

Big deal, or no deal?



Peter French
– SSR Personnel

There are some enlightened procurement groups but in the main the process is driven by savings and sometimes just the desire to change. The quality for money view for product might have justification, such as guaranteed future proofing, open architecture, technology leverage and adaptability. Where do we sit guarding vendors who aspire to quality but can be undermined by their competitors reducing margins? It is relevant that the ongoing consolidation happening throughout the security industry sector is just volumising, preventing re-investment, which leads to deterioration. In the technology environment manufacturers have to invest in their R&D, as you can be a world leader today but behind the pack tomorrow.

This can be no more noticeable than with our mobile phone technology. Do you have difficulty in understanding if phones are really a camera with 10m pixel (10 times the pixels of CCTV cameras) or with 42,000 applications they are a life style tool that communicates. But if you are procuring are you interested in fancy design or robust 100% 365 service? Therefore the purchasing process has to be constructed around the client's core concerns and vendors need to show intuitive

If you are providing security officers, sensible rostering should lead to productivity enhancement, does it, can it? If investing through training does this really deliver more motivated individuals? With GPS technology is its deployment more relevant than control systems? With companies now fully integrated between people and systems you can predict visitors and staff behaviour. This leads to a better understanding of security incidents and what could be a more effective response. Flexing overheads are a major criteria for the procurement team. Through shared services this might be achieved if the basic levels of service or technology input are consistent between clients.

There is no doubt that the procurement processes are slick and that a level playing field is created when key components are specified in value or output performance. That still leaves creative temperament, just like a recent venter who deposited £500,000 with their new client and effectively bet that during the life cycle of the contract they would make that in savings Apparently the first time that had been tried with that procurement team.



Alex Carmichael - BSIA

Throughout the recent period of economic uncertainty, cost cutting has been at the forefront of many business agendas, thanks to tightened budget restraints and pressure from senior management to demonstrate return on investment. Security services are often the first to fall victim to financial cutbacks, and with purchasing decisions increasingly being made by procurement specialists who in the main have little or no prior knowledge of security, it's easy to see how this can happen.

How can end-users and suppliers make the procurement process easier? When it comes to contracting or providing security/BC solutions how can the negotiation and purchasing process be made smoother?

The perception of value for money can differ significantly between security experts and procurement professionals. From a procurement perspective, value for money is reflected solely in the overall cost of a service and its return on investment (ROI), in the absence of another reliable indicator to help them differentiate between the many companies that offer security services.

Those with experience in security might take into account the overall quality and long-term benefit of a service, whereby there may not be a short term saving but with the expertise of a quality organisation, future savings and efficiencies can be made. In other words, looking at the holistic solution rather than simply comparing like-for-like costs can have significant long-term business benefits. Without expert knowledge or security expertise, procurement professionals might find it difficult to base their decisions on anything but cost.

It's also important for businesses to remember that choosing a security company on the basis of cost alone can have some hefty repercussions. The best providers bring real insight, know-how and enthusiasm to their work, which ultimately translates into better security, the delivery of a solutions-led approach, and ultimately lower costs. And, on the subject of costs, it's worth noting that lesser providers may initially appear cheaper but, because they do not or cannot deliver the benefits mentioned, they invariably end up costing more. Primarily, it should be borne in mind that all security companies face a few basic, unavoidable costs. Equipment, Uniforms, training, holiday, sickness, licensing and a basic rate of pay must all be covered by the cost charged to the customer, so it's worth considering what may have been cut back by cheaper services in order to drive cost down.

It may also be worthwhile for procurement specialists under pressure to demonstrate ROI to consider the negative effects of security cutbacks. The presence of security, including security officers on-site serves as an effective deterrent against crime, without which the business could be exposed to significant financial loss through theft or vandalism.

The BSIA would advise anybody responsible for the procurement of security services, first to consider the risk to their business if their premises and assets had a security breach. Secondly to seek advice from a security expert, whether this is from an independent security consultancy or a security company. Lastly to assess what the necessary security requirements are to protect the



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business. If customers do these three steps, then the negotiation and purchasing of security will be smoother.



Mike Cripps – Insafe International

From a security and business continuity supplier's perspective, I believe the procurement process has become more difficult in recent times due, in part, to the current economic climate and expectations that suppliers will buckle under pressure and provide the lowest possible price. End-users are now far more likely to open negotiations with questions regarding 'unit costs', rather than enquiries about the quality and reliability of the product they may wish to purchase.

That said, I fully approve of obtaining value-for-money, after all I am a businessman myself.

