

Contracting for Quality-Based Security Personnel Services

Table of Contents:

- ◆ Introduction
- ◆ Continuous Quality Improvement & Partnership
- ◆ What Companies Value in a Security Service Partner: Survey Results
- ◆ Bidding Versus Partnering
- ◆ Changing Your Company's Process
- ◆ The Five Whys
- ◆ Steps to Success: Preparing Your RFP

Introduction

Note: This guide is intended to assist in the evaluation and improvement of the contracting process, and is not intended as a reference for evaluating security requirements.

Your success in identifying and incorporating quality security services will likely result from three specific philosophical shifts:

1. Focus on the Process:

Experts in the quality movement tell us to fix the “process” or “system”. Successful contracts result when the right process is used. The process, not those who implement it, determines the outcome. This guide is focused on process.

2. Identify the Root of the Problem:

The quality movement has established new principles and techniques for identifying and analyzing problems. This guide incorporates proven methods to get to the bottom of contracting problems and attack the root causes that are most significant, yet solvable. Organizations that have quality services use a contracting process that focuses on what can be reasonably accomplished and will do the most good. They do not waste valuable time attempting the impossible or trying to make changes that will have minimal impact.

3. Work as a Team:

The quality movement is founded on positive beliefs about people. Successful contracts between vendors and users result when the four bedrock principles of quality are acknowledged:

- ◆ People want to be involved and do their jobs well.
- ◆ The person doing the job is most knowledgeable about that job.
- ◆ Every person wants to feel like a valued contributor.
- ◆ The adversarial relationship between labor and management is counter-productive and outmoded.¹

¹ W. Edwards Deming, *The Memory Jogger – A Pocket Guide of Tools for Continuous Improvement*

Continuous Quality Improvement & Partnership

Quality-Based Security Contracting

The quality movement has brought about changes in philosophy that have significantly strengthened American enterprises in a very competitive world.

This guide is designed for people who want to develop a contracting process that routinely results in quality security personnel services.

Choosing a security personnel contractor is a decision which will significantly affect the security, image and profitability of your company. The contract security industry includes more than 13,000 contract security companies. Some of these companies are focused only on *their* profit and short-term gain and fail to foster good relationships with clients and employees. Some pay lip service to “quality”. Fewer provide it.

Quality is the comprehensive application of quality concepts and processes that create a successful business partnership. Results will be most significant when a plan is developed at the outset – together with clients and contractors as partners.

The key to establishing a quality-based security personnel services partnership is to define expectations about the prospective partner’s capabilities, as well as your criteria for selecting the right partner to meet those expectations.

Continuous Quality Improvement (CQI) and Partnership

The basic concepts of continuous quality improvement (CQI) used in many industries today also apply to contract security services. From the beginning of the process, when you are establishing partner selection criteria, and throughout the execution of the contract, CQI principles should be applied.

Process-based decision making is especially important today because the buyer-contractor relationship has changed. Traditionally, the buyer has dictated the terms and conditions, and the contractor has taken a very passive role, driven primarily by price.

Today, the most successful business relationships are based on proactive, long-term partnerships oriented to added value, growth and CQI. This creates a “win-win” relationship for both buyer and contractor.

The strongest partnerships are formed when they work together to design a plan to achieve both companies’ financial goals, to measure results, and to redefine their objectives as required.

Quality-based value-added service typically includes a proactive management structure, oriented to achieving cooperation and improvement. We believe this is an appropriate goal when contracting for security officer services.

What Companies Value in a Security Service Partner: Survey Results

As part of its improvement culture, AlliedBarton periodically conducts surveys of companies that use contract security services. Recently, we asked respondents to identify the attributes most important to them in a service provider. The results revealed several factors worth noting, which you may want to keep in mind during your selection process.

Presence in the Local City/Market

The security industry operates in numerous cities/markets rather than one homogenous national market. The methods used to contract for security services vary from city to city but are quite standardized within each. Does your prospective partner have a presence in your local market?

Suitability of Services

Knowledgeable security service providers realize the term “contract security” is as vague as the term “office furniture”. Just as a warehouse office is furnished differently than an executive office suite, security services provided for a warehouse differ significantly from those for a corporate headquarters building. Yet some contractors offer a fixed operating system for every situation. Does your prospective contractor focus on providing *suitable* contract security services?

