



WHITE PAPER

A COMPARISON OF SECURITY MANAGEMENT SERVICES

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Introduction

Although national crime rates have been dropping, public concern about crime, victimization and personal safety remains a priority while at home, at work or engaged in leisure activities. Many consumers plan their shopping excursions according to a particular time of day, or a specific location, based on the reputation of the center. Distance, value, and convenience become irrelevant when a customer experiences fear, whether real or perceived. If your center is perceived as unsafe, your customers and potential customers will look elsewhere for a safe shopping environment.

Consumers' fear of crime and the threat of lawsuits resulting from criminal victimization have focused attention on the necessity of creating and maintaining a safe environment for retail consumers. Property managers and investors are quick to realize that ignoring the threat or fear of crime will result in lost sales and declining profits. A center's declining reputation, as a safe environment, will require much effort and expense to re-market after a violent incident.

As a result, the modern property manager must recognize the need for a professional security function to protect their assets and customers. Employing a security guard to merely lock doors and patrol the premises after closing is not sufficient to protect against criminal victimization and project a safe image of the facility.

Background and Trends

Many managers have viewed a security force as "something they had to have." Narrowly focused executives failed to see the tremendous benefit of a premium security operation and considered it to be secondary to other departments. The security department did not show favorably on the balance sheet since it was perceived as not producing revenue and it was labor intensive. Security budgets were designed to be very lean and include as little money as possible for salary, equipment, training, and operations. As a result, little attention was focused on security and a professional, accountable organization was not developed. This lack of attention changed when consumers began to take property owners and managers to court for civil liability damages as a result of criminal attacks.

The court's imposition of "totality of circumstances" when considering liability cases against shopping centers, dictates that management must evaluate the property's security in the context of the surrounding community and the type of activity and people the center will attract. Application of reasonable and prudent security responses to security issues will inherently reduce the crime risk factors, provide a crime prevention and detection resource, ensure a proper security response to issues and provide a system for continual security force evaluation and effectiveness.

Traditionally, there have been two concepts for providing personnel for on-site security. One was to establish an in-house program and the other to hire an outside contract

security company. Although each concept has distinct advantages, the lack of options has limited property management's ability to be innovative and proactive in instituting a modern security program.

Many managers have chosen to establish in-house programs because of the ability to directly influence security policy and function. Others decide to contract security services through a security company to reduce personnel management responsibilities and civil liability.

The trend of modern business is to outsource services that have been traditionally handled in-house to reduce personnel costs and increase profits in a very competitive market. Shopping center management has been reluctant to outsource their security because of these limited options. Many shopping centers have been able to outsource other services, such as housekeeping and maintenance, but are hesitant to outsource security because of the unique nature of security and the generally poor quality of services by traditional contract security providers.

The demand for a professional security operation to keep pace with the expanded functions and expectations has caused management to look for other options and has increased the demand to outsource. The unique nature of security requires careful deliberation when considering outsourcing changes or implementing new policies.

This report will provide a candid examination of the quality and levels of security services provided by both the traditional contract security company and the in-house programs. In addition, a direct comparison will be presented of a new concept of security service delivery that is anticipated to revolutionize the security industry by providing the best of an in-house program and offer the benefits of a contract security service. This concept is the Client/Partner Program.

Analysis of Services

- ◆ **Accountability** –Accountability of the security department to property management is very important so that a response to security requirements can be addressed. In many cases the perception of what is needed by the security executive differ greatly from what is anticipated by property management personnel. This accountability depends on open lines of communication between security and property management executives, trust between security and property management, and a clearly defined chain of command. This chain of command must be well established both within the security department and with the external relationship with management.

An in-house program provides property management with a very strong degree of accountability from the security department. If established properly, the security manager reports directly to the property manager and has a position on the manager's executive staff. The security director should be treated as part of the management team, be involved in all staff meetings, and have input in decisions. The security manager and property manager can work together to identify security deficiencies or

problems and implement plans to correct these security issues. Many executives who do not have a favorable opinion of security corrupt this relationship by isolating the security manager from participation and involvement in staff meetings and executive decisions.

