Contract Security Challenges and Strategies: Part I and Part II

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This is the first part of a Faculty Advisor Q&A column on best practices for security services contracts provided by Heather O'Brien, SEC Content Expert Faculty. She previously led a large security services firm.

Part I

Q. Our annual spending for uniformed security officers is nearly 80 percent of my total budget. Senior leadership is always looking at the budget and whenever we have a cost-reduction initiative security is one of the top three expenses challenged. How can I make sure that I have the right contract in place at the best price?

A. Contract security is often a large ticket item on any company's P&L; unavoidably drawing the attention and sometimes scrutiny to your annual spend. Having the right processes in place and the right team of people assigned to support those processes can be an ongoing challenge, especially with the steady rate of change within corporate America today.

Some contributors that can dramatically impact your ability to maintain the best ROI for your security contract include:

• mergers & acquisitions
• internal company realignment

• rapid geographic growth
• significant increases or decreases to employee headcount • annualized budget reductions/ less security staff

Amid these changes, security contract management can get lost in the shuffle, particularly when there are no apparent or known failures or deficiencies within your current program. Make the time when a change occurs to re-evaluate your security services; it can significantly impact the effectiveness of your program and the total spend.

First, begin by identifying the optimal goals for your security program and determining if they consistently are being met. Next, designate a small diverse team to assess the current security contract and the processes that are in place. Are the processes getting the desired results? Have they been reviewed or compared to recent industry best practices for improved efficiency? Do your internal and external clients perceive security as a valuable function? Oftentimes, putting your current program under the microscope will flag some easy to identify opportunities for improvement, and in some cases save money.

Assess your current security provider. If the results have consistently been strong and there is a proven record of partnership to tackle the tough challenges and to respond quickly to immediate needs, you may have the best company in place. Working with an existing contractor to improve current processes is the easiest way to achieve different, more effective results. Your contractor proactively should demonstrate a willingness to collaborate, share industry benchmarks and best practices, introduce new technology, and to identify cost savings during each contract period.

Contract renewals should include market adjustments to both wages and mark ups; it is important to remain competitive in the marketplace. Assess your security officer wages by geography and responsibility to insure your provider can attract and retain the right talent to perform effectively. The cost of turnover is more than just hard dollars. There are proven methods beyond just pay rates to attract and retain qualified personnel. Partner with your security provider to insure you have the best practices in place for high retention rates. While some companies require contract bids upon every renewal sometimes there is an argument to renew with an existing partner if a proven ROI exists. Review your KPIs to insure you have the best measurements to drive performance; track hard & soft dollar savings. If you need to go out to bid, take advantage of the opportunity by asking the right questions in the RFP and clearly defining your security department goals at the onset of the process. Regardless of a change or not, you can learn a lot by going through the process and ultimately increase the value of your security program as a whole.

Part II

Q. The KPIs currently used by my company to assess security services have been in place for years and the value of the information is questionable. What are the best quantifiable KPI measurements to demonstrate the value of our security contract as well as evaluate the performance of the security officers? How can I use the information to improve my overall contract security program?

A. Most contracts today have Service Level Agreements (SLAs) or Key Performance Indicators (KPIs) in place. But how effective are the measurements? Are the quarterly review meetings a painful reading of results off a slide deck or is your team gleaning important data that can help drive and improve the performance of your department?

Utilizing the right quantifiable KPI metrics can illustrate the effectiveness of your security program and demonstrate your ROI on every security dollar spent. The results can be powerful in the C-suite when defending your security budget. Meaningful KPIs are also an excellent tool for managing you contract security provider.

To begin, review your department goals for security performance and insure they are aligned with the results you expect from your contract security provider. Designate a small team to review the existing KPI measurements in place. Do these measurements align with your goals for corporate security? Are the results consistently meeting or exceeding expectation? Are the metrics being audited and are the results consistent with the performance of your contractor? How are the results from the KPIs being used to improve the effectiveness of the security program?

Identify the existing KPIs that are generating the results you need then look to integrate new measurements to capture information that will drive the performance of your security program. Popular quantifiable metrics include contract compliance (meeting SOW requirements), billing quality & timeliness, customer satisfaction scores, critical incident response, supervisory quality, cost savings and/ or supplier productivity. There are countless KPI measurements in existence today; selecting the right ones will depend on your type of business and your department goals.

Once your department goals and expectations are clearly defined include your contract security provider in the process. Collaboratively begin to change, add or delete any KPIs keeping an eye towards the time it takes to collect and record the information. Avoid creating unnecessary administrative burdens; utilize technology and automation when possible; ask for support documentation periodically

during audits as needed. Consider collaborating with a consultant with an expertise in the area of KPI creation/ contract optimization. An outside perspective can often enhance the overall quality of your program and challenge you to examine your program differently yielding extremely valuable results.

The volume of annual spend deserves the allocation of time and attention within your company, not just your department. Challenge vested stakeholders to meet bi-annually or quarterly to share valuable feedback on how security is positively or negatively impact their area of the business. Share your department goals and successes that have benefited the company. Depending on the size of your security program be sure to include internal department leaders as well as outside influencers like finance, legal/ compliance, regulatory, facilities and operations. The diversity of perspective is powerful; take advantage of this free internal resource.

In closing, prioritize and promote the importance of KPI measurement and security contract management. Personally designate authority to the person responsible for managing both;

insure they have clearly defined expectations and the means to accomplish the optimal company goals. Routinely review the results of your KPIs and actively look for areas of process improvement and cost savings. Track hard and soft dollar savings and reward your security partner for consistent results that exceed expectation. Support the team driving results and track compounding results showing your contract's ROI for every security dollar spent.

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The SEC is the leading research and advisory firm focused on corporate security risk mitigation solutions. Having worked with hundreds of companies and organizations we have witnessed the proven practices that produce the most positive transformation. Our subject matter experts have deep expertise in all aspects of security risk mitigation strategy; they collaborate with security leaders to transform security programs into more capable and valued centers of excellence. Watch our [3-minute video](#) to learn more.

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