Quality, Quality, Quality

Throughout the survey, the same service areas were consistently mentioned, including:

1. Reliability – Are the requested hours of service delivered consistently?
2. Responsiveness – Does management respond quickly and effectively?
3. Assurance – Do employees at all levels convey trust and confidence?
4. Empathy – Is there evidence of considerate, individualized attention?
5. Value – Is the ration of performance to cost appropriate?
6. Service – Is customer service a true priority?
7. Integrity – Do both parties display mutual trust?

Choose a Partner – Not a Commodity

The survey also showed that customers whose expectations were met were those who allowed potential contractors to differentiate themselves in meaningful ways.

Generally, satisfied customers defined their service needs and selected a vendor to deliver those services. Customers who used a traditional “bidding” process to select a contractor were really selecting a price and the service that happened to come along with that price. If that service happened to match their needs, they were satisfied; if not, they were dissatisfied.

Bidding Versus Partnering

In a bidding method, the user prepares specifications, sends them to selected contractors, and chooses a contractor based on the bids received to fulfill those specifications. This process works, especially when the objective is low price. This process can be improved by specifying officer wages and benefits to enable more meaningful comparison of contractors.

In the partnering method, the buyer and contractor collectively define the job requirements and design a plan to achieve the desired objectives. They continue to refine and adjust the requirements as they measure results and redefine the objectives.

Changing Your Company's Process

Companies that have moved furthest toward a partnering approach are those that have pursued CQI principles. To determine if your company should change to a partnering process and, if so, to facilitate that process, you should:

- ◆ Document problems and justify the need to correct them.
- ◆ Use the terms and techniques of CQI, especially in brainstorming and benchmarking.
- ◆ Enlist the support of others who are most involved in CQI and have the greatest influence.
- ◆ Support the decision to change with facts, figures and testimonials from organizations that have changed their process with positive outcomes.
- ◆ Let those affected by the outcomes participate in redesigning the process and defining the desired results.
- ◆ Document the success of a new process to justify the expanded application of that process.
- ◆ Quote the quality experts when necessary.

Finding Root Causes

During the contracting process it may be necessary to establish root causes of events to ensure that the appropriate issues are addressed by your team.

The Five Whys

The Five Whys is a quality technique used to find the root cause of events. It requires asking a minimum of five “why” questions. This reduces the potential for focusing on the symptoms of a problem, rather than the cause.

Here is an example:

Q. Why is turnover high and performance low?

A. Because wages are too low to attract and retain better personnel and there are few promotional opportunities.

Q. Why are salaries low and promotional opportunities scarce?

A. Because the contractor is unwilling to pay more in wages.

Q. Why won't the contractor offer better wages?

A. Because the contractor bid the job with a low-wage package.

Q. Why did he bid so low?

A. Because he knows from experience that the low bid wins.

Q. Why does the low bid win?

A. Because the bidding process requires it.

This technique works best when used by a team composed of representatives of different departments, and even some individuals who are somewhat removed from the problem.

We've integrated partnering and CQI values into this guide, so you can gain from our experience. We think you will find it quite helpful in contracting with a security services partner that you can rely on for years to come.

Steps to Success: Preparing Your RFP

The nine steps outlined here contain the key elements of a quality-based contracting process that will form the basis for a mutually beneficial relationship between your company and the contractor you choose.

This process will help you establish specific performance standards appropriate for your business, and to select the contractor best suited to meet those standards. Keep in mind, however, that putting performance requirements in writing is not enough. The contract must establish an environment that will promote the achievement of the desired results. The selected contractor must be able to demonstrate not only an understanding, but also an application, of CQI and partnering skills and processes.

Step 1 – Define the Internal Process and Select Your Team

Establish the internal process that will be used to administer the contracting process. Key questions to consider are:

- ◆ Which departments/individuals will participate and what role will each play in the process? Generally the decision-making team should include individuals from all or some of the following departments: Security, Human Resources, Purchasing, Legal and Finance. (Don't make your team so large it becomes counterproductive.)
- ◆ Which individuals from these departments will be involved?
- ◆ Who will make the final contracting decision?
- ◆ How much time should you allow for the selection process?

Step 2 – Evaluate Your Current Environment, Establish Your Priorities

This step is critical. The potential success of the entire contracting process hinges on the evaluation of your company's current environment and specific needs. To establish your true priorities, the team must first assess whether you are satisfied with your current situation.