A traditional contract guard company receives a very low trust relationship because the employees and supervisors are viewed as outsiders and not part of the team. In many cases the goals of the security company providing the services are totally different from the goals of the client. As a result, security supervisors do not participate in meetings with property management and are not directly communicating with the property manager on security issues. This lack of trust and communication corrupts the internal chain of command and forces an external chain of command between an “account manager” for the contract security company and the contract compliance agent for the property manager. Accountability between both parties is poor.

The Client/Partner approach to security service provides for open communication between the on-site security director and members of the property management team. Through the organizational structure of the Client/Partner program, the security director is part of the executive staff of the property manager, participates in staff meetings and shares the common goals of the client. Additionally, the security director is empowered by the security management company to make decisions on security issues to address the concerns and needs of the property manager. In this concept there is a direct chain of command between the security director and the property manager, and a clearly defined chain of command between the security director and the executive management of the security management company. Open communication between the security management company executives and the client strengthens accountability and the chain of command.

- ◆ **Control of Function** – Many property managers prefer an in-house security program because the security officers are their employees and they retain direct supervision and control of operations. Because they are at the top of the chain of command, the security manager and his/her staff work at the discretion of the manager and report activities directly to them. This philosophy is good for the professional property manager who is knowledgeable in security, provides leadership and knows how to manage, but can fragment a security operation if the property manager is unqualified in security functions.

Traditional contract security companies offer property managers very limited control over security operations. Although the contract company executives insist that their employees are there to satisfy the needs of the client, the reality is that their account managers are more devoted to increasing billing hours.

The Client/Partner program provides the structure for property managers to have direct input into all aspects of security. The partnership created by the property manager, the security management company corporate office, and the on-site security director is responsible for the goals of the organization and control of the objectives

to achieve those goals. Although the security manager handles daily operations of the center, the property manager is advised on all security activities and procedures according to his/her requested level of notification. In effect, the level of involvement and control is custom designed by the property manager. When security problems or deficiencies are noted, the property manager is consulted before any significant changes are implemented.

- ◆ **Response to Problems** – The in-house security program provides the opportunity for a rapid and thorough response to security problems as they arise. Direct control of operations and the accountability of the security supervisors to the property manager allow quick action to problems or requests for services. Direct access to security information by property management allows follow-up review to ensure action to security function requests. Skilled managers can create an effective and efficient problem solving system, while poor managers can create an ineffective bureaucracy that provides minimal problem solving capabilities. Security and property managers who have limited security knowledge and abilities do not have professional resources to call upon when assistance is needed for difficult problems.

The contract security company does not offer a rapid and thorough response to security related problems. The lack of efficient lines of communication between property management and the site security supervisor inhibit the flow of information and delay response. Additionally, site supervisors have limited ability to respond to the simplest of requests without approval from a higher authority in the contract security company. Because of the rigid structure of traditional security companies, effective professional security expertise for security supervisors to make decisions is difficult to deliver, and in many cases is not available.

The security management program offered by a true security management company does offer a mechanism for response to problems that is comparable to an in-house program. Since the site security directors are empowered to make decisions and the security director has the same goals as the property manager, the security manager is able to provide a rapid and professional response to problems. Additionally, the security director has professional technical support from corporate headquarters to provide security expertise and support to address problems and formulate solutions.

- ◆ **Personnel Management** – An in-house security program requires that the management company handle personnel services, benefits, and payroll. This function requires a large amount of labor, time and money to maintain. The trend to outsource reduces this burden and increases profits. Generally, the benefits available to security employees are limited to the benefits offered to other employees of the management company.

Since the contracted security personnel are employees of the security company, the contracted company handles personnel and payroll services. On the surface, this achieves the purpose of outsourcing the security function. The problem is that traditional security companies offer a very limited benefits package to their employees to keep their expenses down and profits up. In addition, many of the

benefits require the employee to contribute most or all of the premiums from their payroll earnings. Because of the lack of a comprehensive and affordable benefits package, employees do not participate nor commit themselves to a long-term relationship with the security company.

