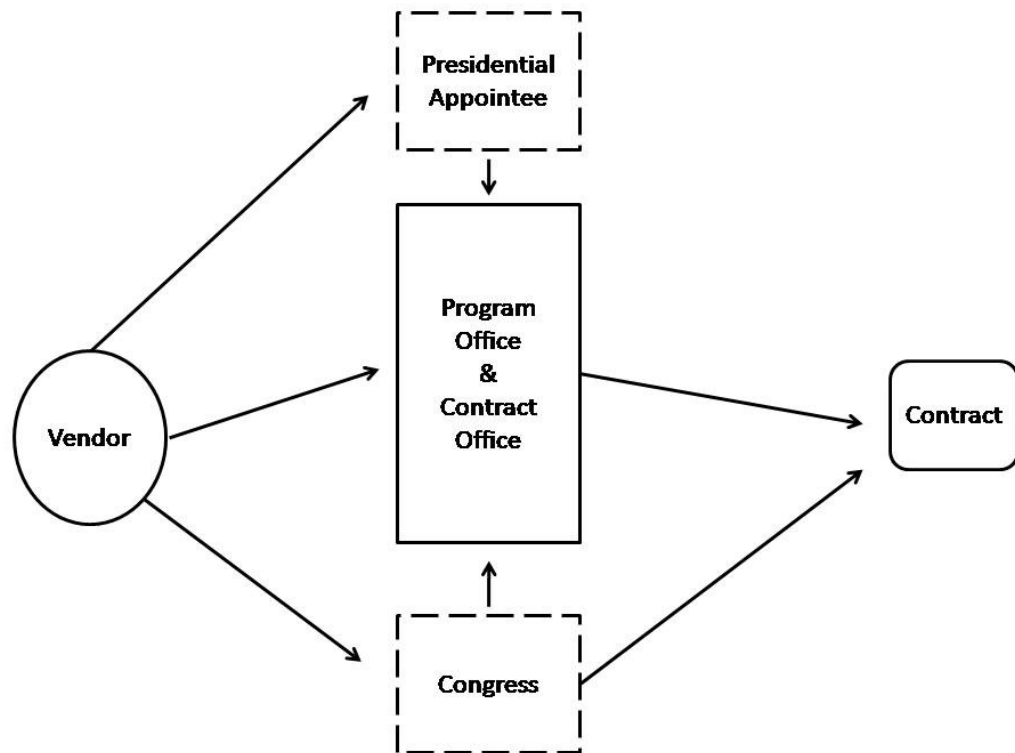
First, the vendor, through their relationships and lobbying efforts, can enter directly through the bureaucracy. There are three points of entry: the presidential appointee, the program office, and the contract office. As depicted by the dashed and dotted lines, the contract office is harder to penetrate than the other two offices. Each interviewee made reference to the contract offices' strict interpretation of the regulations and numerous interviewees referred to the contracting officer as the "gatekeeper." Therefore, the contracting officer is less vulnerable than others in the bureaucracy. It is learned that the presidential appointee has influence on contracting from the results of the quantitative models. If they have a business-based education they might be more apt to contract with trusted partners. This influence was confirmed through the interviews.

One interviewee suggested that if a presidential appointee came from the private sector they may want to work with their previous place of employment or with industry contacts by awarding them a contract. This is a typical expectation in a business-like relationship. Therefore, this is one avenue of approach. As mentioned above, the program office often tries to manipulate the contracting process. Typically, this would be to sole source the contract to an incumbent vendor with whom they are familiar. Hence, the program office is an avenue of approach. The contracting office stands in between every contract that is issued.

The fourth point of entry for a vendor is directly through Congress. Congress, if they choose to intervene, has two paths of intervention. They can either go through the contracting office with informal communication or Congressional inquiries, or they can mandate specific spending. The quantitative models suggest that Congress influences contracts on behalf of vendors that contribute to their campaigns. The qualitative research suggests that this influence often circumvents the contracting office, but one interviewee did suggest the power in which Congress has to intimidate. Nonetheless, this leads one to believe that they are going around the bureaucracy and mandating direct spending. Although the line in the figure above shows a direct line from Congress to the contract, Congress most often would go through a budget office to get this done. This was confirmed by multiple interviewees. This type of influence will be discussed in the next section, but first a method to decrease influence through the contracting office is discussed.

As shown below in Figure 9, it is suggested that the contracting office and

program office collaborate to a greater degree. This alleviates influences from the vendor through multiple avenues. First, it decreases the lines of influence on the bureaucracy from the vendor from three to two. The collaborative relationship established between the contracting office and the program office establishes a unified effort. Therefore, the distinction between offices is not obvious to the vendor.



