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## FACILITIES MANAGEMENT: EFFECTIVENESS IN OUTSOURCING

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### Abstract

*Facility management is the integration of multiple disciplines necessary for the ensuring functionality of the land, buildings, infrastructure, furniture, equipment and fixtures of a company necessary for the operations of the business. It is the role of the Facility Management department to coordinate and oversee the safe, secure and environmentally sound operations and maintenance of these assets in a cost effective manner aimed at long-term preservation of the asset value. Therefore the aim of this paper is to overview the definitions and effectiveness in outsourcing facilities management. Data were obtained through questionnaire surveys to selected public higher education buildings' facilities management departments namely UPM, UM and UiTM. Findings of this study were presented in an integrated tabulated charts and tables. Ultimately, this research hoped to contribute a better understanding on the effectiveness of outsourcing in facilities management.*

**Keywords:** Facilities Management, Outsourcing, Effectiveness.

### 1. Introduction

To make things easier Facility management covers all non-core activities of an organization. These possibly will include housekeeping, kitchen services, security and building setup, or interior and gardening services. All these activities are crucial requirements of any business institution. As the business develops and competition gets tougher it is not easy for an organization to monitor all these activities. Keeping up with diversified departments of each of these activities that do not directly affect the business becomes frantic and costly. Especially in a crisis market, even the wealthiest of the companies are considering of reducing costs to keep up with the market. Outsourcing facility management services not only releases the unnecessary headaches but helps reduce expenses. Focusing and performing well in primary activities is the new success secret.

### 2. Definition

Chase *et. al* (2004) defined outsourcing process as an —act of moving some of a firm's internal activities and decision responsibilities to outside providers. Lankford and Parsa (1999) also said that —outsourcing is the procurement of products or services from sources that are external to the organization. Other definition is outsourcing is contracting out to obtain the services or products from an outside provider instead of having them provided by in-house resources. In the attempt of outsourcing, it is important to ensure that the institution's mission and long-term goals and objectives are achieved. In other words, outsourcing is a form of privatization in which institutions of higher education contracts with an external organization to provide appropriate functions or services. (Ender and Mooney, 1994).

### 3. Literature Review

#### 3.1 Concept in Outsourcing

Outsourcing is transferring business processes from one company to another. The concept is to have the management or day-to-day execution of one or more business functions performed by a third-party service provider who is already in sourcing those same business processes. A parent company uses the outside firm to provide a business function that could have been done in-house. The aim of outsourcing is to make the business

or organization more competitive by staying focused on its core competencies.

When making decisions about the best way to staff, facility executives should keep the focus on finding the right skills, not achieving short-term cost savings. (Edward Sullivan, 2005). Edward also states that the best way to start is by determining the top source for the expertise that is required to achieve facility functions that array from engineering to leasing, from space planning to maintenance, which some facility executives would see it as outsourcing. According to Encon & Albert (2004) there are better ways than the conventional method to outsourcing under all circumstances. Out-tasking is a complementary option that may be more suitable in specific situations. The second approach is usually practised in information technology and facilities management. While the strategic consequence of out-tasking is generally acclaimed, little is understood about its practice. The decision pattern of strategic outsourcing raised in this thesis provides a practical management tool for selecting the appropriate outsourcing strategy. Two of the key success features in facilities management are choosing the right outsourcing strategy and its proper implementation. Preferably, the service provider should have the skills to deliver the service with reasonable reliability, certainty, cost effectiveness and on time performance. When companies outsource maintenance, a contrast usually arises between the client's longterm maintenance strategies and the supplier's incentive to provide quality service. (Anssi Salonen (2004).

