INFLUENCE OF CHANGE MANAGEMENT FOR EFFECTIVE OUTSOURCING OF FACILITIES MANAGEMENT SERVICES

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ABSTRACT

The procurement by partial or full outsourcing of Facilities Management services is one of the options available for operation and maintenance of buildings. Since the recent past, this has been observed as a popular trend in this sector. Outsourcing can bring about many changes and conflicts into the organisation. This is due to many reasons such as services being performed in different ways, some services changing in quality and rhythm, the employees being asked to do things differently and the organisational culture also having to adopt the changes. Organisations need to adopt an intelligent approach to manage such changes if they are to maintain the continuity of the operations. As such, the aim of this study is to identify the influence of change management towards the effective outsourcing of Facilities Management services. Multiple case study method was adopted as the research methodology for this purpose. Data were analysed against the three predetermined categories which were; reasons for the outsourcing, the impact of change during outsourcing practices, and incorporating the change management with the outsourcing practices, in order to reach a compromise. Findings of the study reveal that the efficiency of outsourcing the Facilities Management services can be improved and the organisations can reap the maximum benefit out of such outsourcing if the change management is handled in an effective manner.

Keywords: Change Management; Facilities Management; Outsourcing.

1. INTRODUCTION

Outsourcing has been advanced to the extent of being one of the most popular and widely adopted business strategies in this era of globalisation (Cigolini *et al.*, 2011; Willcocks, 2010). Outsourcing is the act of transferring some of the organisation's recurring internal activities and the right of decision making to outside providers as set forth by a contract (Greaver, 1999). Hence, it involves the transfer of responsibilities (Krell, 2006). In a competitive business environment, companies focus on core activities and outsource non-core functions to others (Kim and Won, 2007; Quinn and Hilmer, 1994). In the field of Facilities Management (FM), it involves the "contracting out" of FM services to an external provider (Atkin and Brooks, 2009; Barret, 2000). Up to now outsourcing has contributed immensely to the growth of FM as an industry and in the foreseeable future it is also likely to be the driving force of the industry (Best *et al.,* 2003). According to the International Association of Outsourcing Professionals (2011, cited in Ikediashi *et al*, 2012), the global outsourcing industry is presently worth over $1 trillion annually with India capturing a lion share of the market closely followed by China.

The FM industry in Sri Lanka too uses outsourcing as one of their procurement strategies (Nadeeshani, 2006). Nadeeshani (2006) found that during the decision making process of procurement strategy in the FM industry in Sri Lanka, change management issues such as employee reactions, ethical and cultural impacts, willingness to manage possible discords that could arise out of contract in the future, were neglected or received the least of attention.

Andersen and Ankerstjerne (2011) stated outsourcing as a service creates many changes and possible disruptions to an organisation. Also, Atkin and Brooks (2009) theorise that, change is normal, but for the people affected by such change the consequences can be substantial. Therefore, organisations need

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to adopt an intelligent approach to planning, coordinating and controlling the process of change that ensures continuity of operations (Atkin and Brooks, 2009; Gildner, 2006).The problems that may arise from unmanaged change in outsourcing are; cultural conflicts, loss of interest by employee, breakdown of communications regarding goals and commitments, non-corporation between the organisation and service provider (Andersen and Ankerstjerne, 2011). Moreover, the difficulties on the part of the employees to make even small changes to their work habits tend to be underestimated by the managers. Consequently, sometimes this may result in reluctance and resistance by employees as a result of which the managers often lose patience, and that could possibly lead to further antagonisms (Andersen and Ankerstjerne, 2011). Accordingly, the aim of this paper is to review the importance of incorporating change management during outsourcing of Facilities Management services and to identify the influence of change management towards the effective outsourcing of Facilities Management services. This is to be dealt here in sequence of specific topics consisting Nature of Outsourcing, Impact of Change in Outsourcing Practices, Incorporating Change Management during Facilities Management Outsourcing Practices, Research Method, Data Analysis, and Conclusion.

