

Boutique Security Firms Tap Corporate Fear of Terrorism, Natural Disasters, Pandemics

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* Boutique Security Firms Tap Corporate Fear of Terrorism, Natural Disasters, Pandemics * By Matthew E. Berger, CQ Staff

Corporate security officers and consultants used to be housed in the basement of an office building, their jobs confined to monitoring who entered the building. Corporate executives worried mostly about vandalism and theft.

Today security experts are teaching executives and shareholders that a terrorist attack or natural disaster could have a major impact on a company's bottom line.

While boutique security firms have been unable to garner a large share of federal government contracts, many of these firms have found a new marketplace for their services in the private sector, where Fortune 500 companies and small businesses seek protection from potential hazards.

Military and law enforcement veterans of all stripes have made themselves available for hire in recent years, hoping to get a piece of the action.

"Everybody has a boutique security company now, and everybody's a security expert," said Michael Guidry, chairman and chief executive officer of the Guidry Group, a security company founded in 1985.

The boutique security business is brisk in the private sector, but supply and demand appear to have reached a balance. Guidry was somewhat pessimistic about the prospects for boutique firms in the years ahead. "I think you'll see a lot of the boutiques either getting bought or walking away," he said.

Many believed that after the 2001 terrorist attacks there would be enough business opportunities to support those flooding into the marketplace. But in the years that followed, security consultants said many of their brethren have struggled, especially the so-called 9/12ers -- those who came to the game after the World Trade Center attacks.

"Right after 9/11, a lot of companies came running to the Washington area, thinking they could make a killing in the federal marketplace," said **Michael Hershman**, president of the Fairfax Group, a security investigative company. "What they found out very early on was that the federal government wasn't ready yet."

The operators of small boutique security firms say the major problem they have experienced is the lack of availability of federal contracts. Many assumed the fledgling Department of Homeland Security would seek out small companies with innovative ideas. That has not happened.

"The leadership at DHS, many who came from defense, were more comfortable dealing with the defense contractors," Hershman said. "There really wasn't much room for companies that were new to the federal marketplace."

The recent SBInet border security program is a good example. Boeing won the roughly \$2 billion contract in September. The other finalists were Lockheed Martin, Northrop Grumman, Raytheon and Ericsson.

Most of the companies that have won government contracts existed before 9/11, said Will Peters, a research analyst with Oppenheimer & Co. Inc.

Smaller firms and consultants have been aligning themselves with the larger contractors, hoping to piggyback on their contacts and experience. And smaller firms have been hired as subcontractors by large

integrators unable to staff the projects independently.

Nevertheless, the private sector rather than government contracts provide much of the business for security firms. And many corporations are turning to boutique security companies to provide customized services matching their concerns about natural disasters and pandemics in addition to terrorist threats.

Security experts were first brought in to help mitigate the consequences of a terrorist attack. But last year, companies began planning for a natural disaster, spurred by the destruction in the wake of Hurricane Katrina. And now, many are reworking plans for the continuity of operations in case of the avian flu or similar pandemic.

"I think Katrina literally woke up a lot of people," said James Lee Witt, the Federal Emergency Management Agency director during the Clinton administration, who now runs his own disaster preparedness company. "Before Katrina, you were looking at terrorists and different types of events, but there wasn't a big emphasis on catastrophic events."

Witt is one of several people in the security industry using name recognition to bring in new business. His firm was purchased earlier this year by GlobalOptions Group., which also purchased SafirRosetti, made up of Howard Safir, a former New York City police commissioner, and Joseph Rosetti, the former security director for IBM.

"What you always want is a trusted advisor," said Harvey Schiller, the chairman and chief executive officer of GlobalOptions, a public company. "All of these companies that we have acquired are really distribution channels."

Schiller and others said name recognition has become increasingly important in this burgeoning field.

"I think name recognition is important because it gets you through the front door," Safir said. "But you have to deliver."

Smaller firms complain that companies with prominent executives often rest on the icon's laurels to get new business, but bring in untested underlings to do the real work.

GlobalOptions officials said their strategy is more than just bringing in big names. They hope to build a full-service security company, where clients can access different wings of the company for investigations, physical security and emergency preparedness.

"The solutions before were very fractured," Schiller said. "There are thousands of mom and pop investigators, but they don't offer the level of services we can offer."

It is unclear how bright the future will be for the homeland security industry. Much of the work being done today amounts to one-time jobs that might be retooled but not annually renewed. And there are doubts as to whether the federal government can continue spending on homeland security at the current rate.

Homeland defense companies received \$8 billion in federal government contracts in 2004, Peters said, and government spending has been growing at 5 percent each year. However, the growth is only expected for the next five years.

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