### 3.2 Advantages of Outsourcing

Neil Usher (2003) states that the conventional method of assessing the advantages of outsourcing can be replaced through a detailed consideration of the requirements from such a relationship of both the purchasing and delivery perspectives. This is able to provide a greater depth of understanding of the relevant issues, and to establish the key challenges and success factors in outsourcing is the preferred or correct course of action in any given situation. Neil also outlined 10 factors (Table 1) for the evaluation and the related advantages which are:

Table 1: Advantages of Outsourcing

FACTORS	ADVANTAGES
Cost	Lower cost through economies of scale and market experience than either in-house service or best-in-class out tasking to several suppliers
Quality	Improved quality owing to focus upon delivery as core business, and implementation of tried and tested models and methods
Risk and liabilities	Transfer all contingent liabilities to the service partner, while maintaining the right to modify the scope and scale
Specialization and diversity	Ability to leverage supplier specialism's that would either be unavailable or too costly to procure for the limited time required
Responsibilities and accountabilities	One single contract and nominated point to cover a complex and diverse range of task, service and management delivery
Flexibility	Wide potential to instruct changes in scope, scale, location and quality to account for changing needs or demands of the business
Innovation	Draw upon the significant FM core business knowledge and experience of the service partner, together with input from a host of other client accounts, to deliver new or improved delivery models or methods
Investment	Service partner generates significant profit and retains incentivized earnings potential—therefore in acknowledgment and in order to retain the contract will deliver ideas, evaluation, consultancy, hardware, software ,IT development etc without charge in order to facilitate improved service delivery and in turn greater client satisfaction
Information	Ability to obtain, process, evaluate/interpret and utilize data for the benefit of the service delivery in respect of understanding metrics, identifying need and monitoring performance
Customer orientation	Delivery of an ethos and conceptual basis for understanding and responding to the customer, and the training, management and resources to support and reinforce the value set consistently across all service lines

### 3.3 The Effectiveness in Outsourcing Facilities Management

Outsourcing allows companies to maximize the return on their internal resources; maintain and develop core competences as a way of providing barriers to protect against present and future competitors; make full use of external capabilities, innovation and investment; and finally, provide better service, quality and cost to the customer. ( John D. Campbell, 1995)

John (1995) also added, outsourcing can be an effective way to reduce costs, free-up capital and improve quality and service. However, outsourcing should not be seen as an automatic ticket to success. Initially, it is critical to assess if the circumstances and timing are right to pursue outsourcing. A company's readiness can be assessed based on a number of requirements, including establishing that there are issues which could be resolved by outsourcing, such as cost, competence or management focus; identifying if there are

questions to be answered first before further considering outsourcing, including the capability of the local market or restrictions in the collective bargaining agreement, and confirming the cost effectiveness of outsourcing as a means to achieve strategic advantages

The way facility maintenance is conducted, affects the effectiveness of user organizations and increases productivity and well-being of their employees – and through that the financial performance of the user organization that effect on how the user organizations value their premises, and through that it is linked to their willingness to pay and to stay. This, in turn, leads to positive economic returns for the building owner through improved vacancy ratio and potential price premium (Wireman, 2004; Levitt, 1997). From the FMS provider’s point of view, good quality increases productivity and customer satisfaction (Iacobucci et al., 1994; Caruana, 2002; Wireman, 2004). The starting point of this “positive vicious circle” is not the building owner who has contractual ties with the FMS provider. The starting point is the individual users and user organizations that are in the middle of the service production.

This study focused on public higher education buildings which are Universiti Putra Malaysia (UPM), Universiti Malaya (UM) and Universiti Teknologi MARA (UiTM). Questionnaires was distributed to the selective population which is 30 sets of questionnaires for each university. The focus and intention for questionnaires are to get opinion from the respondents (from top to bottom) on the current operation and implementation of outsourcing Facilities Management in education buildings and from the building user (University staff and students).

