

OUT SOURCING OF SECURITY SERVICE BY MULTINASIONALS

by [Ramli Bahari](#)

INTRODUCTION

1. In the late 90s, many companies based on business needs and decisions, showed significant interest in outsourcing the security department specifically as companies search for ways to reduce costs and improve focus on their core business.
2. Here I am today, not as an expert on out-sourcing but as one whose department, right at this moment is undergoing the process of out-sourcing. It is a delicate situation because we are about to change the lives of those who stood with faith and full of admiration of the company that they have serve for years. There are multitude of issues and elements of perceptions, great expectations and disappointments to deal with. It is a unique situation because I have a double role to play with i.e. one for the company and at the same representing the security team whose loyalty has never ever been questioned.
3. The topic today will be sub-divided into the following headings;
 - a. Current security organization models
 - b. Motorola Kuala Lumpur experience
 - c. Legal considerations
 - d. Concerns and challenges
4. In October 2000, I was presenting a paper on “The Future Trends Of The Security Industry” at a security seminar in Kuala Lumpur. From the inputs of my colleagues - the security professionals and practitioners in the industry, I was able to visualize the changes and patterns, which are important, to the industrial security scenario in Malaysia. At that time, I was skeptical myself whether it is going to happen to my own organization and we have been successful to shelve the out-sourcing program for some time, for a reason best known to all security practitioners.

CURRENT SECURITY ORGANIZATION MODELS

5. Let me share with you the interesting discoveries and the current trend as (Fig.1) of our security organizations in the multinationals as in year 2000.

Current Security Census Model 2000

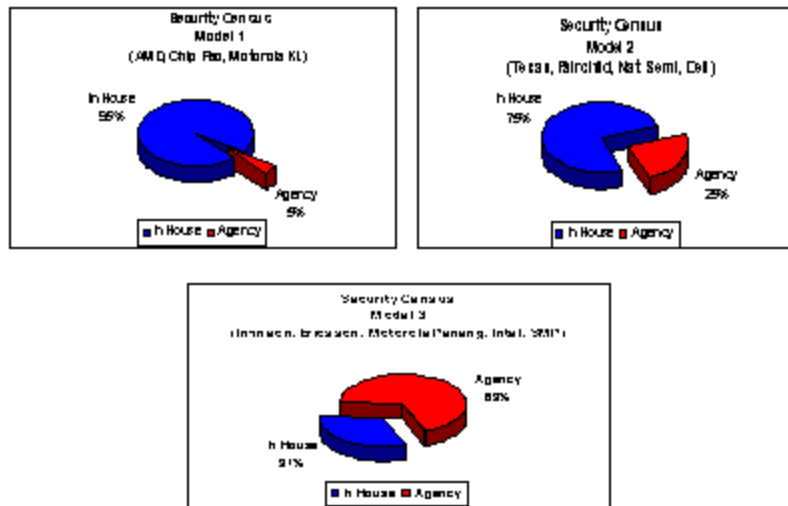


Fig. 1. Current Security Organization Models

6. Obviously there were 3 noteworthy models that you can see in the market. They are in the in-house/agency percentage ratio of 95:5, 75:25 and 31:69 put together from the data collected at the various multinationals. On the other hand, there is also the 'hybrid staff' combination of in-house personnel and contract employees model on a similar ratio. However, the definitions of contract needed further clarification to differentiate the concept i.e. contract for service and the other is contract of service.

MOTOROLA KUALA LUMPUR EXPERIENCE

7. With a strong conviction and belief that in-house security is still the best for the industry, I continued to champion that need to the local management, which fully supported the idea as nice to have. The models were then created and designed to meet the self-fulfilling prophecy, which can be achieved through the anticipated process of attrition e.g. resignation and retirement etc. Of course my alternative option is towards the "hybrid" staffing (Fig. 2) as the Penang team has been successful with it.