2. NATURE OF OUTSOURCING

Outsourcing is an act of moving some of a firm's internal activities and decision making responsibilities to outside providers as defined by Chase *et al.* (2004). Furthermore it is a condition where an organisation contracts with another for the provision of a service that could well be provided by a person, unit or department within the same organisation that requested the service (Best et al., 2003; Barret, 1995; Barret, 2000).This defines that outsourcing is the process of assigning or transferring the non-critical business activities from an internal source to an external party. In order to achieve a long term competitive advantage a firm should concentrate more on its core activities. Therefore many organisations are of the view that outsourcing firms can carry out those non-core activities more effectively at a lower cost (Smith *et al.,* 2000).

The main three subcategories in FM outsourcing are, the Managing Agent, who is appointed as a specialist to act as the client's representative. This person (or organisation) is responsible for arranging the appointment of the service providers. Secondly the Managing Contractor, which as an organisation that has the responsibility to manage all service providers under one umbrella as though being part of one large contracting organisation. The contractor being paid a fee for providing such services, usually as a percentage of the value of the expenditure managed, and thirdly Total Facilities Management, where a single organisation is delegated the responsibility for providing services and for generally managing the facilities (Atkin and Brooks, 2009).

Organisations select outsourcing as a Facilities Management procurement option due to several reasons. The most common of the reasons for outsourcing are shown in Figure 1. Once the organisation decides to outsource, it should first develop a list of suppliers/vendors for consideration, and then appoint an Implementation and Governance team for the outsourcing process so that they could carry out an effective selection and monitoring of the process (Brown and Wilson, 2005). According to Nadeeshani (2006) in Sri Lanka, the FM industry gives priority for quality, flexibility, innovation and price during the process of vendor selection.

Figure 1: Reasons for Outsourcing (Adopted from: Borisova, 2011)

According to Brown and Wilson (2005) the outsourcing process is made up of six phases. At first is the Strategy Phase which defines the objectives and scope of the outsourcing process and also determines the feasibility of the process. Moreover, it includes the planning for the total effort in terms of time, budget, and the necessary resources required for the initiation of the process. Secondly the Scope phase which establishes the baselines and specifies the service levels required from the vendors. Furthermore in order to provide the proper interfaces between the two parties it clarifies the relationships between the functions to be outsourced and those functions that are to remain in house. Thirdly the Negotiation phase where negotiations proceed with the chosen vendor until a contract is drawn up and, signed by both parties. Fourthly the Implementation phase marks the transition of services provided from in house to outsource. Fifthly the Management phase where the relationship between organisation and vendor is to be managed. It includes the negotiation and implementation of any changes in the outsourcing relationship seen as necessary to ensure a successful outcome. Sixthly at the end of the contracting period will be the Completion or termination phase where organisation will make the decision either to negotiate another contract with the same vendor or to terminate that relationship and align with a new vendor in which case the cycle commences all over again. Sometimes the organisation may decide to switch back into in-house system in this phase.

3.   IMPACT OF CHANGE IN OUTSOURCING PRACTICES

Change is a movement from the present state of the organisation to a desired future state (Ramanathan, 2008). Different approaches can be adopted to manage change. Figure 2 presents a generic process model based on Lewin (1958) and Kotter (1996) that enables to understand the change process. It highlights the significance of following four components; contextual conditions prompting the change (external and internal factors), diagnosing the need for change and developing plans for implementation, followed by implementing such plan and then finally institutionalizing the change (Ramanathan, 2008). This generic process model has been combined into the outsourcing change management process and is discussed in topic 4.
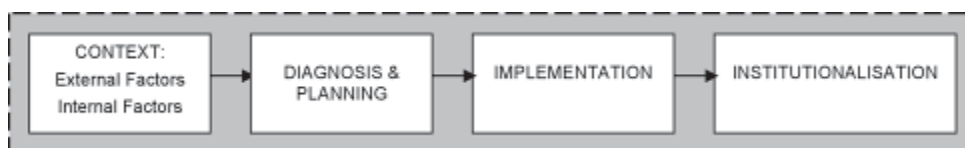

Figure 2: Generic Process Model of Change (Adopted from: Ramanathan, 2008)

Corporate culture and practices are unique to each organisation. This could be so to even those involved in the same industry. Outsourcing and admitting a vendor with an entirely different culture into the organisation can give rise to cultural clashes particularly if such organisations are not in a state of preparedness to accept the outsider. Organisations should not underestimate these differences (Brown and Wilson, 2005). Each organisation has its own established practices, principles and values which are well entrenched and hence initially may resist changes to the system that outsourcing forces upon them (Andersen and Ankerstjerne, 2011). There may be interruptions resulting from this which may affect the quality of the services and the entire productivity of the organisation. However, making change happen successfully is one of the most challenging tasks faced by the leadership and corporate management of the organisation. Therefore organisations should adopt methodical approach in order to reduce the consequences of unmanaged change. The common issues which may arise from unmanaged change are discussed below.