Clearly when dealing with current clients the process becomes somewhat easier. As an existing supplier you will have either proved your company is consistently reliable or not - if the former applies then further negotiations will be built on previous performance and negotiations will tend to be less onerous.

A few years ago I listened to Professor Martin Gill deliver a presentation on the Security Research Initiative (SRI) document entitled 'Demonstrating the value of security' in which he highlighted that one of the problems for procurers was that the security industry did not show how it added value and, therefore, tended to be viewed as an unwelcome cost.

Further research by SRI revealed that some of the key issues that undermine the purchase of effective and appropriate security include: Whether those that quote the minimum price can deliver on all aspects of the contract; What you can get from a good supplier that you will not from a bad one; The nature of security risks and the precise impact that security measures can make; The benefit of using accredited suppliers; The need to check the veracity of tender documents; Why an overarching security strategy is important; How to get behind the sales pitch.

Not only was the presentation of immense interest, but I found that many of the findings accorded with my own views regarding the provision of security equipment and services. Of particular note for me were the issues around whether suppliers that provide minimum prices can actually deliver, additional services that can be obtained from a good supplier rather than a bad one and the benefits of using an accredited supplier.

The other key issue was presenting clients with clear evidence that the implementation of an overarching security strategy would indeed add value to their business rather than be a drain on their budget.

For me 'trust' is the keyword. Trust on the part of the customer that they are always going to receive quality approved equipment, excellent customer service and an expeditious back-up service if something does go wrong. Trust on the part of the supplier that they will receive fair value-for-money for the goods and services provided, receive payment in a timely fashion and only be expected to perform the impossible if given sufficient notice.

With twenty-five years in the security business I have been involved in many negotiations for the procurement of equipment and support services and can say without doubt that the process is made far easier if there is an element of 'trust' between the client and supplier.

It may be that the procurement process will involve a

little extra time to develop that trust, but the outcome will be one that both parties can rely on with a full understanding of the nature of the business relationship.



Richard Bailey – Advance Security

The procurement process is more or less set in stone. It's been this way for as long as I can remember and – aside from reacting to specific trends – it's not going to alter in the foreseeable future. That said, in the main it works, so what's the sense in change? I don't think there is anything to be gained from pushing for a complete overhaul but it is certainly useful to step back and review procedures from a client and supplier perspective so we can collectively recommend improvements.

Price will inevitably crop up as a talking point – tendering activity is after all the lifeblood of the industry and cost a key driver for the client. But for me that shouldn't be the main focus. It's far more important that the deciding panel is following processes that lend in achieving the right balance between cost and quality of service. To this end, we tend to find it works best when there's a figurehead from both a procurement and security perspective involved. If finance takes the lead it's likely that a decision – which will ultimately impact on an organisation's long term security provision – will be based solely on the balance sheet. But involving too many people can be equally as problematic as letting a single department have disproportionate representation. In the worst case scenario there can be as many as 10 – 12 people from all different parts of the business and without a lead it can be a time consuming, expensive and even more confusing process for all parties.

When it comes to the nitty-gritty we all know the time and cost implications. No need to dwell on the necessities. But there a couple of issues that frequently crop up that could easily be rectified through greater co-operation on both sides:

1) Missed deadlines only drag out an already lengthy process. It would be better to work to set timescales, which are realistic but challenging.

2) It would also help to be given more boundaries in terms of word count, content and format. This would mean that clients could make a like-for-like comparison between potential suppliers. Similarly, suppliers should be asked to provide an intelligent pricing breakdown – separating wages from operational costs and overheads from profits. Not only can companies scrutinise competitive quotes more carefully but the supplier can ensure – if successful – that the business is secured at a profit.

3) Introduce too many boundaries, however, and there's a risk of becoming too regimented. Organisations operating very rigid scoring matrices need to try and introduce as fair a system as possible so that the right marks are allocated to the right sections. To go over old ground, price is important but it should be given the appropriate weighting and not positioned as the be all and end all.

4) Suppliers need to be granted sufficient time on-site to fully understand the contract requirements – not just in terms of the challenges to security but also the culture of the organisation. Tying into this, client and supplier should both endeavour to take an open and honest approach throughout the whole process. Only then can the supplier fully understand the issues and

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objectives to provide a tailored solution that addresses any security threats head-on.

5) Indeed, any good tender process should invite suppliers to submit alternative ideas and solutions to enhance their security provision. This shouldn't dominate the response but it should be included as a point of difference. Likewise, there would ideally be a section allowing security companies the opportunity to demonstrate how the wider scope of their business could add value. Without inviting this information, clients could be potentially missing out on the opportunity to develop and strengthen their security through innovation, while still keeping costs at a manageable level.

