

**6th UNDERGRADUATE  
SEMINAR ON BUILT  
ENVIRONMENT  
AND TECHNOLOGY  
(USBET) 2023**

**SUSTAINABLE BUILT  
ENVIRONMENT**

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# e-Proceeding

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## KEY CRITERIA FOR SUCCESSFUL OUTSOURCING IN PROPERTY MANAGEMENT SERVICES

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### ABSTRACT

*The outsourcing services were adopted to assist the property management in handling and maintaining the building due to the outsourcing having an expertise that is not available in in-house property management especially in term of labor skills. However, the effectiveness and efficiency of outsourcing implementation is still very much questionable. This is because there was not any reliable data on the effectiveness of outsourcing services in managing the strata buildings. Most property management have failed to achieve the organization's goals due to the ineffective decision-making process made by employed the outsourcing. Therefore, this study was carried out to achieve the research objectives to identify the key criteria in achieving the successful outsourcing and to analyze the most important of key criteria in achieving the successful outsourcing property management services in strata buildings. The quantitative method has been adopted where the questionnaire has distributed to the targeted respondents. The findings obtained there have main majors' services which are security services, repairs and maintenance, cleaning and gardening services that commonly outsourced in strata buildings and each service has its own important criteria to achieve the successful outsourcing services. Costs are the most important criteria for security as well as for repairs and maintenance. However, flexible is the most important criteria for cleaning services and customer orientation is the most important criteria for gardening services in achieving the successful services. Hence, the future study was recommended to expand the scope of study by covering both in-house and outsource property management to get for the effectiveness comparison between both services.*

**Keywords:** *Outsourcing, Important Criteria, Strata Buildings, Successful outsourcing.*

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## INTRODUCTION

Outsourcing is the use of external providers, multiple or single, for peripheral support services. As companies raise their awareness regarding other competitors and service providers, top management increases their ability to evaluate and compare in-house competences with those offered in the market (Sanderson & Read, 2020). This is one of the factors which have contributed to a large organizational change observed in a variety of industries. Also, there can be seen some factors that influence changes in the world and at the same time it makes outsourcing attractive for any business around the world. The globalisation and competitiveness have forced the companies to find for further incentives and better ways to develop and use the technologies information to obtain competitive advantages and increased performance (Shawn, 2017).

The basic of outsourcing is the process of externalising previous in-house services and activities to outside suppliers and has, during the last decades, been one of most common tools when trying to exploit external expertise or streamline an organization as an effort to capture cost savings and increase the strategical flexibility (Gilley & Rasheed, 2000; Duhamel & Quelin, 2003; Hitt & Holcomb, 2007; Stener Pedersen & Jenster, 2000). Most organisations have realized by having outsourcing, it enables the organization to concentrate on their resources on core activities which able in contributing to the competitiveness of the companies. Since not all competences are equally important to incorporate, successful outsourcing of non- core activities is nowadays seen as a key to competitiveness (Lam et al., 2012). There has empirical evidence which shows a long range of successful outsourcing arrangements over the last decades which in combination with continuous demands for labor expertise, cost reductions and increased the profitability has made the outsourced activities move closer to those considered as core.

This progressive trend makes organizations rely on service suppliers to a greater extent which in turn contribute to organization's loss of control, declining innovation and in the long run, insufficient research, and development (Gilley & Rasheed, 2000; Duhamel & Quelin, 2003; Hitt & Holcomb, 2007; Stener Pedersen & Jenster, 2000). The organisational decision whether to outsource or insource for the specific functions holds a high level of complexity where both alternatives and method often generates different benefits for the company (Katzler et al., n.d.). Both Duhamel and Quelin (2003) and Hitt and Holcomb (2007) agreed in emphasizing the importance of firm's or an organization's capability in determining activities' suitability for outsourcing and how to value the trade-offs between outsourcing and insourcing benefits.

