

PROTECTION OF ASSETS

SECURITY MANAGEMENT



CHAPTER 1

ADMINISTRATIVE MANAGEMENT PRINCIPLES

1.1 OVERVIEW

Security managers are, as the name suggests, both security specialists and business managers. Most of *Protection of Assets* focuses on security-specific issues. However, to serve their organizations effectively, security managers must also understand business principles. With that knowledge, they can organize their efforts in a way that best supports the overall vision and mission of their organization. Without that knowledge, they may focus on security as an end in itself. Security managers who understand business are best positioned to collaborate with top management and to turn their departments into valuable corporate resources that support organizational success. Effective security managers are those that are recognized within their organization as business partners.

In any business, people work and interact to produce a product, service, or both. This interaction leverages the labor of individuals to enable the business to realize a net profit that supports investors, managers, customers, and employees.

At some point a business must determine the type of product or service to sell and how to develop, deliver, and finance that output. To manage this process successfully, managers and owners must employ practices that support the goals of their business. They must also develop metrics that define success and support business decisions. Ultimately these practices aim to define business success not only in the near term, but also over the life of the business through quantifiable metrics.

Two hypothetical food service businesses illustrate these themes:

Expensive Italian restaurant. A famous chef opened a high-end restaurant to serve business clientele in a fashionable downtown district. He realized that his revenue per plate must be considerable to support his location and staff and generate a profit. The restaurant's servers now provide exquisite customer service; cooks prepare the food with the best ingredients and attention; busboys keep the tables neat; and management coordinates and supervises their efforts. For this high level of service, a premium is charged. Customers are willing to pay because the restaurant provides a continued level of exquisite service and excellent food quality. As a result, the restaurant hosts a constant flow of high-profile professionals during the evenings.

Inexpensive quick-service restaurant. Several blocks closer to the downtown offices, two young entrepreneurs saw a gap in quick, inexpensive food options in the area, so they opened a large, low-cost American fast food franchise. Understanding that providing a cost-effective lunch option would require large volumes as a result of the thin profit per meal, the owners marketed the restaurant heavily in nearby offices to generate the necessary customers, who now shuffle in and out quickly with inexpensive food during the weekday lunch rush. Further, the restaurant captures some late-night business from people working late and others heading out to nearby nightlife. The customer service is limited, but the food is tasty and filling, though not of the highest quality. Management focuses on quick service and a basic level of cleanliness and customer service. The restaurant is constantly busy serving customers who require food quickly so they can be on their way.

Which of the two restaurants is more successful? The Italian restaurant earns more profit per plate of food than the fast food restaurant, yet the fast food restaurant can serve significantly more customers. The success of each restaurant is determined by its management practices and expectations. The management of the Italian restaurant wants the establishment to be a premium dining facility serving customers looking for a high-end product. The fast food restaurant, on the other hand, is focused on people who are busy and need a quick, inexpensive bite to eat.

Both businesses can be considered successful because their management-defined business processes support the restaurants' specific purposes. The managers understand the types of customers they serve, the financial requirements of the business, and ways to coordinate staff efforts.

The following example teaches the same lesson differently:

Paper products company. The executive committee at a paper products company decided to invest heavily in high-end manufacturing equipment targeting local firms with an interest in printing marketing material. The company mainly produces letterhead, stationery, and basic business cards. After installing the equipment and setting up the production process for potential orders, the executive committee found that sales were not meeting the required levels for profitability. They had failed to see that their customers (local companies) were migrating to Web-based marketing and were limiting their use of printed marketing materials. As a result, the paper company began to realize losses in its new division.

Clearly, a business must understand its purpose and create management practices that support it. To define the business purpose, management typically writes a business strategy. To implement that strategy, management develops appropriate administrative practices.

1.2 ORGANIZATIONAL STRATEGY

The organizational strategy (also called a strategic plan) is set out in writing by a business unit's top leadership. It does not focus on day-to-day operations but provides a general direction. The organizational strategy is the fundamental template for direction that defines and supports long-term goals.

