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Challenges of Outsourced Private Security Services to Commercial Banks in Nairobi, Kenya

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Abstract:

This study sought to establish the challenges of outsourced private security services to commercial banks in Nairobi, Kenya. The study employed descriptive research design that portrayed an accurate profile of the situation. The population of this study was all the 48 commercial banks in Kenya and more specifically their head offices which are located in the capital city Nairobi. Total populations of 720 security officials were involved in this study. A sample of 257 respondents was picked from all the commercial banks in Kenya by the adoption of a mathematical formula: where, N is the total number of security officials targeted by the researcher, and e is the error or confidence level. The conventional confidence level of 95% was used to ensure a more accurate result from the sample. This included the security managers in the banks, security guards working in the bank and bank employees involved with security issues. A Questionnaire was used to collect the primary data. The open-ended questions were used by the researcher to collect qualitative data and the closed ended helped to collect the quantitative data. Descriptive statistics such as means, standard deviation and frequency distribution were used to analyze the data. The study would provide deeper knowledge to the banking security officials, the private security managers and respective bank employees in providing security in the banking sector and attempt to mitigate some of the shortcomings in the operations of the private security services outsourced to provide security serviced to commercial banks in Nairobi, Kenya. This study concluded that without proper control to address risks, the banks would not attain their objectives. The study also concluded that there is no legislative act that regulates the private security sector and this has been a critical component in the way the sector operates. In order to derive maximum benefits and protect their customers effectively, banks must approach outsourcing from a broader, multi-dimensional perspective and ensure that all their decisions, from what to outsource and to whom to outsource from are aligned with the banks objectives as well as the outlined security policy and standards championed by Kenya Bankers Association, KBA. Banks must understand the potential private security providers' services before entering into any partnership. Ideally, the partnership must have strategic vision, clear focus, and the willingness to invest in new technology and innovation, better remuneration package for the employees among others in the interest of the partnership. All banks, through KBA, should come up with standards and guidelines that are to be taken into consideration before engaging these private security companies.

1. Introduction

In each country, the primary responsibility for the security and protection of its citizens rests with the government. This responsibility flows from every government function of maintaining law and order and protecting its citizens and their property within its borders. In spite of these responsibilities, there are instances where the security and protection factors will be uncertain. To deal with these situations where the government has not adequately addressed the security matters, organizations have put in place systems for planning and managing security issues which is aimed at ensuring that there is a coordinated approach for the protection of staff, properties and customers' clients among others (Dambazau, 2007).

During the time of our forefathers, there were no private securities companies since much of the properties were owned by communities. People trusted each other and security provision was limited to kings and queens. A paradigm shift in the security world was experienced with the emergence of capitalism and private property ownership. There was a growing mistrust between the owners of the factors of production and the poor proletariats. This led to the emergence of criminal gangs and organizations in return had to go for private security provision to supplement the state provided security (Oyegoke, 2003).

Security is paramount in any country and no government has the wherewithal to provide one hundred percent security for her people, hence the need for the private security providers to complement efforts of state actors in crime prevention (Ekhomu, 2004). Kenya has had an equal share of security challenges as provided for by the state, hence the emergence of the private security provision. This private security realm has been in operation since the beginning of 1970s in which they have continued to provide security solutions to various organizations in different capacities.

The main consumers of these private security services are commercial customers, who range from banks, industries, governmental, embassies, NGOs, global enterprises, refugee camps and private dwellings among others.

According to Makumi (2010), there are an estimated 2000 private security companies in the country. The largest company in terms of number of employees is Securicor now part of Group 4 Securicor (G4S), with an estimate of 10,000 employees and operates in 68 different locations across the country, KK Security with approximately 5,000 employees, Security Group with approximately 3,800 employees, BM Security, Securex, Patriotic Guards, Ultimate Security, amongst others.

Commercial banks in Kenya are amongst the biggest employer of private security companies in the country. Some of the services provided to the commercial banks include, including radio alarm response, electronic intruder alarm system, access control, satellite tracking, guard dogs as well Cash-in-transit among others.