Motorola Kuala Lumpur Security Census Model

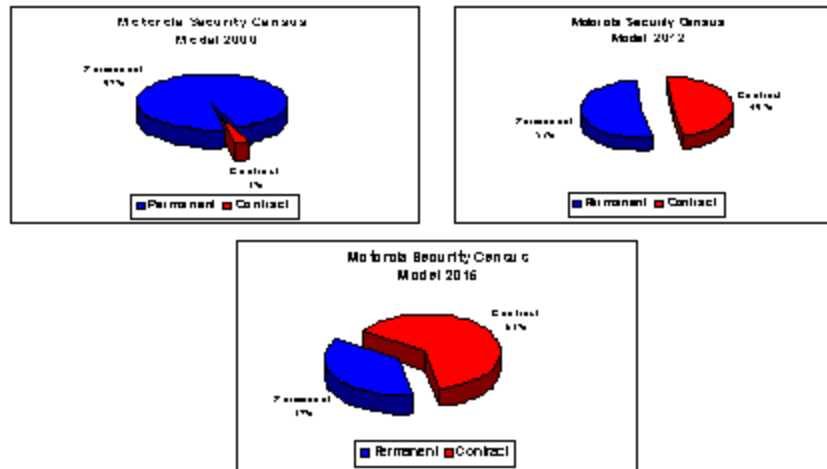


Fig.2 – The Hybrid Staffing Model

8. Anyway, businesses do not operate in that manner more especially during the economic down turn with numerous uncertainties. The plan to out-source was eminent in the early part of the year. Therefore the subject that I have today fit the occasion, as I am about to implement the out-sourcing project, scheduled to be completed by end of the year. It is distressing because we are going to do things which will have greatest impact on lives of those who have worked so hard to be with the company to protect its profitability.

9. This announcement, which is to take effect from 1 June 2001, is not a surprise as there were similar exercises ahead of us at other sites in the US and other parts of the world. For our sister company in Penang, they were already operating at the 90% contract mode for some time. It is a major impact to our Kuala Lumpur site that has its in-house security organization since it was first established.

10. In pursuit of this top-down decision, elaborate preparation were needed to ensure the smooth transition and at the same time to retain the quality and continuity of service that the company has enjoyed over the years. The traditional out-sourcing model, the security provider is responsible for making sure their team delivers to meet the expectation set by the client.

11. The current trend is more inclined towards a collaborative security provider-client relationship. This structure regards the security provider as a partner who plays pro-active roles through innovation and collaboration towards achieving quality services, solutions to related problems as well as the overall effectiveness of the security program (Fig.3). Future Model 1 may have the ratio of 30:70 or 20:80 and in Future Model 2, whereby

20% of the in-house may be further reduced when the agency totally takes over the supporting security systems.

Future Security Census Models (In-house : Agency)

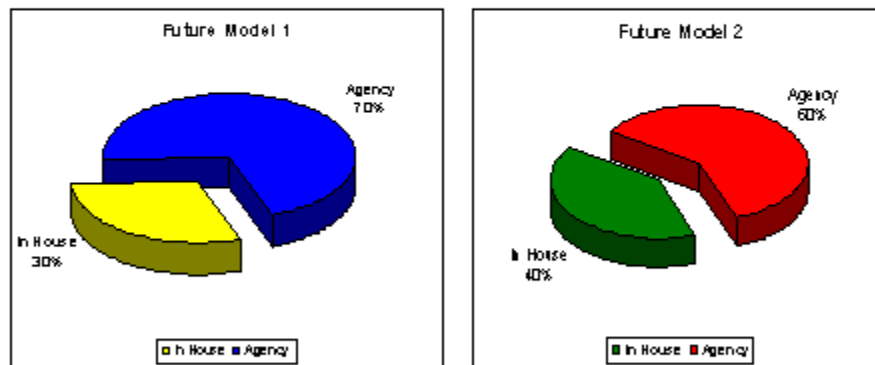


Fig.3 – Future Models 1 & 2

12. Another element that is closely related to the out-sourcing trend for the security services providers is vendor consolidation initiatives i.e. the systematic programs to out-source various services to a smaller number of providers or a single national or global security vendor. The services include the other security officers, alarm monitoring/response, pre-employment screen, investigations, surveillance, cargo/supply chain, executive protections, crisis management, business continuity planning, drug-free workplace program and many others. Fig.3 – Model 2.

