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REAL INVESTMENT SECURITY

by Michael O'Rourke



As an experienced businessperson, exercising proper due diligence before acquiring an ownership stake in a business or adding to your real estate portfolio is the standard operating procedure. While most investors carefully determine a prospect's fiscal soundness before committing, too often, they overlook physical security when making acquisition decisions. If you do the same, you may face severe and unanticipated financial repercussions while leaving yourself dangerously exposed legally.

Think about physical security regarding risk. While information security and cybersecurity are typically front and centre, physical security is at best an afterthought. However, if a nefarious person can walk into a business location unchallenged to connect a USB flash drive to an unattended workstation, and in a matter of moments compromise the network, the best cybersecurity in the world cannot stop this type of attack. The compromise of customer financial data, employee personal

information, and company intellectual property is every bit as severe as if committed by foreign hackers a continent away. Now imagine this intruder arrives with deadly intent towards employees and customers. The potential civil and criminal liability facing the owners, of which you are now one, is startlingly real. Lives may be lost, profits erased, wealth eroded, and reputations destroyed.

Information security and cybersecurity have somewhat narrowly defined roles while the physical security portfolio is writ large, protecting people, data, assets, facilities, and more. Though asked to do so much, most entrepreneurs and investors do not understand physical security, so it is often ignored or improperly evaluated during acquisition. Understanding the physical security environment, however, can provide a distinct advantage during negotiations.

Approving a physical security assessment conducted by

your expert provides you with distinct advantages. The assessment report will inform you if the existing security scheme fails to meet Duty of Care requirements. The report should also estimate the cost in money and time to achieve compliance. This foreknowledge is powerful leverage across the negotiating table.

Recently my firm was engaged to conduct a physical security assessment of a major media corporation's headquarters. Among the findings were no automated lockdown and inadequate access controls at the entrances to the modern, multi-story office and studio tower. This glass-covered structure also faced significant vulnerabilities to the explosive and ballistic threats not uncommon in this foreign capital. Other occupied structures in the multi-acre complex of over twenty buildings were not to fire and safety code, placing hundreds of employees at risk. The time and cost of remediation were significant and would have impacted any sale or merger in the works.

Parallels exist between the physical assessment of a business and the world of commercial and residential real estate. Were that media tower a multi-tenant skyscraper, failing to correct detectable deficiencies could expose the new owner to multiple lawsuits and claims from tenants and their insurance carriers, as well as civil and criminal penalties. Once you take ownership, Duty of Care is immediately your responsibility.

During negotiations, the seller may present you with the results of their in-house security assessment. Never take these findings at face value. In-house assessments are difficult enough to accomplish with a clear vision—confirmation bias being merely one obstacle to objectivity. The added motivation of a pending sale might be too tempting to resist pencilling over some security gaps. Insist that your security expert conduct an independent security assessment.

Purchasing a residential estate should also take place only after your expert conducts a bespoke physical security assessment. If you travel often, the peace of mind knowing your family is secure at home is priceless.

While investing early in the security assessment pays dividends for years, it is unnecessary to commission one for every property under consideration. Some of our clients seek assistance only with the final two or three properties on their list. Most, however, will ask us to

examine a single property after they have eliminated all others based on personal criteria. This is most efficient and arms the client with valuable knowledge going into final purchase talks.

One recent example illustrates this well. Our client was enthused by the enhanced security features built into the family wing of one estate. Among these were bullet resistant glass and doors at the wing's entry. I demonstrated that although the glass was up to the task, it was poorly anchored and would quickly yield to brute force. This knowledge proved valuable to the client, who completed the purchase and our recommended improvements under favourable terms.

Your current estate should not be overlooked. If a security assessment was not performed prior to purchase, this should be sorted as soon as practical. Homes passed through the family for generations especially benefit from a professional security consultant's attention. We were brought in to assess one family's estate compound and found several vulnerabilities in earlier security enhancements. Each deficiency had gone unnoticed during an assessment conducted by a firm with no previous experience with the estates of high net worth families. One of the most glaring oversights was the telltale mark on the floor left by the secret door to the hidden safe room.

Selecting your security consultant must be done with utmost care. The imperative is their independence from all security equipment manufacturers, installers, and sellers. Every security issue looks like a nail to the consultant selling hammers. Independence ensures that your consultant works only in your best interest. They should happily sign your nondisclosure agreement, treat you and family members with respect and discretion, and view your existing security team as allies rather than adversaries. You should demand impeccable service, prompt communication, and no-punches-pulled in your assessment.

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