*Figure 9: Vendor's Limited Access to Influence*

Second, it decreases the permeability of the program office and the contracting office. As mentioned throughout the interviews, the program office lost accountability because of their lack of knowledge more so than an attempt to corrupt the process. The interviewees suggested that the program officers were unaware of the possible vendors;

hence, they often wanted to sole source. Moreover, the contract officers were not adept on the technical side of the agency missions. This made them vulnerable to the vendor. If they were not certain what they were buying then their accountability decreased. As one interviewee said to me, “If you have people who don’t know what they want, what they’re buying you are going to lose track of accountability...” By increasing the amount of collaboration between the program office and the contracting office accountability is increased and vendor influence is decreased.

Although this was mentioned throughout the interviews little progress seemed to be occurring. A typical situation would require a program officer to be the contract officer’s eyes and ears during the implementation of a contract. The program officer is designated as the contract officer’s representative. The program officer is responsible for monitoring the contract, along with his or her other responsibilities, such as program responsibilities. A true collaborative effort would designate one full-time employee in the program office per a certain number of contracts. They would be trained in both the technical mission of the program along with the business skills of the contracting office. This method prescribes a solution that is in accordance with the findings. Although it would do little to prevent those from attempting to influence the bureaucracy, it may strengthen the bureaucracy so that it can mitigate those influences in a more cohesive manner.

Taking this one step further, program officers might attempt to incorporate the vendor in the collaborative arrangement. As one interviewee said about vendors, “We are in this together. We are a partnership in whatever we are providing.” Another

said, “Realistically we rely on the private sector.” The interviewees acknowledged this relationship; yet, the quantitative data suggests that there are mechanisms of influence that occur outside of the contracting process. Therefore, if contracting officers and program officers collaborate with vendors to a greater degree the need for alternative mechanisms of influence may decrease. The government spent over \$450 billion on contracting in 2008. The government’s relationship with the private sector is obvious, but the methods of influence are ambiguous. By incorporating vendors into the process, the mechanisms of influence may become a bit more transparent.

#### *Accountability*

As mentioned above, Congress has multiple techniques of intervening on behalf of vendors. The quantitative model does not provide information on these techniques. It simply confirms that such influence is present. The interviewees however, were able to elaborate on such methods. As previously discussed, Congress can go through the channels associated with the contract office or it may circumvent the contract office. It was not clear the extent to which Congress can circumvent the contract office. Some claimed that Congress can come extremely close to determining a vendor, whereas others suggested there were roadblocks that could be enacted. Nevertheless, the point remains that Congress attempts to influence the process.

This study does not conclude that there is anything illegal, immoral, or unethical that takes place in government contracting. It was not designed to research such questions. The primary research question was *Do private companies affect government contracting decisions through various avenues of influence?* To which it can be

concluded - yes. Paradoxically, the legislative branch has designed contract procurement legislation to ensure the greatest amount of competition; yet, this research suggests that they subvert those goals to promote the will of their paying constituency.

Revisiting a point made by Kelman (2000) that, “In the U.S. Federal Government today, corruption, the central historic political question involving the politics of contracting, has basically disappeared from the agenda...” (p. 116) seems vastly overstated. The premise of such a notion is similar to an argument made by Robert Behn (2001) that, “At the beginning of the twenty-first century, however, American government is plagued less by the problem of corruption than by the problem of performance” (p. 23). Dismissing corruption from the practice of public administration is an unsettling objective. Although this study does not conclude that corruption exists, it sheds light on certain avenues that might be reexamined. Kelman and Behn both promote a more results-oriented accountability framework. The findings in this dissertation do not suggest dismissing a results oriented accountability framework, but the findings do suggest that accountability structures must continue consider corrupt practices in their frameworks. Rejecting such concerns do a disservice to public administrators that are faced with these challenges—whether they are corruption or simply political influence.

#### *Future Research*

This research presents a necessary step forward in understanding government’s relationship in a contracting situation. Not only do public administrators have to implement contracts in the midst of organizational forces, but they must also mitigate

influences from outside of the bureaucracy. As demonstrated, these influences come from both the legislative branch and the vendors themselves. In the popular media this seems like a common occurrence; yet, in the academic literature little empirical work has proved this influence.

As suggested by many scholars (Eisner & Meier, 1990; Meir & O'Toole, 2006; West, 1995), much of the literature looking at political influence does little to control for bureaucratic characteristics. The models used in this research control for such characteristics along with political, economic, and market forces.