Key questions to consider are:

- ◆ What do you like about your current security service?
- ◆ What do you dislike about your current service?
- ◆ Are you confident that security officers are properly trained?
- ◆ Are site supervisors competent and well trained? Are officers appropriately supervised?
- ◆ Do officers exhibit a professional attitude and good customer relations skills?
- ◆ When problems arise, are they solved to your satisfaction quickly and efficiently?
- ◆ What is the turnover rate?
- ◆ Is compensation of security officers appropriate for the tasks required?
- ◆ Is the current contractor's local management proactive?
- ◆ Does your current contractor utilize quality principles and processes to improve your partnership?
- ◆ Do you know your current total costs and understand your contract?

Step 3 – Define Desired Improvements

After evaluating your current status, as defined in Step 2, the team should then list desired improvements or attributes to enhance the existing service, as appropriate. Be sure the desired improvements or attributes are affordable and within your budget.

Step 4 – Define Key Objectives

Combine the elements of Steps 2 and 3 into a list of key objectives. Review this list to ensure that it gives a good overview of the service you are looking for.

If practical, we recommend that security experts be consulted to identify security hardware and physical security requirements based on the nature of the facility, environmental issues, crime grids and other factors.

Do a budget reality check. Does the team believe the broad objectives, if achieved, are affordable and within your potential budget? Does the team require budget approval?

If possible, compare key objectives with other companies and organizations that have the type of service you need. Pay particular attention to the environment these companies provide as well as related costs.

Step 5 – Select Potential Contractors to Include in Your Process

This may be accomplished through general knowledge of potential contractors or may require a pre-bid questionnaire to help you select the appropriate companies. Invite potential contractors to visit sites where service is to be provided.

The following checklist will help you select the appropriate contractors to invite to participate in your process.

Ensure Basic Qualifications

Be sure to ask:

- ◆ Is the contractor licensed to provide security services in the states in which service is required?
- ◆ Are the contractor's security personnel licensed and certified?

Be Certain the Contractor is Managerially and Financially Sound.

Obtain specifics regarding:

- ◆ Years in business by state.
- ◆ Financial position. (Financially strong and profitable companies make the best partners.)
- ◆ Management stability. (The security industry tends to have high turnover at the senior management level; the most successful companies have the most stable management.)

Step 6 – Define Specific Needs and Expectations – Prepare Your RFP

Your Request for Proposal (RFP) should combine your key objectives from Step 4 with the security personnel requirements defined below:

Security Personnel Requirements:

- ◆ Hours of Coverage
 - The hours of coverage should be completely shown, including break-down by location of the hours to be worked by each rank at each post. Holiday coverage requirements should also be included.
 - Supervisory hours should be clearly defined.
 - Special requirements must be defined. For instance, you might state:
 1. The same officer should be assigned to the 8:00 a.m. to 6:00 p.m. shift Monday through Friday.
 2. Contractor personnel shall not work in excess of x hours per day, with a turnaround of less than x hours, work in excess of x hours per week.
 3. Officers shall not be assigned to perform services at other companies without approval.

- ◆ Duties
 - Provide a brief statement of the duties at each post.
 - State the availability and/or preparation of post orders that specifically define duties.
 - Positions requiring weapons should be identified.
 - Areas of unusual risk should be outlined.

- ◆ Equipment
 - List the basic types of equipment to be used by security officers. This helps to define the training and selection process for employees.
 - Equipment to be supplied by the contractor, such as radios, watch tour systems, weapons, vehicles, etc., should be listed and clearly described.

- ◆ Union Status
 - Request that contractors explain any union affiliations.
 - If they are part of a union, any union requirements that would conflict with these specifications should be listed.

- ◆ Uniforms
 - Specify the type of uniform desired (blazer, police, etc.).
 - Request to see pictures or samples of the uniforms.
 - List special requirements.

- ◆ Insurance Coverage
 - State your basic coverage requirements.
 - Include copies of contracts that cover insurance provisions or ask contractors to supply a copy of their standard contract language covering insurance areas.

- ◆ General Terms of Contract
 - Include a sample contract or request one from the contractor.
 - Ensure that the following areas are covered
 - Length of contract
 - Starting date
 - Terms of payment
 - Be sure to address officer retention issues. There should not be any limitation on the retention of security personnel upon termination of the security contract.

