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Showing the ROI of Contract Security Forces

By George Campbell, Emeritus Faculty, Security Executive Council

A thoughtful security manager in Arizona once e-mailed me the following in response to one of my regular columns on security metrics:

"I can't think of a more relevant issue for physical security than a series of metrics regarding contract security costs. The one item we've never been able to tie down during benchmarking was the ROI related to contract security. Obviously there are many moving parts to the issue, but when my director asks about value vs. cost regarding contract security, we get back to proving the negative (minimal losses to theft, no intrusions, etc.)."

Return on investment is fundamentally a measure of whether some activity is worth doing. Clearly, we can employ more sophisticated approaches, such as Annualized Loss Expectancy (ALE), that estimate frequency and impact and then apply various safeguard improvement options. But in my view, ROI for contract security operations has to be tied to an operational risk management strategy.

The thoughtful security manager in Arizona serves in a critical infrastructure where security compromise is intolerable, but he nevertheless is in competition for increasingly scarce resources. In this case, I think the return is not a financial metric but a policy decision that concludes that the consequences of not having a competent security presence are intolerable. While the likelihood of an event may be perceived as low, we increase the potential by not making prudent investments in protection.

But why is the perception of risk low? Is it because we are so effective, or because there is little real threat out there? If the latter, then why do we have all this expense for security? Law enforcement has a deep reservoir of data on crime, calls for service,

victimization and clearance rates. Where do we look for data to support metrics on the effectiveness of our security operations teams? Here are some suggestions.

1. Defect detection and elimination. The organizations we serve are complex and house thousands of processes and activities, many of which are prone to malfunction, breakdown, accident, human error or malfeasance. What is the potential financial impact of such events? A trained 24/7 security force can proactively identify and mitigate many of these defects. Does that demonstrate a potential return?

2. Penetration testing. Not a lot of apparent threats rearing their ugly heads? Find ways to test the effectiveness of your security measures. If you had 10 attempted penetrations for each of a variety of sensitive areas that demonstrate an 80% or 90% failure rate — that is, the would-be adversary did not succeed in getting to the asset the overwhelming majority of the time — does this not advertise the effectiveness of your security measures, including your security force surveillance and response capabilities? We know that we have assets that are potentially attractive to motivated individuals. That motivation can be deterred by clearly effective safeguards, including a professional security presence.

3. Response time. How long does it take for EMT or police to arrive at your facility? (Note that the time may be increasing due to local government budget shortfalls.) If your people are there in five minutes and can sustain a life or apply definitive care until EMTs arrive five or 10 minutes later, is there a benefit? How about responding to that water detection alarm in the computer room or being outside HR during a potentially hostile termination?

4. Cost effectiveness benchmarking. We are charged with protecting people, property and corporate assets. How does your program compare with those of other organizations? Determine how many security officers you have per square foot of coverage, and how many officers per employee. If you show one officer per 5,000 square feet, and many other comparable organizations post more officers in the same area, you are demonstrating clear cost efficiency — a solid result in these hard times.

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5. Service-Level Agreements. SLAs are fairly common in outsourced service contracts, and they can be used to establish clear performance standards in areas such as supervision, first call resolution, response times to emergency events, incumbent qualifications and levels of training, tour and staffing of specific posts. These may include both penalties for non-conformance and rewards for exceeding standards.

These are a few measures to consider when you are determining whether your contract or proprietary security force is delivering value for the cost. Clearly, much of the focus is on “what if.” But that question is at the heart of management’s obligation to manage risk on behalf of the shareholders’ or the public’s safety.

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