## **LITERATURE REVIEW**

### **Outsourcing in Property Management**

Outsourcing is the process of transferring the responsibilities for a specific business function from an employee group to the external parties which are offered on the market. Outsourcing is the process of transferring responsibility for a specific business function from an employee group to external parties to assist in managing the property or building in return for a fee. Also, outsourcing is defined as a process where the organizations use separate company such contractor under the contract to perform a function, service, and the management (Barret, 1992). According to Yin Fang (2000), outsourcing is a contractual agreement between clients and suppliers who provide services or processes that the client is currently providing internally. It is an external source management method that allows delegating operational responsibility for processes or services previously delivered by an enterprise.

Strategy for outsourcing and contract agreements is crucial to reduce the risk of disputes between parties, as it may lead to increased costs, risks and affect performance and satisfaction (Nurul Sahida et al, 2015). Outsource contracts are typically for long-term periods, involving frequent contact between service providers or contractors. It is important to ensure no risk occurs, which may cause future problems. Outsourcing is essential in property management organizations to reduce costs while improving the organization and encouraging management to focus on core activities. It allows property managers to control resources and capabilities, focusing on efficiency core values established for the company. Most commonly, outsourcing is necessary in organizations with high demand for skilled labour, such as cleaning services, landscaping, maintenance, lift management, and securities (Mohd Nor, 2020).

### **Major Services Outsourced in Strata Buildings**

Outsourcing property management in strata buildings or high-rise residential involves managing the building, assets operations, and services, including common properties and facilities such as swimming pools, gymnasium, and playgrounds. These properties must be managed and maintained to ensure safety and valuable insights. The property management organization acts as a third-party to manage and maintain residential properties, offering a wide range of services such as financial and budget management, marketing, and property maintenance. Property managers must decide whether to perform all the management activities in strata buildings by in-house or outsourcing, it is depending on organization's goals. According to Lam (2012), outsourced services in the property management industry include IT services, janitorial services, security services, facility repair and maintenance, landscaping,

property development, and accounts management services. Outsourcing can lead to cost reduction and time savings in service delivery.

## **Security**

Security is one of the important services in any type of property management services. The security services may include gate manning, security alarm systems, and security back up plans. The security provision is one of none core activities and operations to property management services and mostly is considered for outsourcing especially due to different expertise and capacity required in its provision (Minaar and Mistry, 2004). Commonly, the security services in strata buildings are outsourced to the private security services in provision of guarding duties and patrolling of secured or gated neighborhoods.

## **Repairs and Maintenance**

Repair and maintenance services are crucial in a building, which might affect the performance of the buildings if not maintained well. Repair and maintenance work is the most services that will be outsourced by the property management. This activity involves repairs and maintenance of facilities provided in the common areas such as lifts, staircase lighting, lobbies, car parks and other facilities provided (Ikediashi et al., 2014). These services are not core operations to the property management and mostly are considered for outsourcing services since the activities require high demand of expertise and have different capacity required in their provision.

## **Cleaning Services**

Cleaning services are significant activities for strata buildings in improving the level of cleanness, providing healthy environment as well as improve the aesthetic value of the properties. The property managers may decide to outsource the cleaning services in the interest of achieving quality as well as improving the efficiency of operations (Ikediashi et al., 2014). The cleaning services are crucial activities which must be carried out daily since in the strata buildings, the proprietor will share for the common areas. Beside cleaning service, garbage disposal is also an integral part in management of property environment of cleanliness in a strata building. Therefore, the garbage disposal service usually is contracted out to the external service providers with the advantage of bringing in external expertise and innovation. However, in Malaysia which housing schemes located in the area under the control of the local authorities, the local authorities may be responsible on the solid waste and garbage collection.



## **Gardening Services**

According to Kakouris (2006), gardening services is one of the service sectors that has seen considerable growth in the property management industry in recent years and it has become a valued occupation for professional gardeners. In strata housing, most of this kind of property provides for the landscaping areas which require workers to manage and keep all the landscaping and plants to provide the healthy and fresh environment for the residents. Therefore, since the gardening service is one of the non-core activities of property management, most property managers decide to outsource these gardening services. By having a gardening service, it helps the property management organization able to focus on their core activities. Nowadays, the gardening services have become necessary for strata housings since the green environment shows an increasing demand of the potential buyer of property in Malaysia.