- ◆ Vendor History
 - Require contractors to provide sufficient information to evaluate:
 - Proper state licensing
 - Financial stability
 - General vendor history
 - Request references from companies that receive services similar to yours.

- ◆ Management
 - Require contractors to submit biographical information on their management.
 - Specify a requirement for vendor management to view your locations and meet with your management prior to proposal submission

- ◆ Supervision
 - Define the frequency of unannounced inspections.
 - Specify responsibilities for on-site supervision, if any.

- ◆ Employee Selection
 - State standard expected, including:
 - Education level or related skill requirements
 - Health/physical capabilities
 - Experience
 - Any security clearances
 - Outline special methods of screening or review desired. (See Step 7)
 - State your prerogative to reject any employee or request immediate replacement.
 - State a requirement to conform for Equal Employment Opportunity standards.

- ◆ Employee Training
 - Provide a breakdown of hours and areas of training.
 - List areas where outside training may be required, such as:
 - First aid
 - Boiler operation
 - WeighMaster

- ◆ Wages & Benefits
 - Specify base wages by post and rank. (It is desirable to offer higher wages for experienced personnel.)
 - Outline overtime pay procedures.

- Define vacation policy.
 - List holidays and state the policy for employees to be paid for work missed due to holidays and work performed on holidays.
 - Specify any allocation for health insurance and coverage levels.
 - Specify that uniforms be provided at no cost to the employee
 - Clearly state any other benefits, such as life insurance, pension contribution, sick pay, awards programs, etc.
- ◆ **Billing Rates**
 - Specify how billing rates are to be quoted. (It is best to have a rate for each experience level of each rank, with a special rate for holidays. This makes vendor comparisons more accurate.)
 - Require a breakdown of the rate into at least these areas: wages, benefits, overhead and profit.
 - Explain how rates for equipment purchases such as vehicles are to be quoted. (It is best if these areas are separate from the hourly service rate.)
- ◆ **Audit & Review**
 - Clearly state your right to audit and review all records of wages, benefits, personnel selection, training, etc.
- ◆ **Contractor Selection Process**
 - Outline the time frame for proposal receipt, bid review, successful bidder notification, and starting date of the contract.
 - Explain in general terms how the successful bidder will be determined.
 - Include a requirement for a pre-award conference, at which time all terms of the contract can be confirmed and specific problem areas covered.

Step 7 – Narrow the Field: Presentations and Meeting

Potential contractors/partners will typically respond to your RFP in the form of a written proposal. Your team needs to evaluate these responses and select two or three contractors to meet with to discuss in-depth your potential relationship. At these presentations/meetings the team should probe the vendors for their understanding of your needs and their ability to provide the service.

Determine the Contractor's Understanding and Mastery of CQI and Partnering Principles
In particular, ask:

- ◆ What specific examples can they cite of how they apply CQI in daily decision-making?
- ◆ Can they demonstrate their CQI and partnering processes?
- ◆ What examples of teamwork/partnership can they cite?
- ◆ What programs are in place to promote CQI and partnering?

Determine the fairest price. Get specifics to obtain an “apples-to-apples” comparison.

Ask:

- ◆ How are pricing levels established?
- ◆ What types of wage/benefit analyses, market surveys and other such tools are used?

Evaluate:

- ◆ The contractor’s plans for filling openings due to personnel loss.
- ◆ The requirements for adding personnel.
- ◆ How these factors will affect pricing.
- ◆ How much transition time is needed.

Determine whether the contract’s personnel have the proper training, including customer service training, to service your company properly.

- ◆ Ask specific questions that will help you evaluate the degree of emphasis the contractor places on comprehensive training.
- ◆ Find out what other training, above and beyond standard, is available.
- ◆ Ask to see training materials that they use.
- ◆ Determine the extent of site supervisor training and testing.

Assess the Quality of the Personnel the Contractor will Provide.

The best contractors use several tools and techniques to assess integrity, reliability, suitability to perform as an officer, and customer service orientation. Require contractors to specify which methods they use for applicant screening and selection (see below).

Determine Employee Retention Rates and Morale

Turnover in the contract security industry varies between 200% and 400%. A good contractor will do all it can to minimize turnover and foster loyalty and mutual respect.