In the absence of effective legal or regulatory structures in Kenya, private security provision has raised issues of legality, legitimacy and accountability in the sphere of security policy. There has been immense losses by banks through breakage to the banks controlled rooms as well as theft of cash in transit. Cases of stage managed and feigned robberies have been reported either in individual bank or in the interbank cash on transit transfer.

It is a clear fact that commercial banks having outsourced security services to enhance their individual internal security continue to experience major challenges which exposes them in terms of their protection. Though the banks have put in place all security arrangements to secure their respective institutions, they continue to incur heavy losses that eat into their profits or which expose them in bad light to their potential customers.

In spite of all these realizations, and the growing demand for private security services, few studies have been carried out on the challenges of outsourced private security services by commercial banks in Kenya. This study, therefore, addresses these gaps associated to the challenges.

1.1. Specific objectives

- To identify the reasons why banks outsource security services to private security companies in Nairobi, Kenya.
- To assess the effects of private security services outsourced by commercial banks in Nairobi, Kenya.
- To analyze the major security challenges of outsourcing in the banking industry in Nairobi, Kenya.

2. Methodology

The study focused on the banks and the private companies' employees providing security in the commercial banks. Nairobi, the study area, had the headquarters of all commercial banks and in one way or the other; each of the commercial banks had experienced challenges with regard to their outsourced security services from private security providers. All the 48 registered commercial banks in Nairobi were considered in this study. Each commercial bank has at least 15 officials dealing with security issues and this made the population of the study to be 720 respondents. Hence, out of the total population of 720 security officials, a sample size of 257 was taken. A simple random sampling technique was then adopted to select the 257 respondents.

Questionnaires were used to collect data. Descriptive statistics such as means, standard deviation and frequency distribution were used to analyze the data. In addition to descriptive statistics, factor analysis was conducted to establish the challenges faced by commercial banks while procuring services from private security providers in Nairobi city. Quantitative technique was used to analyze the closed-ended questions where a computer program (SPSS software) and MS Excel were used. Tables and figures were used appropriately to present the data collected for ease of understanding and analysis.

3. Results and Discussions

The study had sought to establish the reasons why the banks outsourced security services to private companies and from the findings, respondents indicated that the main reason for outsourcing was financially based: the bank would get the security expertise it needed much more cheaply by hiring experts from the private security companies with the view of offering solutions to their security challenges they encounter.

They further stated that staffing for security expertise 24 hours a day, 365 days a year, required full time employees who would include supervisors and backup personnel with specialized skills. Even if the bank would foot the budget for all of these people, it would be very difficult to hire them in today's job market. The other area mentioned by the respondents was the cash in transit business. They stated that the internal organization of cash handling within banks is often obsolete and inefficient, inherited from old bank organizations. By outsourcing the banks reduce the risks associated with cash and focus on their core business.

4. The outsourced security services in the organization

The study sought to determine the main security services that had been outsourced to the various private security providers by the respondent's respective commercial banks. The findings were as follows;

Outsourced Security Services	Yes	No
Installation, Operation and Management of CCTV cameras	88	12
Management of intruder detection and alarms response	75	25
Cash in transit services	90	10
Installation and maintenance of access control systems	65	35
Maintenance and testing of fire fighting equipment's	78	22
Animals especially trained dogs from dogs units	66	34
Information system securing and management	56	44
Guarding services	88	12
Courier Services	82	18
Electric fence installation and maintenance	80	20

Table 1

From the findings, Cash In Transit services were rated to be the most outsourced security services as shown by 90% response rate followed by the installation, operation and management of CCTV cameras and guarding services which were represented by 88% respectively, courier services was rated at 82%, electric fence installation and maintenance was rated at 80%. The respondents further rated maintenance and testing of fire fighting equipment's at 78%, management of intruder detection and alarms response at 75%, Animals especially trained dogs from dogs units were rated 66%, installation and maintenance of access control systems was rated 65% and finally information system securing and management was rated at 56%. This is a clear indication that organizations have by and large gone the outsourcing mode of organization running. This calls for effective vetting for the best service providers to avoid huge losses which can arise from weak internal control systems by these private security providers.