#### 4. Results and Discussions

**Question 1 -** What are the main reasons for outsourcing the FM services?

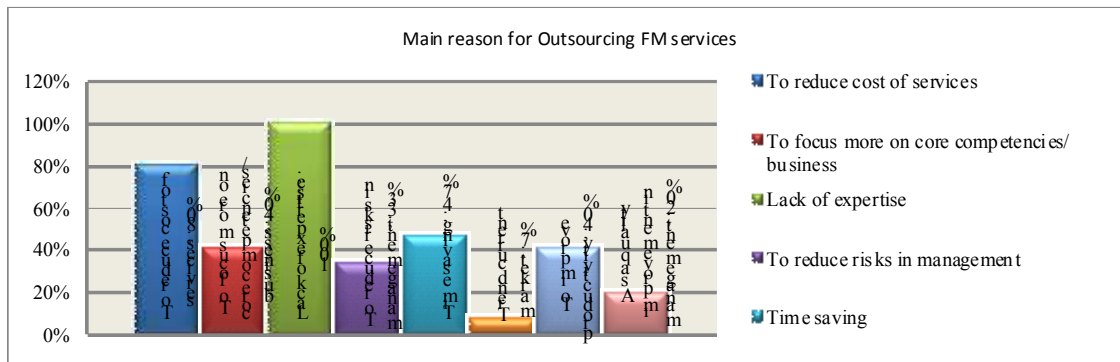


Figure 1: Main reason for outsourcing FM services at UPM

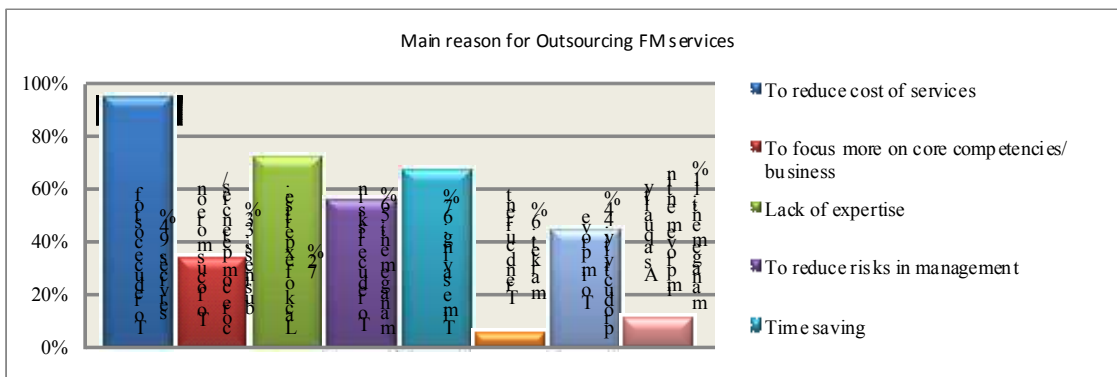


Figure 2: Main reason for outsourcing FM services at UM

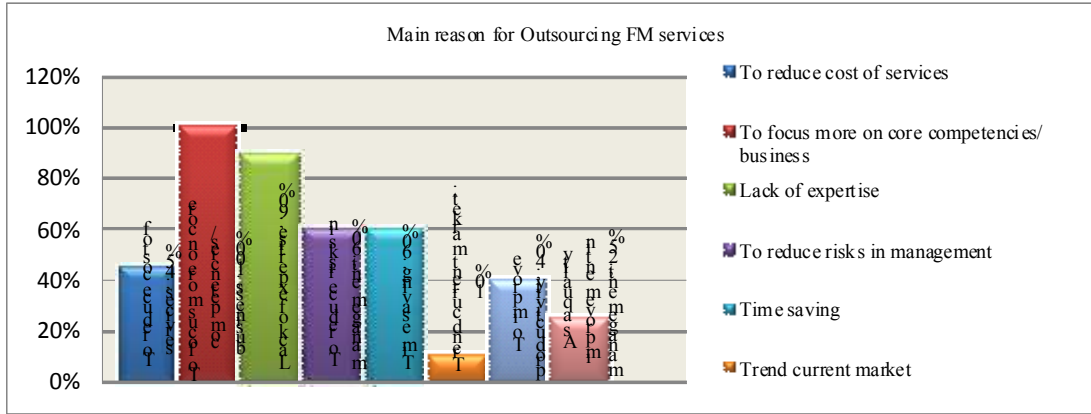


Figure 3: Main reason for outsourcing FM services at UiTM

Figure 1 to 3 show three respective universities with their reason to outsource FM services. UPM and UM agrees on the three main reasons to outsource which are lack of expertise, to reduce costs of services and time saving. UiTM seems to have a mind of their own; this is shown in figure 27. The main reason they outsourced FM services is to focus more on their core business which is education. Reasons such as lack of technical expertise, to reduce risks in management and time saving came in second and third. This clearly shows that UiTM had established their FM department. They are aware that the real reason to outsource is for the organization to be able to focus on their core business.

