

**MANAGERIAL PERFORMANCE FOR PRIVATE SECURITY COMPANIES**

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**ABSTRACT**

*Companies from the private security services area, like any other companies from the competitive environment, besides reaching operational and quality goals, also have the goal of making profit for supporting the employees and for the benefit of the shareholders. So, in this case like in many others, the two objectives are intertwined and interrelated. In this paper we will try to identify and underline the facts that influence the managerial performance of the security providing companies. Which are the trends noticed in the last years and how can managers consider them for reaching performance in this activity field. Which are the obstacles for this domain and which are the measures that can be taken for overcoming them? Has technology a decisive role in this domain or not? These are a few very important questions for the managers that are fighting to reach companies goals in the security industry.*

**KEYWORDS:** *security, management, performance, technology*

**JEL CLASSIFICATION:** *M19*

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**1. INTRODUCTION**

Security industry is one which globally has a very big activity volume, even if we talk only about physical security, without information security. This fact is proved by the annually revenue recorded by the companies from this domain and also by the number of employees. Only in Romania, in 2014, the market was around 500 million EURO (Capital, 2014), and in Europe, in 2011 the security market was around 35 billion EURO annually (CoESS, 1011). Globally, for 2013, the security market was estimated at 96 billion USD (The Statistics Portal). With a highly growing diversity, from year to year (passing from the analogical technology to the digital one, the 3G technology and also the 4G technology, the new IP based technology, the development of the video analysis software, etc.), the security services business faces, like many other economic domains, the need of reaching the operational goals and the effort of having a profitable business and in resonance with the last years Research and Development trends.

Our paper research statements are:

- Managerial performance from the private security providing companies is directly influenced by the technology integration level in the performed activity;
- Managerial performance from the private security providing companies is reverse influenced by the level of labor integration in the performed activity;

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## 2. STATE OF KNOWLEDGE

From this articles perspective we will analyze the state of knowledge based on three directions, which are: managerial performance, the security services and solutions and the link between them.

### 2.1. The management and the managerial performance

Measured with the performance indicators, the managerial performance notion is as old as the management activity itself.

The macro goals of the organization are in fact the most important and by their achievement depends the future and the trajectory of the organization. But there are a series of technical indicators (smaller ones but also important) that practically are the base of the macro goals, and which reflect only some parts and sectors of the activity.

Generally, the performance was defined in several ways. Romanian authors like Verboncu and Zalman define it like a special result obtained in the management field, economic field or commercial field etc. involving the efficiency, efficacy and competitiveness of companies and their procedural and structural behavior (Verboncu și Zalman, 2005). But actual corporate practice no longer sees it as a special result, but rather as a normal result whereby the company and its management reach its goals.

Another important aspect that must be mentioned about the managerial performance and company performance analysis is that there are two ways we can measure it. In the first case we have the analysis based on accounting and financial information, obtained from the company financial balance. This type of analysis is a financial one, and is based on the accuracy and the relevance of the data provided by the financial departments. In the second case we have a mixt analysis, based on financial information and also operative information, practical information or other kind (human resources information, logistic or operational information, etc.). Many times this kind of analysis is more useful and relevant in performance analysis.

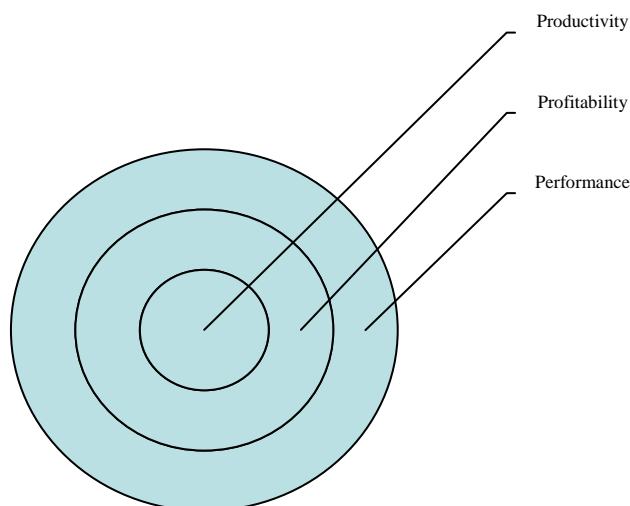
From a financial standpoint, according to the specialty literature, the financial performance of the companies can be analyzed on several levels (Borlea, 2009): the overall financial performance analysis (which include two directions, the evolution analysis and the structure analysis) and the analysis of the profitability rates (commercial profitability, the return and the market return).