3.1. NO SUPPORT FROM CLIENT ORGANISATION STAFF

Due to the different procedures adopted by the outsourcing provider in handling the services, the in-house staff may be reluctant to co-operate and participate in the activities carried out by the vendors (Ikediashi *et al*, 2012). This can result in active or passive resistance against the entire outsourcing model. Due to lack of co-operation the vendor also will not be able to execute the functions in the best way that he seems fit. Later it may lead to dissatisfaction of top management and that would eventually affect industrial peace.

3.2. POOR MUTUAL UNDERSTANDING

After signing the initial contract, both the client and service provider have multiple team members who would be responsible to manage the initial activities of implementation and ongoing operations. Following the changes in the organisation the client's staffs are already emotionally charged and are beginning to just learn the details of the agreement. Hence there is a tendency for them to dictate terms to the vendor regarding what he should (and should not) perform (McCray, 2008). This state of friction may result in operational disruptions.

3.3. POOR ACCOUNTABILITY

In instances where both the in-house and the outsource parties are expected to work in co-operation and share responsibilities to complete a service, none of them would be willing to take accountability for any occurrence of downtime or productivity loss (Ikediashi *et al*, 2012).

3.4. CULTURAL CLASHES BETWEEN CLIENT AND SERVICE PROVIDER

In terms of corporate culture, the client and the service provider may have different norms in terms of speed, style, decision making and organisational structure. The fact that outsourcing represents a commercial relationship between two separate entities that can hold on to extreme and inflexible positions also serves as another potential flash point (McCray, 2008).

4. INCORPORATING CHANGE MANAGEMENT DURING FACILITIES MANAGEMENT OUTSOURCING PRACTICES

Effective management of change during outsourcing process ensures maximum value for the organisation. For any manager involved in an outsourcing initiative the most daunting of challenges would be that of coping with the changes caused by outsourcing, both by the process and personnel (Brown and Wilson, 2005). Often these change related aspects are not addressed by traditional strategic planning (Worley *et al*., 1996). Organisations often ignore the fact that successful outsourcing is heavily dependent upon the attitudes of their workforce. The perspectives and responses

of employees at all levels and positions have a significant impact on the successful implementation of strategic change processes (McIvor, 2005).

So as to coordinate and negotiate the changes across the entire outsourcing process and for all groups and individuals involved, communication becomes the key factor. Therefore the organisation should involve the staff during the early stages of the plan for outsourcing. This will help to build their trust, which will make them more willing to accept the changes and lend their support. Moreover the employees should be educated about the fact that they will need to change along, in order that more attention can be paid to the core business and its success so that ultimately their future will be more secure in the competitive environment (Brown and Wilson, 2005). Since the Facilities Management involves machineries and equipment, the vendor is in a position to introduce new technologies. A change in the work process or work activities may be necessary if new technology or new maintenance techniques are to be introduced by the outsourced party (Griffin, 2008). In such a situation proper training and awareness should be given to the in-house employees. Likewise in each phase of outsourcing the potential changes should be identified and change management initiatives should be incorporated accordingly.

4.1. CHANGE MANAGEMENT PROCESS TO BE INCORPORATED WITH OUTSOURCING PROCESS

The generic process model of change (Ramanathan, 2008) can be further modified to fit with outsourcing practices.

Step 1- Context: The influence of internal and external business environment creates a need by the organisation to go in for outsourcing. External environment factors namely commercial, social, and particularly economic factors such as cost would force an organisation to go for outsourcing (Usher, 2003). Internal business environment includes corporate plan, resource constrains, business objectives, and management styles also have an impact on outsourcing decisions. These internal and external factors normally decide the organisational values, norms and culture. The manager should take these factors into consideration when deciding the extent to which he has to manage the change (Ramanathan, 2008). At the same time sub cultures and sub culture gaps can arise in the organisation that could lead to serious problems such as employees leaving the organisation, resistance towards implementation of outsourcing, and so on (Finnegan and Willcocks, 2006).