The organizational strategy serves as the foundation for developing business processes. Those processes should support the overall business structure required to meet the organizational strategy. Key metrics and performance indicators can be studied to determine whether the processes accurately reflect the organizational strategy. Using this feedback, an organization can, if necessary, change the implementation of the strategy or even shift the strategic focus itself.

Defining an organization's overall strategic purpose is essential for developing company-specific management practices. The organizational strategy defines why the business exists and how it will maintain itself as a profitable, viable entity. Answering these questions requires looking at the business not only in the moment but also three to five years out.

In developing an organizational strategy, it is helpful to ask such questions as the following:

- What markets does the business want to serve? Are they narrow or broad?
- What products do those markets require? Is there stiff competition? What are the technological costs to develop and sell the products?
- Who will sell the products: the company, wholesalers, retailers?
- Will the company make money through low margins with high volume or high margins with low volume?
- What quality of product or service will be provided?
- How will the company be financed? What revenues and profit margins are required to sustain the business?
- What are the Strengths, Weaknesses, Opportunities and Threats involved in the business venture (SWOT)?

1.2.1 **DEVELOPING THE STRATEGY**

The first step is to understand the business and where it needs to be in the future. The current state of the business can be deduced by looking at products offered, markets targeted, and financial results. To determine where the company should be in the future, leadership must consider how the company can maintain its profitability.

Comparing the current company and the desired future company, leadership is likely to observe some distance between the two. If the company is already meeting leadership's vision, the organizational strategy can be minimal, merely capturing existing practices to maintain and adjust them over time. If the company's current state is far different from its desired state, the organizational strategy will play a greater role in setting the corporate direction.

1.2.2 COMMUNICATING THE STRATEGY

Once a strategic direction is understood, it is essential to capture that direction and communicate it effectively within and outside the organization. The following topics can help communicate the organizational strategy:

Vision The vision of an organization is a specific description of where the business will be in the long-term. The vision statement conveys a general understanding of the business, its culture, and its future goals.

Mission The mission of the business specifies its types of products or services, level of quality, and other tangible aspects of the business and its plans. This is a more concrete statement.

While the vision states objectives and business goals, the mission communicates business functionality and operational methods.

Objectives This statement includes the specific organizational objectives so that all involved parties can understand what needs to be done. The objectives should highlight specific goals that the organization wants units to achieve in terms of sales, market share, product differentiation, or other relevant metrics. The objectives must be SMART (Specific, Measurable, Attainable, Relevant, and Time-bound).

1.3 PRINCIPLES OF BUSINESS ADMINISTRATION

To meet its objectives and implement its strategy, a business must pay attention to its primary resource: its people. Effectively managing current employees and hiring new ones is essential. It is employees who will embrace the organizational strategy and execute its principles.

Management principles make it possible to tailor daily operations to support the organizational strategy. For example, if the organization wishes to redevelop a business unit and focus on an emerging technology as opposed to relying on legacy products, then the operational focus for human resources should be to find people who can support emerging technology.

Business principles define how an organization functions. Among the most important issues they must address are human resource requirements, knowledge management, and corporate structure.

1.3.1 HUMAN RESOURCE MANAGEMENT

The Human Resource (HR) department is one of a company's most valuable departments. A good HR department can find and keep high-level talent for the company and leverage that talent to maximum effectiveness.

While the HR department's daily focus is staffing, it also promulgates corporate policies and procedures to employees and provides training and performance measurement. In doing so, the HR department must align its actions with the overall corporate strategy.

Staffing

The most visible component of the HR department is staffing. Whether a company outsources staffing searches or handles them internally, it is important for an organization to understand how to conduct an effective job requirements analysis, thorough candidate profiles, and effective interviews and evaluations. It is difficult to assess a candidate based solely on a résumé and a single interview.

Staffing decisions should be measured against a detailed job requirements analysis. The analysis should be made not only by the manager responsible for hiring but also by other team members and organizational leaders. The position requirements thus developed must be narrow enough to be accurate but broad enough to include many good candidates.

How might this work in practice? In a hypothetical example, the head of security for a global manufacturing firm might need a security manager for corporate headquarters. The security manager would work with corporate executives, supervise headquarters security personnel, and in general ensure that the facility is protected.