## **KEY CRITERIA FOR SUCCESSFUL OUTSOURCING SERVICES**

The organization which adopted outsourcing strategy for their practice property management must go through the process in order to establish and set criteria of effectiveness of outsourcing. According to Usher (2003), these drivers will be the benchmark used to examine the effectiveness of its implementation. According to The Outsourcing Institute (1998) and Usher (2003), has set up a set of outsourcing effectiveness criteria namely: the factors for successful outsourcing perspective.

### **Divergent Perspective**

Traditional outsourcing emphasis on the tactical benefits like cost reduction, cheaper labor cost, and has then been replaced by productivity, flexibility, innovation, and access to new technologies (Dean & Yunus, 2000; Wild et al., 1999). Subsequent on this, divergent perspective is recognized by Usher (2003) where he has argued that the traditional method of evaluating the advantages and disadvantages of outsourcing can be replaced with a detailed consideration of requirements from such an outsourcing relationship. This can help in offering a better understanding of the related issues and to establish success factors in determining whether the implementation is effective or not. Usher (2003) classified the criteria into six main criteria for successful outsourcing services as shown in Table 1.

**Table 1: Criteria for Successful Outsourcing Services**

No.	Criteria	Description
1.	Cost	The overall cost of the contract containing all self-performed and subcontracted specialist services is one of the evaluation criteria to reveal the effectiveness of outsourcing.
2.	Quality	The service levels specified in Service Level Agreement (SLA) are usually being taken to measure or determine the quality of work delivered.
3.	Responsibilities and Accountabilities	This criterion is evaluated based on the complexity and clarity of specific and general roles.
4.	Flexibility	This is referring to the competency of service provider in acting and responding to vary changing job needs that may happen from time to time.
5.	Customer Orientation	This criterion refers to the extent to which the services provided by providers do understand and reacts to the needs of the customer at all levels. This includes the support of its business to its own customers, shareholders and its employees.
6.	Innovation	The innovation criteria exist to cater for newly planned or conceived processes, methods, solutions or products brought by service providers.

## METHODOLOGY

This chapter describes the research methodology for this study, including the research design, methods of data collection, sampling design, research instrument, data processing, data analysis, and scale of measurement. The quantitative method was adopted in this study to measure the most important criteria of outsourcing in achieving successful property management services in strata buildings. The Statistical Package for Social Science Research (SPSS) version 20.0 was used for data analysis. Data collection methods were divided into two data collection which are primary data and secondary data. The primary data is considered more reliable, accurate, and decision-making confident, as it provides a direct link to the occurrence of events. Primary data is based on literature reviews and questionnaires. Secondary data is obtained from reliable sources such as previous studies, online websites, blogs, reports, and books relating to the scope on this study which will be gathered to support the primary data.

This study aims to collect reliable data from property management organisations and building occupants living in strata buildings in Kampung Datuk Keramat, Titiwangsa, Kuala Lumpur. The study location, Kampung Datuk Keramat is chosen due to its convenient location and high percentage of strata or high-rise residential buildings. The targeted respondents consist of two categories which are the property management organisation who managing the strata buildings and the building occupants who living in strata buildings. Both respondents are targeted to bring point of view and to have different perception from the clients toward the outsourcing services in the strata buildings.

There are 4 medium costs of strata buildings which has been chosen as case study which represents 474 samples. By using the formula that considers the sample size, the population and the margin error, the result represents the sampling size is 216 respondents. Convenience sampling was used to ensure the respondents were property management organizations handling and managing strata residential buildings and building occupants staying in the buildings. The respondents must have a prescribed background to ensure accurate and reliable data. To ensure a representative sample, an online questionnaire was designed using Google Form and distributed through official office emails and community WhatsApp groups. The questionnaire

The questionnaires are designed using the online Google Forms. The questionnaire is divided into three (2) parts which are part A and part B. Part A consists of respondent's demographic which the respondents must choose only one from the multiple-choice answer. Part B consists of 5-point importance scales questions where the respondents were asked to rank which of the criteria is the most important for each service provided by outsourcing property management in strata buildings.