Step 2- Diagnosis and Planning: In order to plan for change management, complete data regarding group and individuals should be collected, interpreted and analysed (Hayes, 2002). This will be helpful for the managers to find out about the current status of their organisation. Further Hayes (2002) stated this diagnosis can be done through SWOT (Strength, Weaknesses, Opportunities and Threats) analysis or PEST (Political, Environmental, Social and Technological) analysis. Following this diagnosis, the plan for the change management should be done based on the data collected during the diagnosis phase. In this phase a set of targets and objectives will be developed for implementation. This plan should be effectively communicated to all the stakeholders by a management team with specific roles and responsibilities assigned to its members (Ramanathan, 2008

Step 3- Implementation: The plan developed in the previous step will be executed in this step. According to Waldersee and Griffiths (cited Ramanathan, 2008) two major approaches can be adopted to implement the change management programme. One is the top down method and the other is the bottom up method. While the top down approach tends to be procedural, focusing on resource allocation and follow formal authority lines, the bottom up approach favours participative, and consultative techniques which targets the values, attitude and skills of the members in the organisation. Especially during outsourcing projects the ego issues arising from employees are likely to cause more resistance to change (McCray, 2008). Therefore implementation should be provided with a proper feedback system

Step 4- Institutionalisation: This step anchors changes in the corporate culture and makes the employees accustomed to the change. According to Kotter (1996) change can be institutionalised in two ways. Firstly by demonstrating the success caused by the changed behaviour. Secondly by the

leadership adopting the new behaviour and norms and introducing it in the organisation. This is the step which is important to sustain the change which leads to effective outsourcing.

5. RESEARCH METHOD

Case study was selected as the most suitable research method for this study. The reasons being, the study needed to focus on in-depth decisions and behavioural attitudes of individuals and groups within and between organisations (Woodside, 2010).As such, the most appropriate sources of primary data were considered to be the expert opinions. For this purpose semi-structured interviews were considered as ideal because it elicits more elaborative and purposeful answers from the respondents to the questions raised. Being so, the interviews were carried out among professionals in the respective industry and content analysis was conducted to analyse the interviews.

This study selected multiple cases, as it provides multiple sources of evidence and potential replication of findings. Table 1 furnishes the list of interviewees. Each interview transcript was analysed against the three predetermined categories shown in Figure 3 around which the interview questions were structured so as to identity any commonalities or differences in opinion.

Table 1: List of Interviewees

Respondents	Type of organisation	Prof le of the respondents
Respondent A	Private sector, Banking industry	Facilities Manager
Respondent B	Private sector, Manufacturing industry	Human Resources Manager
Respondent C	Private sector, Interior solutions industry	Facilities Manager

Figure 3: Nodes of Predetermined Categories for Analysis

6. DATA ANALYSIS

6.1. REASONS FOR OUTSOURCING

Table 2 shows the replies of the respondents regarding the reasons for selecting the outsourcing as their procurement option.

Figure 3: Nodes of Predetermined Categories for Analysis

Reasons	Respondent A	Respondent B	Respondent C
External expertise	✔	✔	✔
Efficiency	✔		✔
Lower cost		✔	✔
Reduce the number of workers directly handled by the company	✔	✔	
Better quality	✔		
Less burden			✔
Faster replacement		✔	
Risk transfer	✔		
Single point responsibility			✔
Improved productivity	✔		

Interview results illustrated that organisations undertake outsourcing for a variety of reasons depending upon their determination of the task. Most commonly organisations are going in for outsourcing in-order to acquire external expertise and concentrate more on their core business. According to Respondents B and C cost of outsourcing is lower. At the same time 'Respondent A' asserted "*outsourcing cost is slightly high compared to in-house but efficiency wise it is beneficial*". The probable reason for such statement from 'Respondent A' is presumed to be his non-considering the compulsory contributory costs such as EPF, ETF, gratuity and other allowances to be borne by the client company towards its in-house employees may not be applicable to the outsourced employees. Hence, the lump sum payment made to the outsourcing company may seem more. Therefore outsourcing is indeed beneficial cost wise. Risk transfer is another major reason for outsourcing. Though only 'Respondent A' has directly mentioned of it, the responses from other two respondents too indirectly demand risk transfer. Other reasons specified by the respondents were closely related to their respective fields of specialty.