As the use of contracts proliferates and the theories of governance networks expand, one must question: With whom should government partner? Although this research is focused on contracting, it presents an opportunity to examine partnered relationships with a new understanding. In partnering with the private sector, public administrators must be mindful that practices of democratic accountability, which they so proudly espouse, are not necessarily the practices of their partner.

Second, the practice of administration ultimately suffers because researchers continue to emphasize managerial solutions without considering political realities. Yet without such consideration, prescribed solutions—which must be applicable to the experiences of public administrators—are irrelevant. Hence, to advance the field of public administration in practice and theory, research must examine phenomena in the world in which it exists, not in the abstract world in which one thinks it should exist. This study attempts to present such a phenomena within the social and political context in which it exists.

Two areas of research grow directly out of this study. First, as it was proven that political influence exists in government contracting, the research community must gain a better understanding of how the influence manifests. More in-depth qualitative research is necessary to understand this phenomenon. This dissertation points us toward possible avenues of approach, but a more comprehensive understanding of those avenues must be developed. Most likely, the study will need to examine both public and private actors involved in contracting. Models will have to be designed that can incorporate all contracting actions, not just sole source contracts. Gaining a better understanding will help us develop frameworks for accountability.

Second, it is important to study how to mitigate influence from political and private sources. The suggestion above is to strengthen the relationship between program office and contract office. It is assumed that the strength of this relationship might mitigate influence. Such a study to examine the merits of this assumption can be conducted and should prove helpful to the field.

Overall, this dissertation presents public administration with compelling results that indicate corporate and political influences exist in government contracting. The purpose of contracting, as espoused by its supporters, is to save government money. If patronage-type relationships continue to exist they challenge the efficiency and accountability of government. Furthermore, they challenge the very basis of a representative democratic society – mainly that political representatives represent the people for whom which they are elected to serve not those who can afford to be served. As gatekeepers, public administrators hold the key to either allow the system to be

undermined by political patronage or to uphold the values of democracy.

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**APPENDICES**

Appendix A.....Methodology for Industry Contributions

Appendix B .....Full Transaction Model Results

Appendix C .....List of Product Codes

## APPENDIX A

These profiles show the results of more than two decades of research by the Center for Responsive Politics on the funding of federal elections. While these are the most accurate numbers currently available, we constantly refine the data and will update the figures as often as possible. Totals for the current election cycle are typically updated every three to four weeks. Data from earlier years is updated as time and resources allow.

All numbers attributed to a particular industry can be assumed to be conservative. Tens of millions of dollars of contributions in each election cycle are not classified by industry at all — either because the original data is incomplete or too vague to categorize, or because of limitations on the Center's ability to fully research the millions of individual contributions given over the years.

The Center is the only organization that invests in categorizing campaign contributions by industry in a way that includes individuals' contributions, not just money from political action committees (PACs). Here's the logic behind our methodology, whether it's the oil/gas industry, pharmaceutical industry or any of the more than 100 other industries we track on this site: Since corporations and other organizations are prohibited from making political contributions from their treasuries, you have to look at the contributions from people associated with the institution to gauge its political persuasion and how it might be trying to exert influence in Washington.

We know that not every contribution is made with the donor's economic or professional interests in mind, nor do we assert that every donor considers their employer's interests when they make a contribution. (You'll notice language to this effect sprinkled throughout the site — often in bold, red lettering — since we're frequently asked about our rationale.) Lacking information from the contributors and candidates on the motivations behind each donation, we go with the information that's required to be disclosed to the Federal Election Commission: name, address, employer/occupation, amount contributed and date received. Our research over more than 20 years shows enough of a correlation between individuals' contributions and their employers' political interests that we feel comfortable with our methodology. We have also observed that the donors we know about, and especially those who contribute at the maximum levels, are more commonly top executives in their companies, not lower-level employees.

Of course, in our industry totals we also include contributions from an industry's political action committees, which is also raised from individuals but gets directed to candidates by the corporation, trade association, union or other entity that controls the PAC. While PAC money is easy to classify by industry, individual contributions to candidates and parties are far more difficult to classify — both because of the huge number of contributions, and because the data is based on

employer/occupation data that is often incomplete. In most election cycles, approximately 70% of the contributions there have been categorized, based on the occupation/employer reported by the donor. Generally speaking, the Center's coding is more complete in more recent election cycles than in the earlier years.

