

“Outsourcing Your Guard Service”

A Strategy for Success !



Worldwide Consultants & Engineers in Physical Security, Fire Protection & Life Safety

"OUTSOURCING YOUR GUARD SERVICES: A Strategy for Success"

It is a debate likely as old as the security guard industry itself: "Contract" manned guarding service vs. "In-House" employees. Many facilities with a history of contract guarding open their account for new bids on an annual or periodic basis, sometimes due to cost issues, but most often due to dissatisfaction with the quality of service received. A change of contractors often means that all of the guards on duty at midnight of the contract expiration date then change uniforms and continue as before, but on someone else's payroll. In a short time, most clients question why the quality of service did not improve. It might as well be a rhetorical question.

As in any "service" industry, it can be said that "*Companies do not provide service – people do*". The quality of service one receives from any company is only as good as the people on the front line that actually deliver that service to the customer. Like most generalizations, this one may be *mostly* true, but not *completely* true. There are differences in the business approach employed by various contract guard service companies, and these differences may be important to the quality of service a client receives.

Ultimately, it will be the client's actions and practices – particularly during the solicitation and tender process – that will, more than anything else, determine the success of outsourced guard service contracting. Some of the key strategies for achieving this success are briefly described herein.

GET YOUR SECURITY PROGRAM TUNED AND IN ORDER FIRST

Every security program has the basic, but ultimate, objective of reducing the risk of certain losses posed by potential threats. Client's want this accomplished in the most cost-efficient manner reasonably possible. Significant long-term cost savings may result from taking a fresh look at the Security Master Plan in advance of soliciting new proposals for contract guard services.

One point of focus for this overall security review will be to assure that the deployment of security guards is optimized. Guards are just one aspect of "Operational Security" which itself, is just one of the 3 *essential* elements for effective security, along with "Technological Security" and "Architectural Security". It would not be uncommon for a good security review to find that some guard functions could be better performed by technology, or that fewer guards utilizing technology can effectively accomplish the same - or a better - level of security. Long-term cost savings are likely in either case. Additionally, having a *comprehensive* set of security policies, standards and procedures that is up to date will serve as part of the foundation of successful guard contractor performance.

DEVISE YOUR OPERATIONAL SECURITY STRUCTURE

The strategy employed in structuring your security organization is a key to successful guard contracting. Conceptually, a structure using a "hybrid" of both contract guards and some in-house personnel will serve as the foundation for your ongoing quality assurance efforts, and this should be applied in all but the very smallest of security operations. First, there should be an experienced and competent in-house person in a security management position, and this person should be the primary interface between the client and the contract guard service.

In larger 24/7 security operations where numerous guards will be on duty at any given time, the structure should also include that at least one in-house person that is present at all times. Of lesser necessity but worth consideration, is the establishment of certain security positions or "posts" that will be manned exclusively by in-house personnel, primarily due to the notoriously high turn-over in contract personnel. Console operators in a Security Operations Center are likely candidates if this practice is desirable.

To correspond with these in-house representatives, the client should mandate that the contractor provide a senior person to serve full-time on site as the primary *operational* representative of the guard firm, with authority over all contract guard personnel assigned to the account or facility. It is not uncommon for contractors to also provide an "account executive" or similar person, usually based in their local office, but this person should be considered as an *administrative* representative.

Additionally, in larger 24/7 operations, the client should mandate that the contractor provide a senior supervisory person on duty on each shift. This person would be the direct interface with the client's in-house person that is responsible for each shift respectively.

EMPLOY THE "3 PARTY CONCEPT"

This strategy contains a tactic so little known that it could be dubbed a "secret", but first things first. Consider retaining the services of a professional security consulting firm (the first party) that will take you from the initial security review all the way through the solicitation and contracting process. In short, this will give you a fresh view of your security program without the bias of familiarity with "*the way it's always been done here*". Being independent of any particular product or service provider allows the consultant to work from the client's point of view and with the client's best interests in mind. *Never....never....never* utilize a guard service contractor for expert security advice! This is not to imply that they may not have qualified people for this, and they will certainly claim competency and offer it (sometimes even for "*free*"), but there is an inherent conflict-of-interest that must be avoided. They are in the business of providing guards and the more billable man-hours in the contract, the more revenue they obtain. This is an incentive that can not be objectively denied.

The second of the 3 parties in the concept is the security guard contracting firm.

The third party will likely be something of a surprise, and this is the "secret". Some clients have good justification for maximizing their outsourcing, to the extent that they may not wish to employ even the handful of in-house personnel that would comprise the manager and shift supervisors described earlier. In this case, there can be a third party and this would be a "Security Management Services Contractor". In essence, this is *another* contract service provider, without any connections to the one providing the guards. From this vendor, the client contracts only for the "site manager" or "facility manager" and for the shift supervisors, with the primary purpose of continuous quality assurance. This "3 Party Concept" creates a reasonably effective system of checks and balances and can be an effective technique for quality assurance, if the supporting mechanisms are properly developed and utilized. Both contractors report directly to the client. The "management" firm is primarily for monitoring and quality assurance and should not dictate security policy without prior client approval.

THE SPECIFICATIONS AND CONTRACT

The importance of the written specifications and the contract for services can not at all be overemphasized. Consider the "contract" to be primarily comprised of the legal terms and conditions, and the "specifications" to contain the core requirements of the services to be provided. The specifications form an attachment or appendix to the contract document and together, this constitutes the agreement and understanding between the 2 parties.