The job requirements analysis addresses both direct and indirect requirements. The direct requirements are those that the candidate must meet to understand and function in the position. The indirect requirements are skills that will increase the candidate's likelihood of success.

The following are examples of direct requirements:

- certifications, such as technical or driving certifications
- education level, such as a bachelor's or master's degree
- years of experience
- previous job responsibilities
- knowledge of computer applications, such as Microsoft Word or Excel

Indirect requirements, which are less specific, include the following:

- leadership ability
- ability to multitask
- organizational skills
- communication skills

The job requirements analysis should weigh which skills are most valuable for the position. If a company needs a crane operator, the direct requirements may be more significant because of the safety issues involved and the skills required to operate a crane at an industrial site. However, if the company is trying to fill an engineering role, some of the indirect requirements may have more weight because of the need for the engineer's design work to interface correctly with that of other engineers.

Returning to the example of the headquarters security manager, analysis of the job requirements shows that the candidate must be able to ensure the physical security of the building, supervise security staff, and interact with corporate executives and high-level managers, who are the primary occupants of the building. The ability to handle the primary security functions is still the most valued requirement, but several other skills are also necessary, such as leadership, management, and interpersonal skills. The head of security will need to communicate these needs to the HR staff responsible for filling the position.

Internal recommendations are the best way to recruit a good candidate; most employees would not recommend someone they did not believe could fill the position. Also, hiring people who have worked with other company employees may help create a more cohesive team. To encourage internal recommendations, HR should post jobs in a way that effectively reaches an internal audience.

To reach a larger pool of candidates, it is useful to advertise the position in newspapers and online. To deal with the many résumés that may be submitted in response to a public listing, staff must filter the résumés and invite only the most viable candidates for an interview. One way to reduce this labor is to hire external recruiters.

Once candidates have been selected, it is time to prepare for interviews. To appeal to the best candidates, a company must impress them just as much as they must impress the company. HR should ensure that interviewers provide a thorough overview of the company and the benefits of working for that company.

The interviewer should also examine the candidate's objective capabilities and subjective fit with the team the candidate would work with. This latter measure is sometimes the more important one.

Policies and Procedures

The HR department must also establish policies and procedures to outline how business will be conducted at the organization. Policies cover items that the organization monitors and expects employees to conform to. Some policies are driven by government regulations, which differ for different types of business. Procedures deal with specific items—for example, how an employee should handle setting up vacation time.

Many types of regulations can affect company policy. In the United States, regulations related to the following should be researched:

- minimum wage requirements (federal and state)
- Family and Medical Leave Act
- Occupational Safety and Health Administration
- security regulations for organizations that handle sensitive government data
- building codes
- waste and hazardous material management
- drug and alcohol abuse
- harassment and liability issues
- corporate property use
- leave policies
- information technology use
- ethics

Different countries may have similar laws, and if conducting business abroad, the regulatory issues of such countries should be considered as well.

Policies should be useful and simple and should not overload employees. When developing policies, it is useful to work closely with the managers whose teams will be most affected by the policies. They can provide details of current operations and the probable effects of policy changes. Collaboration can also create management buy-in that increases the likelihood that policies will be executed and maintained. Compliance with policies can also be strengthened through training or certification that teaches employees the details of the policies and the consequences of violating them.

In addition to corporate policies, which provide broad descriptions of how operations will be conducted, specific procedures need to be developed so that employees will know how to react to various issues. Clearly articulating company procedures helps prevent confusion. These procedures should address a wide variety of topics and should be widely promulgated. Further, staff understanding of the procedures should be refreshed regularly to ensure that everyone is up-to-date and understands how to respond when an issue arises.

Procedures should encompass all topics that are important for daily functions. The following are possible subjects of company procedures:

- security
- inclement weather
- building evacuation
- filing a complaint
- requesting leave
- timekeeping
- purchasing
- corporate property rights

The policies and procedures should reflect the ideal functionality of the organization. They support proper staff behavior and lead to a hospitable, safe workplace.