**Question 2 -** What are the main factors that may influence an outsourcing decision?

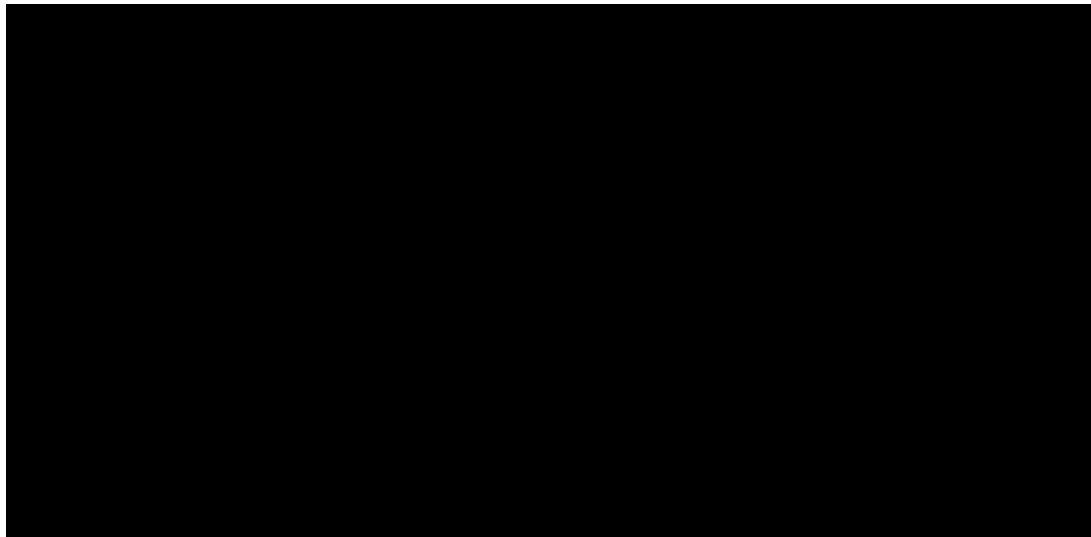


Figure 4: Main factors that influenced UPM to an outsourcing decision

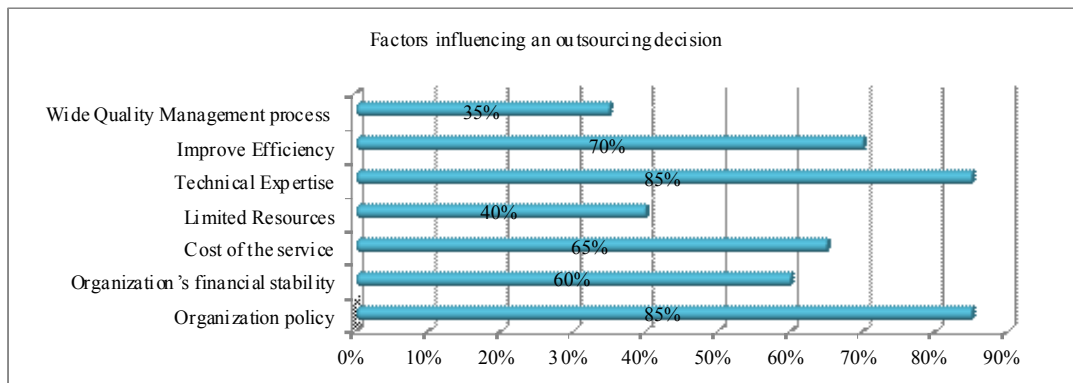


Figure 5: Main factors that influenced UM to an outsourcing decision

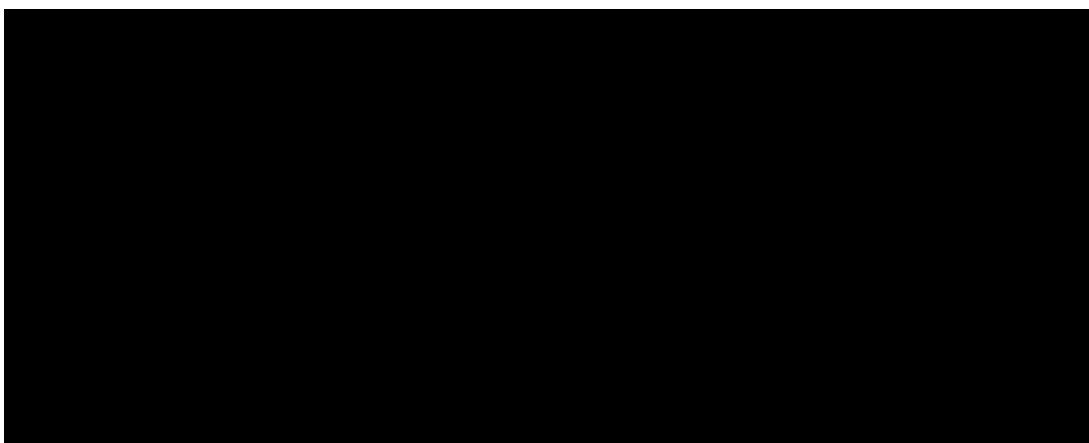


Figure 6 : Main factors that influenced UiTM to an outsourcing decision

Figure 4 to 6 show the main factors that influence outsourcing decision in UPM, UM and UiTM. Three of them agree on the factor technical expertise. The decision to outsource is mainly because of lack of technical expertise in the organizations. When a failure occurs, nobody could determine or identify the root cause of the problem. Hence, outsourcing the works is the best possible option. UPM may have extra budget to opt for outsourcing, while UM and UiTM think cost of outsourcing is lower than in-house maintenance and UiTM's decision is very much adhered to the organization's policy. One of the reason that UPM decided to outsource is because of limited resources in terms of machinaries and methodologies. Whereas 70%-72% of UM and UiTM agreed on outsourcing in improving their efficiency. Basicly 7% of 'others' in UPM's chart is lack of manpower in the electrical engineering department.

**Question 3** - Based on your organization's evaluation, does an outsourcing FM service contribute efficiency in performance in your organization in order to achieve the company's vision, mission and goals?

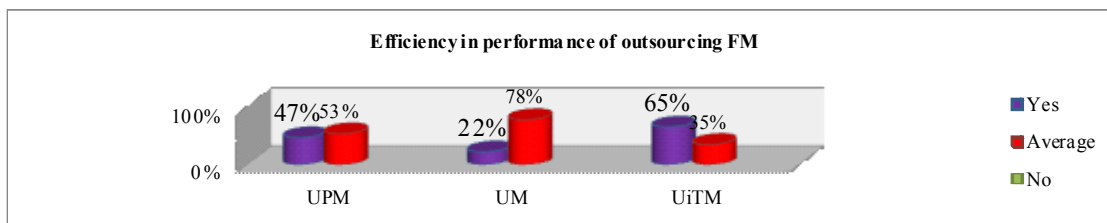


Figure 7: Efficiency in performance of outsourcing FM in the three respective universities in order to achieve the universities' vision, mission and goals.