The study wanted to establish whether these security services had been outsourced from a single provider. From the study, all the respondents indicated that the services were outsourced from a number of providers as it was respective bank policy not to outsource those services from a single service provider. The respondents stated that the service providers are sourced on the bases of specialization and in this case operational risk is spread out by engaging several providers. It was further revealed that different private security providers offer a different package or concentrate on one aspect of security provision making it hard for a single provider to offer all these services at a given time.

5. Areas put into consideration when selecting the best service provider

The study had sought to establish the main areas that the bank put into consideration when deciding the providers to whom they would outsource their security services to. The findings are illustrated in the table below.

Areas	Agree	Disagree
Firms with employees who have undergone specialized training	75	25
Their capacity to provide the services sought	90	10
Kind of equipment the provider have to facilitate their work	85	15
The legal existence of the provider	65	35
The charges for their services	85	15
Their presence in areas where the service is to be provided	64	36
Their reputation on similar services offered elsewhere	68	32
Any adverse comments made relating to their engagement elsewhere	55	45
Management of the security provider (Firms image and reputation)	40	60

Table 2

From the study, the respondents rated what their organizations looked for in the security firms as follow; the capacity to provide the services sought was put much into consideration while outsourcing the security services as represented by 90%, the banks also considered the kind of equipments the providers had to facilitate their work and the charges for their services as shown by 85% respectively.

The banks also considered the security providers with employees who had undergone specialized training as shown by 75%. They further indicated reputation on similar services offered elsewhere was also considered as shown by 68%. Other attributes that were considered though not at higher percentages included the legal existence of the firm as shown by 65%, their presence in areas where the service is to be provided as presented by 64%, any adverse comments made relating to their engagement elsewhere as shown 55% and finally the management of the security providers as shown by 40%.

6. Losses that have occurred in the Bank

The study also wanted to establish the specific losses which the respondents indicated to have occurred. The findings were as follows;

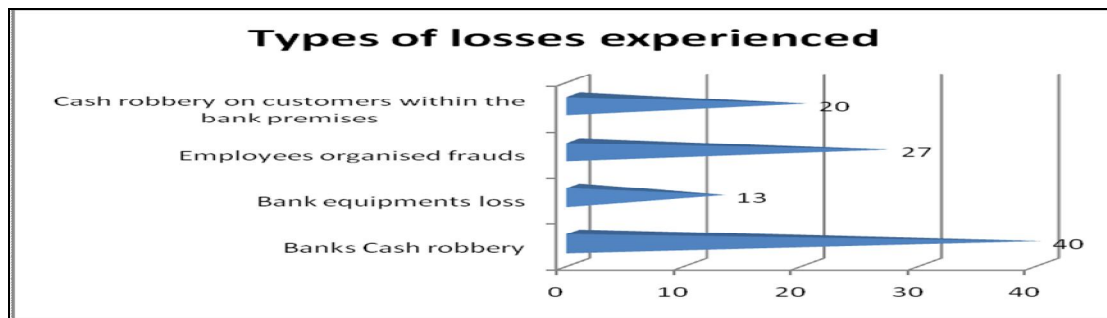


Figure 1

From the table above, 40% of the respondents indicated that many of the losses were as a result of bank cash robbery, 27% indicated that the losses were as a result of internal employees organised frauds, 20% indicated that the losses were as a result of cash robbery on customers within the bank premises and finally 13% indicated that the loss was a result of bank equipment loss.

The study also wanted to determine who is to blame for such losses. Majority of the respondents stated that the security organs within the bank should carry the huge burden. The banks have invested in powerful surveillance equipments and other equipments which can offer perfect deterrence but those who operate them are either inexperienced or can easily be compromised. The respondents also blamed the banks management for not providing its employees with a perfect platform for their growth and development. Salaries and allowances were not equitable to the quantity of the job that the employees handled. So committing fraud was seen as a way by the employees to justify their illegal acts or omissions as regards their ethics.