So, having painstakingly progressed through the multiple procurement stages, what next? Fingers crossed it's a done deal. But if it's disappointing news, now should be the time to take stock. All too often we – as security professionals – move onto the next big thing without evaluating what went right, what went wrong and what we can do to improve our chances of success. If invited, clients should be willing to deliver detailed feedback to those shortlisted suppliers and we should be eager to take on board their advice. Constructive criticism can only be a good thing. It's a two-way street and successful or otherwise we should never miss an opportunity to learn from each other.



Stephen Adams – BAFE

There has been so much effort, legislation and advice put into ensuring that any seller/purchaser relationship is successful that there should never be any problems.

However as we see time after time, poor quality services are still rife. Just like bad driving habits, no purchaser ever admits to buying on price alone, but it still happens and will probably get worse as the financial constraints of the ongoing debt crisis worsen.

Purchasing and selling services in the security and BC (in my case fire protection services) markets becomes even more difficult, because like all essentially 'insurance' based services, they are not valued by staff or customers, generally cause hassle, make no direct contribution to the bottom line and the Finance team don't really understand them. That is until they are needed! Alarm signalling that is not properly handled when it activates, the extinguisher that doesn't work (or worse does work, but the staff don't know how to use it) coupled with a BC plan that has not been tried are the ultimate cost penalty to the organisation that gets it wrong.

The only way to make the process easier is to get a proper understanding by both parties of what is required and the cost options to meet this need. Legislation and building regulations in the fire industry are well defined, but the means of achieving them are less clear. The Regulatory Reform (Fire Safety) 2005 placed a considerable burden on the 'responsible person' for a building and it is up to the professional fire safety industry to advise and sell responsibly to help them. There are still too many unqualified, unaccredited and unscrupulous providers of fire risk assessments, alarm systems, extinguishers, passive fire protection products etc, who do not design, install and maintain properly and then disappear at the first sign of problems. It is little wonder then that purchasers do not trust suppliers and end up going for the cheapest option on the mistaken idea that they are all as bad as each other!

Unlike in other industries (such as gas or electrical installation), or perhaps because of their experiences, there is little likelihood that there will be statutory backing to certification schemes and so having a practical means of assessing the credentials of a supplier does offer a smoother path to purchasing reliable services. Even here there is a danger of a proliferation of 'assurance schemes' that identify suppliers and contractors as having proper controls and business practices. The original concept of BS5750 and then ISO 9000 was to provide a common quality mark, but this is now only a benchmark.

Buyers are often faced with so many quality logos that they are unsure of the value of each and they all add to the costs of the supplier as he is required to meet a new standard, often duplicating others. Perhaps it is up to those of us who seek to ensure that quality is highly regarded by both suppliers and purchasers, to have a closer liaison between our specialist fields, recognise areas of overlap and provide to all parties a clearer and more value driven route to quality recognition schemes. If we can have a 'joined up government' could we have a joined up quality regime?



William Freear – Pilgrims Group

Talk to many a sales person and they'll tell you how often a supplier/prospect relationship is going really well. After several months and many meetings, a mutual respect and level of understanding develops between the two parties.

This is because sales have practiced the art of understanding the client's security objectives and business needs and have subsequently proposed a solution which is a perfect operational fit. In turn, the security manager/BCM has embodied the solution to his/her budgets and formulated plans to reduce costs and improve security/BC strategy. Happy days.

Then, at the eleventh hour, the client processes dictate that they wheel in the purchasing manager to add value, and the whole thing gets tight, difficult, protracted at best and out to competitive tender at worst.

Talk to many a procurement manager however, they'll tell you that, provided that sales engage the procurement department early to take an active role in the negotiations process, many of the downstream problems can be avoided; not least because procurement become involved in the relationship with the client. Procurement develop the mutual understanding and will seek to make black and white, some of those areas that sales may prefer to leave grey.

All that procurement management, the owners of the buying process, are trying to do is to scratch beneath the level of understanding. They are picking out the grey areas that post-sales functions may consequently have to wrestle with.

They desire that both parties, the supplier and the client, have a clear understanding of the terms and conditions, what is going to be invoiced, when, what is included in the sale and, moreover, what is not.

Can it work? Yes. When we have complex security and business continuity opportunities, we engage our finance and procurement teams early. This brings relationships out to the front and allows exactly the above. It leads to the avoidance of seemingly unnecessary and draconian measures and turns the deal breakers into deal makers.