No information is available for individual contributions of less than \$200. Those contributions are not itemized by candidates, but rather reported in bulk. No soft money data is available for the 1989-90 election cycle. Such contributions were not required to be disclosed until 1991. Soft money was outlawed beginning with the 2004 election cycle

Source: The Center for Responsive Politics,

<http://www.opensecrets.org/industries/methodology.php>

## APPENDIX B

## Transaction Model Results

Variable	Coefficient	Beta	Standard Error
Year 2002	Dropped		
Year 2003	Dropped		
Year 2004	267805.2	.0352845	1128204
Year 2005	Dropped		
Year 2006	Dropped		
Product 1	137993.2	.0282446	1364205
Product 2	-32057.68	-.0034118	1396264
Product 3	243302.6	.0217164	1421080
Product 4	297531.6	.0066885	2170759
Product 5	901880.2	.1485312	1385086
Product 6	856530.7	.0332541	1670533
Product 7	-41834.44	-.0027887	1461950
Product 8	Dropped		
Product 9	-49836.81		1665733
Product 10	-125223.6	-.0073833	1502940
Product 11	-270066.7	-.011317	1624501
Percent Republicans in the House of Representatives	-82753.21	-.0335718	381036.2
Percent Republicans in the U.S. Senate	64237.55	.0588807	421954
Presidential appointee's work experience	-389642.7	-.0781382	441777.3
Presidential appointee's education	268323.9	.016364	694141.1
Vendor's past performance	195276.4	.0287723	267470
Agency	666164.8	.1332055	585469.8
House Appropriations	-4462.588	-.007835	48112
Committee ideology			
House Oversight	33712.09	.0374984	61712.43
Committee ideology			
Senate Oversight	-33942.35	-.0594377	81472.8
Committee ideology			
Organizational tenure	20232.66	.0125862	97603.25
Budget outlays	-.0000000426	-.0034198	.000000972
Total contracts	-.0607723	-.0329849	.184607
Vendor campaign contributions to the House of Representative member in the vendor's district	***130.3124	.2164677	26.91577
Vendor campaign contributions to the U.S. Senators in the vendor's state	-12.63239	-.0631871	8.762373

Vendor campaign contributions to members of House Oversight Committee	15.43253	.0396283	21.57329
Vendor campaign contributions to members of the Senate Oversight Committee	** 64.5011	.144339	20.62887
Lobbying dollars spent by vendor on agency	*.0445206	.0862641	.0245812
Staff in jurisdiction of place of performance	-3.715942	-.0340432	4.783212
Fortune 500	** -223115.9	-.1922024	69838.11
Unemployment rate	-303712.9	-.0709004	288878.1
GDP	-205.6421	-.0967904	917.2859
Number of Establishments	** -2.19167	-.1017364	1.087835
*Significant at the .10 level    **Significant at the .05 level    ***Significant at the .001 level			
R-square .05            n = 698			

## APPENDIX C

## Transaction Model Product Codes with Corresponding NAICS Codes

Product Code	NAICS Code
1	311 Food Manufacturing, 334 Computer and Electronic Product Manufacturing, 339 Miscellaneous Manufacturing, 322 Paper Manufacturing, 337 Furniture and Related Product Manufacturing, 315 Apparel Manufacturing, 316 Leather and Allied Product Manufacturing, 321 Wood Product Manufacturing, 323 Printing and Related Support Activities, 324 Petroleum and Coal Product Manufacturing, 325 Chemical Manufacturing, 326 Plastics and rubber Products Manufacturing, 331 Primary metal Manufacturing, 332 Fabricated Metal Product Manufacturing, 333 Machinery Manufacturing, 334 Computer and Electronic Product Manufacturing, 335 Electrical Equipment, Appliance, and Component Manufacturing, 336 Transportation Equipment Manufacturing
2	811 Repair and Maintenance Services
3	Education and Health Services
4	Crop Production
5	Professional and Business Services
6	Operation of Government owned Facilities
7	22 Utilities
8	Leisure and Hospitality
9	Transportation
10	Financial Activities
11	Construction

## VITA

- 1979 Born, July 22 in Long Island, New York
- 1997 Graduated from Pascack Valley High School, Hillsdale, New Jersey
- 1997-2001 Attended the State University of New York at Albany
- 2001 B.A., State University of New York at Albany
- 2001-2002 English Teacher, Multimedia English Academy Ubrique, Spain
- 2002-2003 Language Arts Teacher, Baltimore city Public School System,  
Baltimore, MD
- 2003-2006 Behavior Interventionist, Howard Center for Human Resources,  
Burlington, VT
- 2004-2006 Attended University of Vermont, Major – Public Administration
- 2006 Masters of Public Administration, University of Vermont
- 2006-2009 Attended Rutgers-Newark, School of Public Affairs and Administration
- 2009 Ph.D. Public Administration, Rutgers-Newark