13. Project management was the appropriate process to get to the objective within the prescribe timeline. The Project Initiation Document spelled out its sponsors, project leader, the overall objectives, strategy, resources, risk evaluation, milestones with its key deliverables which included the followings:

- a. Identifying the security and non-security functions that need to be out-sourced. There was a need to determine what functions or services that require total reliance on the vendor or strictly in-house or the combination of either sourcing strategies; or totally new ownership.
- b. Identifying the potential security providers, due diligent checks, benchmarking the industry standard, short-listing and naming the back-up provider in the event of non-performance issue.

- c. Develop costing, review benefits and final selection of security provider.
- d. Preparation of contract and awarding the successful vendor.
- e. Announcement of the termination benefits (inclusive of its offer, acceptance and its cooling off period) be it voluntary severance or in-voluntary severance program.
- f. Planned systems orientation, transfer of skills and on the job training (OJT).
- g. Adopting the right approach on integration program special emphasis on cultural, behavioral and values inculcation for smooth transition.

14. Due diligent efforts were made to partner with suitable security provider for this service. A local based security provider has been selected to take over the specified security functions as per the agreement. In short, the agency will provide the contract head-counts but the In-house security management will manage its operational aspects.

15. In this exercise, the security department will retain 7 employees as in-house security personnel (1 manager, 1 section head, 4 supervisors and 1 receptionist). Employees affected will be compensated accordingly based on Motorola termination policy.

16. It is the policy in Motorola that employee is not allowed to be in the facility without the proper authorization after him or her leaving the company for whatever the reason is. We have successfully negotiated to obtain a waiver on the cooling off period for our security department in order to facilitate the opportunity for them to return to work at the Kuala Lumpur Motorola site if they are hired by the above-mentioned agency. However, those eligible and interested are required to apply for employment with this company.

17. We encouraged all personnel affected to seriously consider this opportunity to continue serving Motorola though under a different banner but with similar working environment, conditions and a familiar culture. Their skills and experience is well-recognized strength and sought after by the service provider. A favorable minimum base pay awaits them as an incentive and a gesture of partnership by the security provider.

18. To execute this plan, the transition plan will occur on a staggered basis, phasing in and out on a month-to-month basis so as to provide service consistency and continuity. We would expect the transition to be completed before December 2001. The transition is scheduled as follows:

May June July Aug Sep Oct Nov Dec 2001

Out-Source - 4 3 3 3 3 3 3

Head Count 29 25 22 19 16 13 10 7

Agency 6 10 13 16 19 22 25 28

Note: Will exercise flexibility on the exit priority basing on needs and urgency.

19. Although the transition period may take quite a while to achieve, we expect a congenial relationship to grow between our existing security team and the new faces from the agency security services. In the beginning we foresee, resistance and possible skirmishes. We seek to get the continuing help, tolerance and cooperation from all involved in this exercise in order to get the best benefits from the deal. We have strongly emphasized the need to pursue the project in the best interest of all Motorolans involved in this exercise.

LEGAL CONSIDERATIONS

20. Legally speaking, a company has every right to organize its business in any manner for economic purposes and for reasons of convenience provided it is done in a bona fide manner. However, where the decision to reorganize is tainted with bad intention (mala fide), the action of the company may be intervened by the authorities including the Industrial Court.

21. The new owner of the part of business privatized may offer employment to the existing employees in the said department. In the event the offer of employment is within 7 days from the date of privatization or take over and on terms and conditions not less favorable than the existing terms and services continues, the employees would not be entitled to termination benefits if they unreasonably reject the offer. However, if the above said conditions are not part of the offer of employment, your company would be obligated to pay termination benefits to the employees.

22. Employees who are not happy with the privatization carried out by the company may challenge the action as amounting to dismissal without just cause or excuse and may seek for reinstatement under section 20 of the Industrial Relations Act.