Benefits	Yes	No
Cost	78	22
Risk mitigation	90	10
Convenience	82	18
Efficiency in service delivery	82	18

Table 3: Benefits Accruing as a Result of Outsourcing

The study also wanted to determine the benefits accruing as a result of outsourcing security services to private firms. 90% of the respondents indicated that the private security service providers brought about risk mitigation, 82% indicated efficiency in service delivery and convenience while 78% indicated the cost element. The issue of risk mitigation is paramount and supersedes the other aspects like convenience and efficient service delivery although these are very important factors that are considered.

7. The Performance of Private Security Firms after Outsourcing

To be able to determine the main security challenges before and after outsourcing, the researcher first decided to determine the overall performance of the private security providers outsourced to provide security services by the banks. The study found out that most of the respondents rated the performance of these providers as moderate. This shows that the performance of these security providers is not up to the standard and this could be one the reasons why the banks and financial institutions have reported huge financial losses either through robbery, frauds, and internal collusion among other forms of security lapses that banks are facing in the modern times.

Others who maintain gadgets like CCTV or electric fence installation would at first seem very good but with no training being undertaken to ensure they sharpen their skills in this field, they are left behind by the changing technology that keep on evolving now and then.

The respondents therefore stated that if a provider services is below the standards level agreement, the contract should be terminated owing to dismal performance that is not in tandem with the very reason why they were outsourced.

8. Verification of the Functionality

Before any appointment of a firm by the bank for outsourcing, it is the responsibility of the bank to make sure that the firm is functional and has what it takes for the services to be outsourced to it. This study therefore wanted to understand the challenges that the commercial banks went through during this process. The findings were as follows;

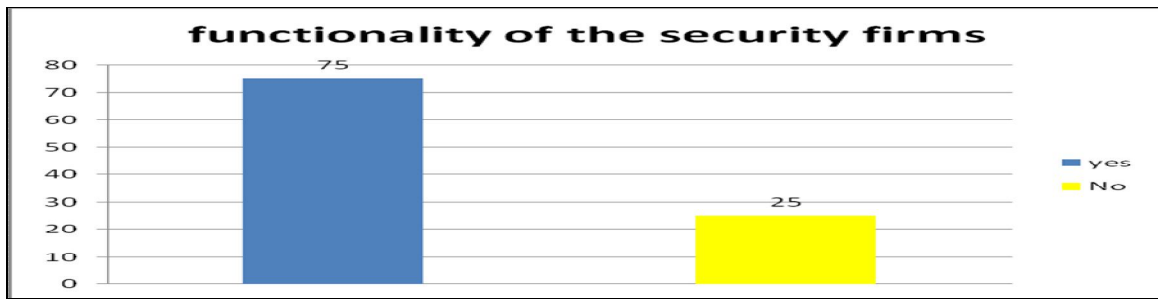


Figure 2

From the findings, 75% of the respondents indicated that the management goes on the ground for due diligence while only 25% who responded to the contrary. They further indicated that user department had a role of verifying all information provided by these providers so that when procuring, they have the knowledge of how services are offered by those companies prior to engaging them. The management does the observations of the existence of control rooms, back up services, location of offices and support services, network coverage, operational capacity and other areas related to logistics. Due diligence is performed on all the service providers before the final one is picked. Respondents who stated that actual ground verification was not done revealed that their organizations depend on the documentation provided during tendering and also by confirming with other institutions where the same provider has been outsourced.

9. Level of Agreement

The study also sought to establish the respondent’s level of agreement on the statements below regarding the considerations made by their banks while determining to whom the security services will be outsourced to.