The Client/Partner program provides the property management company with the ability to outsource personnel services, payroll and benefits for security employees. Because of the unique relationship between the property management company and the security management company, there is flexibility to structure a benefits package that offers a program that fits the needs of all security employees. Since the security officers are not employees of the property, their benefits package can be different than the other employees. Basic benefits packages do not require out of pocket expenditures for the security employee. Quality security management companies use the benefits package to attract and retain quality employees. This philosophy is designed to foster long-term commitment to the security management company and to the client.

- ◆ **General Liability** – Since security officers are employed by the center, the property is responsible for premiums for general liability and fidelity insurance. These premiums are a direct cost for employment of the security officers and the shopping center can be held liable in the event of a civil suit.

In the case of contract security, the contracted company is responsible to provide general liability insurance for the security employees. Although the center is not fully exempt from liability, their risk in the event of a civil suit is substantially reduced. The shift of responsibility for the security employees to the contract company allows the property to reduce their general liability premiums.

The Client/Partner concept for security management makes the security officers employees of the security management company, who is in turn responsible for the general liability and fidelity premiums. As in the case of the traditional guard services, the property is not totally exempt from liability but is able to substantially reduce general liability by transferring employment of the security officers to the security management company.

- ◆ **Employee Loyalty** – In the case of an in-house program, the security officers are directly employed by the property and loyalty to the company and management can be very strong. This loyalty is reinforced because in-house programs traditionally have higher wages and better benefits. Many individuals who have chosen security as a long-term career will not work for traditional contract guard services. As a result, recruitment for qualified personnel for an established and reputable in-house program is less difficult. If the security personnel are properly managed and compensated, an in-house program tends to have substantially less employee turnover than a contract security company. The negative aspect of employee loyalty in an in-house security program is that advancement opportunities are very limited. Turnover of executive security positions are few and an available career path objective is very restricted.

Employees of a traditional contract security company generally exhibit little or no loyalty to the property they are assigned to protect or to the contract company that employs them. Many of the security employees are shifted on a daily schedule from “account” to “account” on the basis of the need for manpower rather than the experience, knowledge and expertise required to staff the positions. Many of the officers report for duty and know nothing about their job requirements or the position that they will be staffing. Low wages, lack of benefits, and limited chance for advancement reinforce this lack of loyalty. Many employees view their employment as necessary until something else comes along and traditional guard services generally experience high turnover rates. In some cases, employees of a contract service exhibit allegiance to a property and remain with the property in the event another security company is awarded the contract for security services.

The unique relationship between the security management company and the client allows security employees to establish loyalty to the client and to the security management company. The Client/Partner program allows the security management company to match the current pay scale and benefits package that provides the security employees the “feel” of an in-house program, yet because of the professional management and leadership provided by the security management company, they consider themselves employees of the security management company. Since a foundation for dual loyalty can be achieved, recruitment and retention of qualified employees is comparable to that of an in-house program. Additionally, security employees build a relationship with the property because they are permanently assigned to a specific location. Employees are not relocated from property to property to fill temporary vacancies. Employees have higher morale because of broadened advancement opportunity into supervisory and security director positions. The security management company is a management company that provides services for a multitude of clients. This provides an expanded career path for persons who choose security as their profession. As new clients are added to the portfolio or supervisory openings occur at existing client locations, advancement of existing employees is possible.

- ◆ **Budget Control** – An in-house program allows direct supervision of the accounting function of the security budget. Expenditures for salary, benefits, equipment and other costs appear as line items on the balance sheet and at their exact cost. There are no add-ons or hidden costs. This line item control of the budget aids the property manager in long-range planning.

Budgeting for a traditional contract security company consists of the number of hours worked times the billing rate per hour. There is a separate billing structure for supervisory and officer ranks. These billing rates include equipment and uniforms; however, any additional security services require additional billing. Typically, invoices received from contract security companies do not have line item expenditures. These invoices can have hidden costs and add-on charges that are included in the billing rate or other charges. It has been documented that invoices have contained charges for hours that were not staffed and at inaccurate billing rates.