For our paper what we consider to be important are the indicators that link the company revenue with the production and the employees number. Why this? Because in the security providing activity the employees (labor) are a very important part of the company resources.

Managerial performance, from a theoretical and practical standpoint is very connected with the manager term and notion. The manager is defined by the specialty literature as a sense integrator (Bucur & Mihai 2012), also linking and coordinating all the aspects of the activity (inputs, outputs, processes) with the purpose of achieving the company's goals. We will see in our case that managers are assimilated with the leaders (Bucur, 2012), having the role of transforming things and taking them to a new and in development age.

Looking to the company performance notion from an analytical standpoint, the literature is drawing a clear line between productivity and performance (Gruian, 2010). This way, based on the cause effect model, it is considered that a high productivity leads to a high performance. More, Tangen identified an intermediate step, defining productivity as being the fundament of profitability, and the profitability being the base of the performance (Tangen, 2002).

This fact is very important because in the following pages we will see how it helps us to identify those aspects that can support or not the performance in the private security field.



**Figure 1. From productivity to performance**

*Source: adapted from Tangen (2012)*

## 2.2. Security services and solutions

The companies that provide security services are companies that operate in the private environment and have as main activity the risk management. Because they are private companies, with various shareholders, from an economic standpoint their goal is to obtain profit upon their investment and activity.

Security services are one of the oldest activities found in the human society. Based on the traditional man guarding, they evolved and diversified in time according with the society development, the technology and the Research and Development status.

First steps were made in the same time with the development of electronics. Thereby, the development of television and of applied electronics led to the first security systems and close circuit television systems (CCTV). After that, technologies like IP, 3G or 4G communications or the passing from analogical to digital represented new steps by which this domain developed and diversified.

All these steps made by the private or public security to technology represented steps taken back from the use of human personnel (labor). If at the beginning the human personnel were exclusively used in security, its share decreased constantly (and is still decreasing).

Last technologies, like video analysis for example, tell their final word regarding the future of this industry. Heaving clear advantages, like lower costs, increased precision, more stability and safety, and also the very fast development, these new technologies continue to substitute labor.

Following the changes in the security market, we can see the trend of development to what we can call security solutions. Security solutions represent a mix between using labor and technology, for optimizing the security service from an operational and economic (financial) standpoint.

Another trend for the security market is the use of the security systems for covering other operational functions. This way, in some cases we have a synergy of the security systems with the marketing and business intelligence activities (Irimescu, 2015). This fact is seen generally in the IP CCTV systems with video analysis third party applications. In other cases, we have solutions for merchandising or logistics based also on video analytics.



**Figure 2. Video analytics functions**

*Source:* adapted from Irimescu (2015)

### 2.3. Management performance for security services

In the private security services activity the managerial performance can be identified and quantified through two types of indicators. First we have operational indicators regarding the provided security service and second we have financial indicators (if we look at this activity as to a business).

Regarding operational indicators, generally the main indicators are those ones that report the number of events (incidents) to various measure units of activity. This way we can have the number of incidents reported to the number of guarding positions or to the guarding hours (period). Based on the same idea we can have the number of incidents reported to the value of the losses caused by the security events. We can also have the losses value reported to the guarding positions, to the number of guards or the number of guarding hours (period). Regarding monitoring and intervention services (part of the private security services) we can have a SLA (Service Level Agreement) for monitoring the intervention time reported to the intervention time agreed in the security contract. Another example is the number of security incidents reported to the number of locations monitored, the number of incidents finalized with burglary reported to the number of locations, the number of stopped burglaries, etc. Regarding the security services for logistic and retail area we can consider operational indicators for reporting the stock and money movement related with the number of security incidents.

Through this kind of indicators the security services reflects its activity and operational features with the purpose of identifying the quality of the services, or the purpose of analyzing and finding practical conclusions. The specialty literature calls this kind of indicators security metrics. Security metrics are highly influenced by the industry / activity where they are used. If an indicator is very useful for an industry, is not necessary to be as useful in another industry (Wailgum, 2005). Security metrics can be used in case of providing security service as a business and also in case of providing it as a corporate activity with no direct profit.