Performance Measurement and Training

To aid employee development and retention, employers must review and reward employee performance and provide training mechanisms for employee growth. In today's working world, it is easy for employees to transition to other companies if they feel they are not being engaged enough or their personal growth is suffering. Therefore, companies should use performance metrics and training modules to foster employee development.

Training may be provided within or outside the company. Internal training is typically aimed at helping employees do their current jobs better. For instance, an electronics assembler can be trained on more efficient assembly techniques with different tool sets. Other training might foster employee growth by giving employees the opportunity to learn different disciplines within the company.

Training can also be conducted outside the organization. Employees may pay for the training themselves, or the company may pay for it, and the training may take place on employees' own time or during working hours. This external training may be taken in university courses, at seminars or conventions, or in other venues. It often imparts information that is outside the scope of the current work environment and that may promote innovative approaches to work tasks.

The metrics for evaluating employees should align closely with the organizational strategy. For example, if the strategy calls for growth, then the metric for mid-level managers may be to grow their business units a certain percentage.

Employees should be measured on both how well they do their current jobs and how well they contribute to the growth of the company as a whole. Some workers focus on their current jobs and are content in those positions. Others use their current positions to gain experience or insights that may help them move into other positions or expand the responsibilities of their current positions. Measuring those two aspects separately allows for fair evaluation of the employees and clarifies what they must do to excel at their current positions, prepare for other positions, and contribute more to the company.

Metrics for assessing how well employees are doing their current jobs include the following:

- work quality
- performance on time
- performance within budget
- meeting of other requirements of the position

Metrics for assessing employees' overall contribution to the company include the following:

- extra sales, extra hours, and work on several projects
- work on tasks outside the position requirements
- contribution toward improvements in the business process
- leadership

Thus, an HR department can support the organizational strategy by establishing and communicating appropriate policies and procedures and by ensuring that the best people are hired, retained, and provided with growth opportunities.

1.3.2 **KNOWLEDGE MANAGEMENT**

After employees, corporate knowledge is the second most valuable resource, and supporting knowledge management supports the organizational strategy. A central knowledge management system collects, distributes, and publicizes corporate data in a searchable, accessible format. It aids corporate departments by reducing redundant efforts and promoting knowledge sharing. For an engineering firm, centralizing product design documentation allows multiple engineers to collaborate on a single design and makes it unnecessary for engineers to design the same component for other projects. Centralization of information also helps preserve knowledge if an employee leaves his or her position or the company.

In addition, cross-unit knowledge sharing can enable one department to learn from the processes, technologies, and ideas of another. For example, a company with two divisions—computer memory chip manufacturing and hard drive manufacturing—might be able to apply the efficiency techniques of the first division to improve efficiency in the second division.

Centralized knowledge systems can be used to collect data that measure the productivity and performance of business units and individual employees. Such measurement enables an organization to identify problems and spot opportunities to cut costs, increase efficiency, or expand the business. Relevant metrics may include return on investment, inventory turnover, and profit margins. If the organizational strategy emphasizes volume over profitability, an important metric will be growth in revenue. In such a case, the knowledge management system must be able to capture revenue streams and report them accurately.

Of course, a central knowledge management system may also create a security vulnerability. Because the information could be accessed and exploited by competitors or other outsiders, it is essential to keep the information system secure.

1.3.3 **CORPORATE STRUCTURE**

An organization should be structured in a way that supports its business strategy. For example, if a company focuses on product innovation, it may choose to have numerous technical teams that report development efforts to a small number of management executives. This type of structure reduces the chance that innovative ideas will be stifled by bureaucracy. By contrast, a construction company may opt to have several management layers to manage multiple projects, ensure employee safety, and meet schedule requirements. For any organization, the right structure can aid in delegating responsibilities and ensuring accountability.

The initial step is to identify the essential business units. An engineering firm would likely consider its engineering group to be the essential business unit. Supporting units might include sales and marketing staff. If the company's strategy calls for growth, marketing and sales may grow in importance.

1.4 **CONCLUSION**

Management practices serve a company best when they are designed in accordance with its strategic plan. These practices are largely expressed through human resource management, knowledge management, and business structure. When the overall corporate strategy is ingrained in daily administration practices, the organization will have the best chance of success.