The primary focus of a traditional contract security company is to bill the client the maximum amount of security hours to increase revenues and profits.

With the best security management companies, the client receives an itemized invoice that reflects the exact cost of the security-related expenditures. There are no hidden costs or add-on expenses to security equipment purchases or services. This allows direct control of the security budget to track what cost is associated with which services. The client, the security management company, and the site security director are able to make long-range strategic plans for capital expenditures to improve the security function at the property.

Summary Chart of Services (see attachment)

Conclusion

Management's commitment for the safety and security of tenants, employees and visitors can be evidenced by their commitment to evaluate their current security program and their desire to improve the overall security of their property. This careful approach to evaluating security deficiencies and a systematic approach to problem solving will ensure a good foundation for a proactive security function that will be able to address all security and safety concerns.

The need for a professional approach to security and comprehensive personal safety has tremendously expanded the service requirements of a security force. These personnel demands require the security executive to recruit the best personnel available and to provide them the knowledge, skills, and abilities to perform through a comprehensive security training program. This training and education program should be designed to be proactive and continuous. The introduction of training in a security program is a tried and proven defense against frivolous claims and lawsuits. These programs can be a tremendous public relations tool, create a safer environment and reduce crime risk factors and civil liability

Security in the twenty-first century is complex and requires trained professionals to establish and maintain an effective and efficient program. Today's security is no longer placing a security officer at a checkpoint, locking doors, or issuing ID badges. Modern security requires an individual who knows the industry; who is focused on crime and its root causes, who knows what type of crime can affect their facility, who understands the legal aspects of security, and who knows security products and their application. The security professional in the new millennium knows about the assessment of risk and how to apply systems, programs and people to minimize that risk.

With today's emphasis on the ideals of Total Quality Management in corporations and government, the security industry must have a paradigm shift towards its expanded new role, the new role of security management and the requirements of the modern security officer. Property management must be the catalyst in the shift of philosophy and

organizational strategy of the modern security program. They must recognize that security is needed and is valuable.

Additionally, security management and staff must be committed to problem solving, even in issues that are not traditionally a security function. Modern security must embrace internal change and expand the security mandate. Security executives and officers of the future must be committed to ethics, legality, responsibility and trust. The security industry of the new century must embrace the **Chesley Brown®** "call to action" based on the ***Ten Beliefs of Security***.

- ***Security*** is everyone's business,
- ***Security*** is more than guards,
- ***Security*** is the responsibility of all levels of management,
- ***Security*** is linked with problem solving,
- ***Security*** is cost effective,
- ***Security*** requires a central position in the philosophy of business,
- ***Security*** requires cooperation by all elements of the business community,
- ***Security*** requires education, continual testing and improvement,
- ***Security*** requires tailoring to corporate needs and conditions and
- ***Security*** improves the quality of life for everyone.

Summary of Services

The following chart is a point-by-point comparison of the services provided by each type of security program. The service for each category is rated on a scale of 1 to 5: 1 being poor, and 5 being excellent. The total scores are reported at the bottom.

Category	In-house	Traditional Contract	Client/Partner
Accountability	5	3	5
Communication	5	2	5
Trust	5	2	4
Chain of Command	4	2	5
Control of Operations	5	3	5
Reporting	5	3	5
Response to Problems	5	2	5
Problem Solving	4	2	5
Follow-up	5	2	5
Access to professional resources	3	3	5
Ability of security manager to make decisions	3	2	5
Personnel Management	3	4	5
Ability to Outsource	1	4	5
Benefits	4	2	5
General Liability	2	4	4
Employee Loyalty	5	1	5
Wages	4	1	4
Recruitment	5	2	5
Career Opportunities	3	2	5
Employee Retention	4	1	4
Assignment of Employee	5	2	5
Budget Control	5	1	5
Itemization of Expenses	5	1	5
Exact Cost Billing	5	2	5
Hidden Costs/Add-ons	5	1	5
Invoice Accuracy	5	3	5
Strategic Planning	4	3	4
Total Score	114	60	130