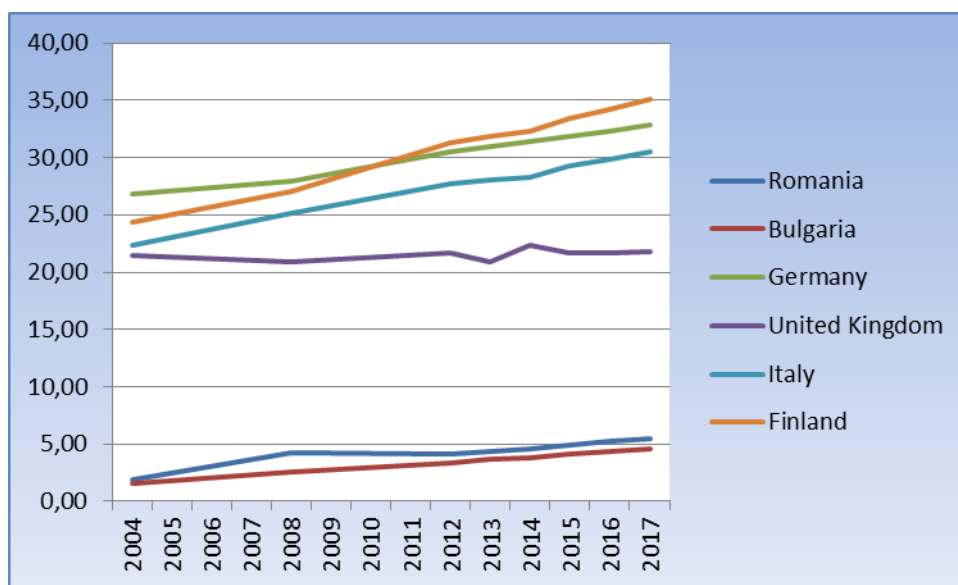
Regarding financial indicators, the security activity can report the net results to the involved resources for the activity. As labor is one of the most important resources in the private security activity, the main focus can be on it. In other cases, the focus can be on other assets involved in the activity, like security systems or devices or software. If we consider security a business, we will consider the profit resulted reported to the used resources. But if we consider security as a corporate activity with no direct profit, we will consider the use of ROI (Return on Investment) indicator and we will analyze the reduction of loss reported to the used resources. There are also other financial indicators for security, more from the corporate security activity approach, like Total Cost of Ownership - TCO (cumulating the purchase cost and the operating cost), or Annualized Loss Expectancy – ALE (Fitzgerald, 2008).

Returning to the triad presented in the previous chapter – productivity, profitability, performance – we underline the fact that these indicators can reveal the productivity level of a security system, and some of them even the level of profitability (for example ROI). This way we have the premises of finding the level of performance of the analyzed activity.

### 3. TECHNOLOGY VERSUS LABOR

Considering all the afore-mentioned, we will try to identify logically the way that technology and labor can influence the performance of the security activity. But to see how they influence the performance, first we must see how they influence the productivity and profitability.

Considering the paper Business Development Challenges for Security Industry – The Classical Market and The New Technology Market published in 2015 by Irimescu, we can notice the fact that we record a trend of migration from labor to technology in the private security activity. This fact is based on the increasing costs with labor while the technology costs are constant or even descending. The above mentioned paper reveals a constant growth of the labor costs in the last years, in almost all countries in Europe, having also an ascending trend for the next few years.



**Figure 3. Labor costs per hour in EUR, 2004-2014 whole economy excluding agriculture and public administration and forecast for 2015 - 2017**

Source: Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly\\_labour\\_costs](http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly_labour_costs), Adapted from Irimescu 2015

The way this fact influences the triad productivity – profitability – performance is:

**Table 1. Productivity, profitability and performance**

<b>Productivity</b>	<b>Profitability</b>	<b>Performance</b>
Increasing	Increasing	Increasing
The operative result increase because of the advantages brought by technology, like high resistance of the security devices and systems, their safety or durability. In similar risk conditions the security level of the security system is increasing.	If the operative productivity (security level and result) is constant or increasing, and the costs are decreasing because of the labor replacement with technology, the profitability is increasing.	If the productivity and profitability are increasing, the performance is increasing.

Based on the above mentioned aspects we can see that the managerial performance for the private security companies is directly influenced by the technology integration level in the security solutions and reverse influenced by the level of labor usage.

#### 4. CONCLUSIONS

In the private security industry the level of performance is directly influenced by the technology usage. It is very important to combine technology with labor for having an increased level of productivity, and then an increased level of profitability and performance.

This is the trend that managers must follow for obtaining productivity and operational result for customers and profitability and performance for shareholders.

We previously mentioned that the leaders are the change generators, and not only simple managers. To obtain performance in this industry you have to be a leader, because the constant change is a part of the day to day activity, and only by managing change you can survive in this market.

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