Figure 7 shows the efficiency in performance of outsourcing FM in UPM, UM and UiTM in order to achieve the universities' vision, mission and goals. Most of the respondents in UPM and UM finds efficiency level is average. Only 22% respondents from the management of UM said their contractor's current performances are achieving university's mission and vision. This is because lack of manpower such as engineers to supervise contractors work. Inspection done is very brief considering they have to cover the universities' huge compound. Not to mention, sometimes, the engineer have to handover their supervising work to their technician, which we know have less technical knowledge than the engineer. Based on my observation, orders are only given verbally. On the other hand, UiTM find their outsourcing FM performance efficient. This is because; UiTM had adequately divided their engineers into zones that they have to monitor in order to ensure that the contractors execute their work according to specifications. However, most of the users said the efficient level is average. It could be that the department carries out work without considering of the needs of users.

## 5. Conclusion

Kevin Taylor (2002) defines; one innovation of outsourcing results is the ability to continually extend or restore the initial term offering ongoing benefits and stability to the client and the Outsourcing FM. The Outsourcing FM has to demonstrate that their performance compares favourably with published industry standards and or client metrics. The ability to manage risks assumed by the Outsourcing FM where given the opportunity and control. Working together in the spirit of partnership the Outsourcing FM is motivated to strengthen the relationship with the client thereby overcoming "switching costs". The Outsourcing FM will have a greater understanding of the client's core business and be able to align services to the needs of the user.

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