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
The bank’s core competencies	21	60	45	56	18	2.95	0.10
Quality of product or service provided by the different providers	15	23	30	57	75	3.77	0.13
Cost of internal vs. external supply	10	15	45	80	50	3.73	0.14
Turnaround time in service delivery	4	16	77	67	36	3.58	0.16
Need for specialized capability	15	25	33	80	47	3.60	0.13

Table 4

From the study, majority of the respondents agreed that the quality of service provided by the different providers is given much weight during the outsourcing process as represented by a mean of 3.77. They further agreed that the cost of internal vs. external supply is also put into consideration as shown by a mean of 3.73, while need for specialized capability followed as shown by a mean of 3.60. The respondents had neutral opinion that the bank’s core competencies are considered as shown by a mean of 2.95. All the standard deviations were less than one meaning that the respondents opinions did not vary that much.

10. Contracting and Negotiation Considerations

The study was also keen to determine how effectively their bank managed the aspect of contracting and negotiation considerations.

Contracting and negotiation considerations	Strongly agree	Neutral	Disagree
Product specification and performance standards	22%	66%	12%
Service level agreements	24%	45%	31%
Evaluation mechanisms	19%	44%	37%
Regulatory, privacy, information technology, and security requirements	16%	17%	67%

Table 5

From the study, it indicated that product specification and performance standards on one hand and service level agreement on the other were effectively considered at the rate of 66% and 45% respectively. 44% of the respondents indicated that the banks evaluation mechanism was effective while 67% of the respondents indicated that regulatory, privacy, information technology, and security requirements component was not effectively considered during the entire process.

11. Capacity to Provide Security

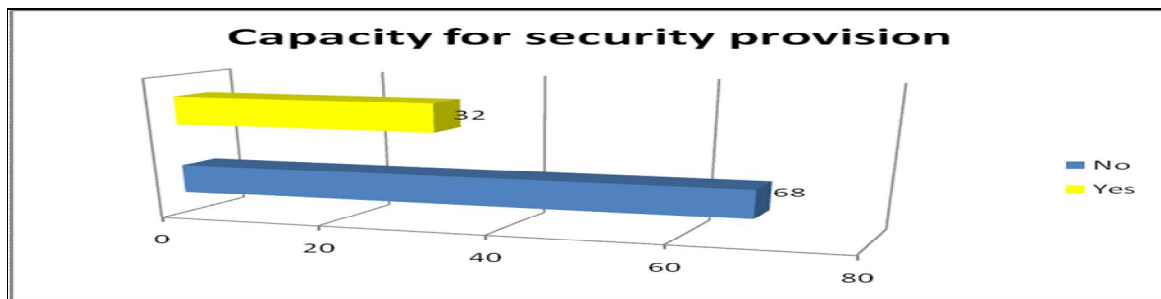


Figure 3

On the respondent’s opinion as to whether the security providers had full capacity to provide security, 68% indicated that their companies did not have full capacity to do so and only 32% indicated that the companies they had procured for the services had full capacity. The respondents further indicated that the companies had to work in conjunction with the internal and external security in the names of banks security personnel and armed police officers otherwise they cannot fully secure the threshold capacity that the bank requires without working together with the two.

Others who maintain gadgets like CCTV or electric fence installation would at first seem very good but with no training being undertaken to ensure they sharpen their skills in this field, they are left behind by the changing technology that keep on evolving now and then.

The respondents therefore stated that if a provider services is below the standards level agreement, the contract should be terminated owing to dismal performance that is not in tandem with the very reason why they were outsourced.

The study further revealed several other deficient areas which affected the performance of the outsourced security companies among them being poor pay and minimum wages to the outsourced security personnel which affects the employees’ morale to a great extent. The security companies recruit personnel based on the needs and in most cases they are not adequately trained as well as lacking instrumental supervision. This brings about communication breakdown to handle armored vehicles, inadequate skills to detect fraudsters and pickpockets who steal from clients while in the bank and close monitoring in the banking hall.

The study further revealed that the security providers also required back up from the Government security agencies in some areas since they are not armed themselves and lack powers to enforce the law. The companies also need armed security for transporting cash and loading to the respective ATMs. They further revealed that the companies’ mandate cannot permit them to carry more expanded responsibilities including investigations.