Successful guard service contracting is a matter of pure "chance", unless the specifications are comprehensive in every detail. It may seem counter-intuitive, but an effective specification will mandate elements that might normally be thought of as exclusively the "employer's" (the guard

company's") business. There are very few items within this strategy that a client does NOT want to dictate in the specifications. In many ways, a client should approach some portions of the specifications from a mental perspective similar to that when creating an in-house position. For example, one would typically subscribe to the concept that better pay and benefits would tend to attract and retain a higher caliber of individual. Remember, regardless of the nature of the facility, all employers are competing for the best guards from the same local labor pool. The same concept also applies to establishing pre-employment qualifications. All of these types of issues should first be determined *by the client*, and then dictated to the contractor through the specifications.

Undeniably, the guard company's overhead and costs of operations have a direct bearing on the amount they will charge the client. It is nearly an indisputable fact, that in order to obtain the quality of service a client expects, the specifications *might* contain provisions that will actually make the cost of service to the client HIGHER than it would have been if these mandates were omitted. This does NOT imply that the costs will automatically be higher than for an equal in-house operation. In other words, the typical approach of focusing on what the contractor will charge you, and leaving all the underlying factors to the discretion of the contractor, will always get you the lowest price...and it will probably get you the level of service that has given the contract guard industry its very poor image and reputation.

Compensation for the guards themselves is the contractor's single highest cost factor. The client will want to determine what typical and average pay is for security personnel (contract and in-house) in the local labor market. Salary survey data is often readily available for this task. The client should then create a pay "matrix" that will be a part of the specification. The matrix is a combination of pay "grades" and "steps" within each grade. There are no fixed numbers but 5 grades with 3 steps each might be a practical starting point in the development process. A guard's pay grade might be determined by rank (i.e. sergeant, lieutenant, captain) which is often associated with level of responsibility, such as serving in a supervisory capacity. The steps are used to provide pay increases within a grade, such as for merit, performance or "time-in-grade".

The specification should define the criteria necessary to qualify for each pay grade to the greatest detail practical and reasonable. If this can be done with sufficient clarity, the contract may provide that a person assigned to the account will automatically be paid at the highest grade for which they qualify, and proof of these qualifications must always be documented and submitted to the client. Alternatively, all personnel assigned to the account are automatically placed in the lowest grade and step, and the contractor must apply for client approval prior to changing the designation for that guard based upon his or her qualifications.

Associated with the compensation matrix within the specification will be a corresponding "billing matrix", having the exact structure and number of rows, columns and fields. This matrix will stipulate the agreed upon hourly billing rate to be paid for each man-hour corresponding directly with the guard's pay rate shown in the compensation matrix.

Just as one would with their own employees, the specification must include benefits that are required to be provided to the guards assigned to the account. This includes all the usual elements such as vacations, sick days, insurance, uniforms, holiday and over-time pay.

Lastly, *training* requirements must be carefully specified in great detail, as this is the primary source – along with low pay – of the criticisms of the contract guard service industry. The pitfalls in this area are many and are potentially serious because "what looks good on paper" may not be a realistic representation of the expectations it creates. The strategies for successfully addressing training within the specifications are far too extensive to adequately describe in this brief overview. Suffice it to say here that the common, typical and traditional practices that currently exist in the industry – while much improved over past eras – is highly unlikely to contribute positively to the successful outsourcing of security guards services.

"KNOW" EVEN WHEN YOU DON'T "SPECIFY"

The guard contractor will have "direct" costs associated with every person assigned to the client's account, and there are "overhead" costs such as office space, liability insurance and payroll for office based personnel. Most of the direct costs can be addressed and specified as part of the contract. The contractor must cover the fixed costs by attributing it in some proportion to all of its clients, normally done by factoring it into the hourly billing rates. In the solicitation process, some valuable information can be obtained regarding these indirect overhead costs, which may be useful when comparing and evaluating bids from multiple contractors.

To serve as an oversimplified example, assume 2 contractors each bid \$15 per man hour for their services. If one is paying the guards \$7 per hour and the other is paying \$9 per hour, what is the source of the difference? The near automatic assumption is that the one paying only \$7 per hour is making \$2 per hour more in *profit* but this is not necessarily the case. By requiring - in the Request for Proposals - a breakdown of the amount of the hourly billing rate that is being attributed to each of the overhead items, and showing the contractor's profit, one is best positioned to assess the comparative value of one bid over another, even when the amount bid differs.

ABOUT MINIERI ASSOCIATES

Minieri Associates is an independent, full-service, professional security consulting and engineering firm providing services worldwide. Minieri Associates has significant and substantial experience with contract guard services and in consultancy for the tender and contracting process. Details are available at www.MinieriAssociates.com

ABOUT THE AUTHOR

Michael Minieri has over 30 years experience in protecting lives and property, including extensive experience in guard operations both in-house and contracted. He was a Sr. Managing Associate and Senior Director for the Security Consulting & Engineering practice in the Kroll Security Group based in Washington DC, London and Dubai. His many professional credentials include Certified Protection Professional (CPP) by ASIS. He can be contacted at mminieri@MinieriAssociates.com