23. If the company is able to prove that the decision to privatize the department is bona fide and enough consultation and negotiations are carried out with the affected employees before the privatization, the authorities including the Industrial Court may agree with the company's decision to privatize in the event the company's action is challenged by the employee.

CONCERNS AND CHALLENGES

24. What are the concerns in the implementation stage? Right now, the obvious are as follows:

a. Handling stress, emotion, anxiety and fear experienced by the impacted in-house security officers in the drastic change that are affecting their future, career and most importantly the interest of their family members.

b. Credibility and ability of the security provider to meet the expectation of the clients in terms of quality and continuity of services.

c. Ability of the security providers to conform to the legal needs and fulfilling their obligations and commitments to the in-house security personnel that they absorbed.

d. Acceptance, concerns and tolerance level of the client's internal customers towards the change.

e. Whether the security providers can provide people with the right chemistry. Conformity rather than creativity is encouraged in the initial stage.

f. Adjustments and integration period for both sides (different cultures and values) to work as a team.

25. For the in-house security personnel who chose not to be rehired to serve at the Kuala Lumpur site, they will be given the opportunity to attend the Motorola assisted program known as Motorola Career Management to get the right orientation to the changing career landscape as well as applying the key business concept to realize the short and long term goals. The Motorola Employee Assisted Program will also provide the necessary counseling session when required.

26. The trend of out-sourcing by the multinationals certainly is a welcome opportunity for the security providers in Malaysia. Are they ready and geared for this high-end assignment; and what it takes to capitalize this challenge?

27. Closely related to the vendor consolidation initiatives, there is a great tendency for the corporation to identify strategic security providers or suppliers that can provide a broad range of related services across a wide geographic area or even globally. Another exciting challenge for the potential security providers in Malaysia.

28. I have discussed with many security practitioners who have expressed a mixed feeling as to whether out-sourcing the security department, the so-called business partner is the best and the right strategy. Losses are not the actual concern when the company is obsessed with its cost crunching exercise. Do we have other option then? From the financial perspective, this project is a go when it can reflect a substantial savings. At what dollar number and when is the break-even?

29. In reality, what have we compromised? What levels of risks are acceptable? Is the savings real? Do we lose credibility as consultants? These are the questions that are continuously directed to the out-sourcing plan at the initial stage. However, the project facilitates the management to use this option expeditiously to meet the business needs when required to do so.

30. Unfortunately, in the days of prevailing cynicism and unfettered desire to gain market share, a major challenge facing the security agencies is in managing negative perceptions.

What concerted efforts are required to go for a win-win situation? How can the in-house security management and the security providers' teams collaborate to foster mutual benefits on knowledge sharing and essential skills towards achieving professionalism in the security industry?

31. Where is the security industry in Malaysia heading? Is the direction set upon by the authority will be favorable for the security business in terms of its growth, perception and its ability to adapt to the fast changing expectations of the customers.

32. What about the in-house security organization at our local corporations in Malaysia? Would the out-sourcing trend experienced by the multinationals have any significant impact on these corporations? The big question mark is whether globalization and liberation have really anything to do with this.

CONCLUSION

32. Personally, the out-sourcing plan was a tough business decision. In Motorola it is a decision that is 'no optionalism'. For many years, the security team have strive to achieve level of professionalism, given the assurance of its future and acceptance as a business partner; e-knowledge workforce. With rising cost, there will be not much choice - outsourcing would be the best thing to do.

33. Generally, most of the multinationals, which have adopted this strategy, are seen to have been successful in meeting the financial needs. Losses reported are minimal and quickly absorbed. The in-house security personnel handle the critical functions, mostly internal and the rest are taken care by the agency personnel. Companies have in most cases deployed both in-house and out-sourced service because they want to ensure business continues and recovers quickly whenever there is a security issue.

34. Intellectually, we are taking a step backward. Perhaps, the major consolation is that the in-house security personnel could shift their focus on their competencies in minimizing and reduction of risks at the management's acceptable standards.

35. Finally, there is a sure need to review, renewal and realigning the security goal to the business goals. The out-sourced security structure is the business requirement and it will soon be the trend as the industry standard of the future.

29 May 2001