On the aspect whether respondent’s banks had specific security standards and guidelines which the outsourced security companies needed to meet, majority of the banks indicated that they had a security policy guideline in place to regulate how the outsourced security worked in the organization. This was meant to meet the banks internal threshold. Kenya Bankers Association, the umbrella body for banks, provides for minimum security standards and guidelines. The respondents indicated that there is need for the banks to consult widely as an industry and come up with prerequisite standards and guidelines that have to be met by the security providers before and during the time of outsourcing these services from them. All private security providers must be members of Kenya Security Industry Association and security industry related associations which come up with operating standards.

There is also need for the banks to have standards and guidelines that are to be taken into consideration before engaging these companies. This would more basically emphasize on prior background checks and screening of the these personnel ,pre agreed service agreement that even set the salaries for the security officers, regular capacity appraisal, enhanced curriculum for training and strict enforcement of the contracts terms and conditions.

The respondents also suggested that the banks should contract well established companies which can give quality services and provide well trained personnel. The banks should also ensure notice periods have a clause for immediate cancellation where breaches of contracts is detected. Service contracts should be stringent enough as to oblige the providers to uphold consistency of higher standards.

12. Conclusion

This study therefore concludes that without proper control to address the risks, the bank would not attain its objectives. It further concludes that majority of the banks goes for the lowest bidder and not on the competence and ability to provide services otherwise the threshold need to be scaled upwards to mitigate the gap that currently exists.

Despite procurement asking for the lowest bidder, the cost of equipment's is still above market rate. Most of the equipment's are of low quality and don't serve the purpose well. The study finally concludes that there no any legislative act that regulates the private security sector and this has been a critical component in the way the sector operates that has lowered service delivery where commercial banks so rely in protecting both their customers monetary and their own interests.

13. Recommendations

In order to derive maximum benefit, banks must approach outsourcing from a broader, multi-dimensional perspective and ensure that all their decisions from what to outsource and who to outsource to are aligned with the banks objectives as well as the outlined security policy and standards championed by KBA.

Banks must understand the potential security providers' motives before entering into any partnership. Ideally, the partnership must have strategic vision, clear focus, and the willingness to invest in new technology and innovation, better remuneration package for the employees among others in the interest of the partnership.

All the outsourced providers' employees/guards must undergo a more stringent vetting. Consequently, very few providers conduct criminal record checks on junior staff. In addition, few of them redo vetting to identify changes in an individual's circumstances which might make them more susceptible to compromise security.

The bank should only contract the security companies with skilled employees and adequately remunerate them to minimize chances of compromising the very security they are to provide. This should also be coupled with equipment's adequacy, be it the intrusion detection equipment's and other logistical equipment's that bring about security provision efficiency and effectively minimize security lapses as low as practically possible.

All banks, through KBA, should come up with standards and guidelines that are to be taken into consideration before engaging these companies. This would more basically emphasize on; prior background checks and screening of the guards, pre-agreed service agreement that even set the salaries for the security officers, regular capacity appraisal, enhanced curriculum for training and strict enforcement of the contracts terms and conditions.

To mitigate the challenges that these banks face, this study recommends that the security providers should lobby for legislative enactments legalizing the arming of the private guards so that they will not always depend on a third party. This should, coupled with upgrading skills of security officers, improving of the quality of security equipment's, getting services from a well-established companies that remunerate their staff well and installation of 24 hour intrusion detection systems operated by both internal and external security agents.

14.Recommendation for Further Studies

This study evaluated the challenges of outsourced private security services to commercial banks in Nairobi Kenya. The researcher recommends that a similar study be done on other institutions for the purposes of benchmarking. This will help in the establishment the many challenges faced by institutions as a result of outsourcing their security services to private providers. The study further recommends that a further study be done on the broad aspect of outsourcing security services so that its findings and recommendations can continually improve service delivery as well as the improving the security issues that evolve from time to time.

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