## **RESULT AND ANALYSIS**

The internal consistency of the questionnaire was assessing through 24 items using Cronbach's Alpha. The result shows that the Alpha's coefficient was 0.928. It can be concluded that the questionnaire instrument was reliable and applicable to be used for this study. In the literature review, previous studies have highlighted that there are 4 majors services which are commonly outsourced in strata buildings which are security services, repairs and maintenance, cleaning services and gardening services. According to the primary data, the respondents from the two group basically perceive same in terms of criteria of outsourcing in achieving the successful services in property management. By analysing all the criteria and services based on the respondent's answer, it appears the greatest variances of average mean are results for the most important criteria for the service. The mean result is presented in Table 2. The results shown in the table were ranked from the highest mean to lowest mean of importance criteria for each service in achieving the successful outsourcing in property

management services perceived by both property management organization and the building’s occupants.

As shown in Table 2, the most important or the highest rank of important criteria for security services is costs, following by responsibilities and accountabilities, quality, customer orientation, innovative and flexibility. It same refers to the repairs and maintenance in strata buildings which costs is the most important criteria for outsourcing achieving the successful services, following by flexibility, customer orientation, responsibilities and accountabilities, quality and innovative. However, it is different with cleaning services which the flexibility is the most importance criteria following by quality, cost, innovative, customer orientation and responsibilities and accountabilities. Lastly, the customer orientation for gardening service has been classified as the most importance criteria in achieving successful services.

**Table 2: Ranking the Most Importance Criteria of Each Service**

		<i>Mean</i>	<i>Rank</i>
<b><i>Security Services</i></b>			
1.	Costs	4.07	1
2.	Responsibilities and Accountabilities	4.06	2
3.	Quality	4.05	3
4.	Customer Orientation	4.04	4
5.	Innovation	4.00	5
6.	Flexible	3.93	6
<b><i>Repairs and Maintenance</i></b>			
1.	Costs	4.13	1
2.	Flexible	4.13	2
3.	Customer Orientation	4.06	3
4.	Responsibilities and Accountabilities	4.01	4
5.	Quality	4.00	5
6.	Innovation	4.00	6
<b><i>Cleaning Services</i></b>			
1.	Flexible	4.08	1
2.	Quality	4.07	2

3.	Costs	4.05	3
4.	Innovative	3.97	4
5.	Customer Orientation	3.94	5
6.	Responsibilities and Accountabilities	3.94	6
<b>Gardening Services</b>			
1.	Customer Orientation	4.07	1
2.	Innovative	4.02	2
3.	Costs	3.99	3
4.	Flexible	3.96	4
5.	Responsibilities and Accountabilities	3.93	5
6.	Quality	3.31	6

## CONCLUSION

In achieving successful outsourcing in property management services, there are 6 key criteria which need to be considered and be analysed before appointing the service providers. Each service has its own the most importance key criteria that are appropriate to the service provided. The result of the mean shows that the property management organization and building's occupants have same perceptions towards the importance criteria for outsourcing in achieving the successful services in property management. This study discovered that there are 6 important criteria in achieving successful services and among the 6 criteria, there is one criterion which most importance appropriate to the services. The rationale for conducting this study was the need for prompting the perceptions between property management organizations and the building's occupants in assessing the most importance criteria for each service that has been outsourced in strata buildings. This study has provided proof on studying and identifying the important criteria of outsourcing in achieving the successful in property management services perceived by property management organizations and building's occupants. The results derived in this study will enable both groups of the respondents as well as the service providers in these outsourcing services to be alert with perception of each other and to play their main roles in maintaining the contractual relationship.

## RECOMMENDATIONS

Future research can be conducted to cover all aspects relating to outsourcing services in strata buildings. Focusing on both in-house and outsource property management to get a comparison between both services. From the result, it will show which of in-house or outsource is better to perform the services in strata buildings. Also, future research shall expand the target respondents and the case study. The future research can conduct the study in other states in Malaysia such in Selangor, Johor and Pulau Pinang which most of these states have its big cities and developed states with building developments. There are many strata buildings or high-rise residential in those states. It will help the future research to reach a higher number of target respondents. The future research can conduct a study which covers another type of buildings such commercial and industrial buildings which also having the outsourcing services in help the management to handle the buildings.

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*Setuju.*

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