



In House vs Out-sourced Security

by Lenny Holden

Most companies focus on their core business and outsource other business-related supporting tasks that fall outside of their expertise. However, some Companies still opt to hire their own staff for non-business related tasks – this includes security. Such companies will hire their own security directly (in house) as opposed to outsourcing security to a third party company that provides security (or bundled services including security).

There are several advantages and disadvantages for a company to hire its own security directly. The advantages include:

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Selecting, training, and supervising your own security personnel. In essence the company hand picks the staff to secure their premises as opposed to having a third party select the personnel on the company's behalf. This advantage comes with additional (and perhaps costly) tasks such as recruiting and training personnel that fall outside of your core business tasks / work experience. Additionally when a company hires its own staff, while their security manager may have more control of the security guards, the time spent with supervising the guards may distract from the security manager's duties of overseeing the bulk of the company's other staff and customers and improving the company's security program.

Hiring your own security creates a more direct relationship between the Company and the security officers in comparison to bringing in persons perceived to be "outsiders." This, in turn, can create a sense of more loyalty among the security officers. Similarly the company's remaining employee population are more likely to see the security officers as part of their own team. As an employee gains experience, and longevity in a given company, their sense of loyalty is likely to grow. However this is a double-edged sword. Security officers who remain with one company for a long period of time may become more loyal to the other employees than to the company thereby creating a potential conflict of interest in enforcing company regulations and procedures amongst the employee population and / or in the event an employee is suspected of doing wrong.

Security officers a company hires directly can be more reliable. When a company hires their own employees the same employee reports to work every day; when out-sourcing, the security company may assign different officers to the company's premises depending on the security company's



requirements elsewhere. This can cause a lack of consistency in performance. The new security officers do not have a firm grasp of the company's layout, procedures, or staff; the learning curve constantly reverts back to the start. The flip side of this is even when a company hires their own staff they will also require replacements as staff move on and usually such companies do not have a recruitment program to readily replace the security officers whereas a security company does maintain this capability.

There are also disadvantages for a company to hire their own security officers. Most likely the company hiring its own staff will have higher security costs in comparison to a monthly contracted rate for the same security requirements given to an out-sourced security company. For example:

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- A full time employee will normally include additional costs such as employee taxes, vacation, benefits, overtime, holiday pay, annual raises, relief for days off (an additional one or two officers for every five or six security requirements); as well as the supportive costs of recruiting, background checks, training, uniforms, equipment, and sustainment. An outsource security can provide all of these normally at a steady (and much lower) cost.
- Outsource security companies have an inventory of security equipment and systems they can readily provide to their customers to supplement the manned guarding. This equipment is beneficial in responding to emergency situations and providing an evidentiary record of events. All of this comes as an upfront cost to the security company which traditionally will absorb these overheads or amortize a fraction of the costs over an extended period of time and at a cost-savings to their customers.
- Spreading Risk and Liability. This is often the most single compelling reason for out-sourcing security. Companies that hire their own security assume responsibility for the security officers selection, training and are liable for all of their security officers' actions (or inactions) during incidents and emergencies. A company that outsources security parlays (contracts) a portion of the company's liability and protection to a third party; thereby reducing their insurance premiums and potential claims. In some instances the insurance cost savings for shifting a portion of the liability to a third party can offset the cost of out-source security.



The below table reflects an average cost of security based on a requirement of six security officers around the clock 365 days a year. Currency based on Thailand, but the same percentage differences apply to other Asian countries

Hiring In-House			Contracting Out-Source		
Manning Requirements	Average Monthly Salary	Total Monthly Cost	Manning Requirements	Average Monthly Rate	Total Monthly Cost
18 (working 8-hour shift)	15,000	270,000	12 (working 12-hour shift)	22,000	264,000
Relief 2 (1 for ea 6 rqmts)	15,000	30,000	Included in rates	0	0
Social Security @ 5%	750	15,000	Included in rates	0	0
Employee Benefits @ 10%	1,500	30,000	Included in rates	0	0
Security Equipment** (amortized over 1 year)	48,000	4,000	Included in rates	0	0
Average Monthly Cost		349,000	Average Monthly Cost		264,000
Average Annual Cost*		4,188,000	Average Annual Cost		3,168,000
Additional Annual Cost to Hire Own		1,020,000	= 24% higher costs		

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Additional costs will vary depending on the security manning requirements.

* Annual Costs do not include recruitment, screening (background checks), training, uniforms, staff housing, or the possible loss of insurance cost savings for parlaying a portion of your liability.

** Security equipment includes radios and chargers, guard patrol system, traffic cones, road barriers, at a minimum.

There are additional non-direct cost related advantages to outsourcing security:

Expertise. Most security companies have only one mission: security; and all company efforts and expenses go towards security operations. The (proper) security company's guards have already been background checked, trained, uniformed and equipped. The guards routinely have years of experience; the management team have diversified security backgrounds and can consult with their customers to provide the most cost-effective security force to meet the customer's requirements.



Outsourced guards are more accountable. Not only do the guards answer to you as their company's customer, they also answer to their own security company. Guard post orders, actions, logs, and reports are scrutinized by both the customer and the company thereby normally resulting in a better service.

An out-sourced security company can surge to meet temporary additional requirements such as support of a specific function, VIP, or short-term change in the threat. Hiring in-house will normally require a lot of additional costs associated with hiring part time staff to recruit, train, uniform, equip and so forth OR the company may divert other non-security trained staff to assist in security thereby impacting the company's routine operations.

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Despite the cost savings, assumption of 100% of the liability, and the disadvantages that come from hiring your own security, some companies still hesitate to put their trust in a third party security company due to the perception of a lack of quality in the security companies. Given the number of security companies that operate inappropriately this concern may be well justified. However there are enough properly run security companies that are capable and can be trusted to meet the company's security requirements. The challenge is doing proper due diligence, through the contract process, to ensure you are considering the properly operated and trustworthy security companies. Of course the security company hires people and people do make mistakes. Even a properly operated security company can have a "bad apple;" the same "bad apple" can also arise when a company hires their own security. The difference is when a bad security officer surfaces in the outsource security company you can inform the security company that this officer can no longer work on your premises and the officer is replaced straight away; when you hire a bad apple you may be stuck with that person for a while or incur additional costs to get rid of him (or her); if you:

Terminate the employee it can be a timely process in which the company must repeatedly document (security) infractions and accept a marginal, perhaps untrustworthy security officer, or inadequate performance throughout this period.

Requiring the unacceptable employee to resign often has additional redundancy costs associated with the process

The potential for a "bad apple" is an additional disadvantage you incur when hiring your own security officers. If an outsource security company assigns a "bad apple" to your premises, you merely advise the company and the officer is gone straight away with no additional risks or associated costs. An overview of the advantages and disadvantages of in-house security is on the following page:



Advantages

- More control of security
- Security more loyal
- Security more reliable

Disadvantages

- Added costs
- Company assumes 100 % liability in all incidents and emergencies
- Company must also purchase security equipment
- Security becomes too close to company staff security role thereby potentially compromising their
- Back of House must assume additional tasks to recruit, screen, train, equip a new department
- Company has no internal capability to meet increased requirements, risks, or threats in an efficient manner
- Company cannot readily get rid of bad security officers

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Normally it is prudent and more cost-effective for a company that does not perform security as one of its core functions to outsource security to a third party. The challenge is find the appropriate and properly run security company.