- ◆ Request data on annual employee retention rates at sites similar to yours and at comparable wages and working conditions.
- ◆ Determine the benefit package to be provided.
- ◆ Learn what incentive awards are provided.

Determine how much of the contractor’s services are automated.

The better contractors have automated all of some of these functions:

- ◆ Administration.
- ◆ Payroll and scheduling.
- ◆ Management information systems (MIS).
- ◆ Reporting.
- ◆ Business development.

Learn How the Contractor Communicates with Clients

The best security personnel companies designate a person or persons to be “champions”, who are empowered to solve any type of problem and ensure customer satisfaction.

Ask:

- ◆ Will the contractor have a “champion” for you to count on?
- ◆ What communications methods are used?
- ◆ How frequent are communications?
- ◆ At what level(s) do they occur?
- ◆ How will the planned communications achieve the goals outlined?

Ensure the contractor’s focus on customer satisfaction and loyalty.

Specifically ask:

- ◆ Do they conduct client surveys? If so, request a copy.
- ◆ What is their customer retention rate? Contact former clients to learn why the contract was terminated and whether they would recommend the contractor.
- ◆ Do they have a presence in your local market?
- ◆ Do they offer a fixed operating system for every situation or focus on providing suitable contract security services?
- ◆ Ask to see statistics on reliability (for instance, missed coverage per 1,000 hours of service). Those who have statistics clearly understand this important, quantifiable service dimension.
- ◆ Check at least three references.

Transition Plan

- ◆ Ask to see a detailed proposed transition plan they would use if awarded the contract.

Screening & Selection Methods for Consideration

- ◆ Comprehensive background checks.
- ◆ Drug screening.
- ◆ Pre-hiring psychological testing, including indices of personality, intelligence, emotional maturity, honesty, reliability and propensity for violence or drug abuse.
- ◆ Physical exam, if required by the duties.
- ◆ Mental alertness test.
- ◆ Investigation of employment history.
- ◆ Personal interview.
- ◆ Personal references.
- ◆ Current in-state driver’s license.
- ◆ Appearance standards, as related to the essential function of the position.
- ◆ Credit check.
- ◆ Verification of high school diploma or equivalent.
- ◆ Verification of eligibility to work in the U.S.
- ◆ Literacy demonstration.

- ◆ Compliance with applicable licensing regulations, with documentation available for client inspection.

These methods should be related to the duties to be performed and have a demonstrated value in determining suitability to perform the essential functions of the job, and for the above, such methods must fall within legal parameters consistent with state and federal laws.

Benefits for Consideration

Determine the benefit package to be provided. Benefits may include:

- ◆ Uniforms and uniform replacements. (At no cost to the officers).
- ◆ Paid vacations (at least 40 hours after 1 year)
- ◆ Holiday pay for at least 6 national holidays.
- ◆ Leave of absence privilege up to 90 days.
- ◆ Life insurance provision for \$5,000 at no cost to the officer
- ◆ Partial paid vacations for part-time employees.
- ◆ Time and one-half pay for hours over 40 per week as mandated by law (and hours in excess of 8 per day if required by state law).
- ◆ Meaningful medical insurance for all officers, available at a pass-through cost only.
- ◆ An incentive program whereby officers receive formal recognition for outstanding work.
- ◆ To avoid competing for personnel your objective is to be competitive with other users who have circumstances similar to your own.

Step 8 – Finalize Selection of Partner, Price and Service Elements

After weighing all of the issues, select the contractor you want to partner with. Ensure agreement on all terms of the contract. Conduct the pre-award conference, at which time all terms of the contract can be confirmed and specific issues worked out. Be sure you understand the contract you will be signing. Pay particular attention to your ability to cancel the contract and also the ability of the security officers to remain at your site if you change vendors.

Step 9 – Review the Transition Plan to Ensure a Good Start

Allow sufficient time for the agency to prepare to begin service. Provide adequate direction and support to get them started on the right track.

An effective transition plan should detail:

- ◆ The tasks to be accomplished and the parties responsible for completing each task.
- ◆ Any prerequisites.
- ◆ Target completion dates.
- ◆ Resources needed.
- ◆ Any other relevant comments.

You're Ready to Begin.

Congratulations! You're on your way to a quality-based security services partnership that will provide measurable results, add value, and meet or exceed your expectations.