6.2. IMPACT OF CHANGE IN OUTSOURCING PRACTICES

The outcomes from the interviews imply that, the change due to the presence of another organisation brings about an impact in the outsourcing efficiency. Figure 4 shows the issues as encountered by the respondents.

Name		Sources	References
Impact of change in outsourcing practices		3	4
Resistance of in house staff		1	1
Works may be performed in different ways		1	1
Poor understanding of scope of the work		1	1

Figure 4: Nodes of Impact of Change

Based on Respondent A's statement, the impact can be high, if an organisation has already been an in-house model for a long time then changes on suddenly to an outsource model. They may have to retire some of their in-house staff selectively and therefore they may face problems of employees resisting the change and with labour law restricting such retirements. The impact can be also high in case where the outsourcing organisation requests for replacement of particular machinery or a change of work process. Therefore this would have an impact on outsourcing efficiency. According to 'Respondent C' due to the improper understanding of the scope of their work initially by both in-house and outsourcing parties, one party may compete to keep ahead at the expense of other. This may result in reducing the efficiency of the outsourcing process. According to 'Respondent B', if the management is vigilant and proactive they can avoid such conflicts before it arises. Based on their responses it can be concluded there is an impact caused by change and that it should be mitigated.

6.3. INCORPORATING CHANGE MANAGEMENT DURING FACILITIES MANAGEMENT OUTSOURCING PRACTICES

All the respondents agreed that, in order to mitigate the conflicts due to change a proper change management practice should be incorporated during outsourcing practices. Their practices to manage change are given in Table 3.

Table 3: Ways to Incorporate Change Management

Respondent A	Respondent B	Respondent C
• Change management process should be carried out from the beginning of the process • Both positive and negative stakeholders should informed prior to change • Commitment and scope of both in-house and outsourcing parties should be communicated	• Continuous training should be given to the staff to adopt the way of working of the outsourcing party • Regular indirect monitoring of outsourcing party • Commitment and scope of both in-house and outsourcing parties should be communicated	• Commitment and scope of both in-house and outsourcing parties should be communicated

Findings from the literature reviewed for incorporating change management with the outsourcing practices agrees with the opinion expressed by the interviewees. According to the literature cited, the steps to incorporate change management are context analysis, diagnosis and planning, implementation and institutionalisation. Suggestions of the respondents can be fitted into these steps.

Step 1: Context analysis – This step is about analysing the internal and external environment in order to find the forces involved in the change. According to the respondents all positive, negative, internal and external stakeholders should be given prior information about the change, so that such stakeholders will exhibit minimum resistance to such changes.

Step 2: Diagnosis and planning – The outsourcing and the change management practices should be implemented simultaneously. For this purpose proper planning and diagnosis is necessary. Such a plan should communicate the scope and the commitment expected of both parties.

Step 3: Implementation – This step involves the execution of the change management plan. As an essential part of this plan in-house staffs should undergo continuous training. This will enhance their skills to a level compatible to that of the outsourced staffs.

Step 4: Institutionalisation – This step involves the organisation to get accustomed to the outsourcing. Regular monitoring is necessary to ensure the success of this step.

The responses were subjected to content analysis utilising NVivo 10 software and the results obtained are illustrated in Figure 5. According to this analysis the frequency of words sed by the three respondents are highlighted in the order of importance.

Figure 5: Interviewees' Response

7.   CONCLUSIONS

Outsourcing remains a powerful and an important strategic solution to the provision of a range of FM services. According to the findings, since organisations need to concentrate more on their core business activities, they favour outsourcing the non-critical business activities to a third party. Outsourcing creates many changes that may affect the efficiency of the in-house as well as outsourcing parties. In order to avoid the disagreements that may result from outsourcing, organisations need to adopt a measured approach towards this change. Steps for change management were identified from the literature and related with the findings to provide a feasible solution.

This paper explores the causal link between change management for effective o tsourcing. A key suggestion for facilities managers is that they should recognise the importance of managing change during outsourcing practice and implement it in their profession. Basically puttin things in proper process will determine the results and therefore managing the change from the beginning of the outsourcing process will increase the efficiency of it. As there will be a cost for this change we need to manage change so that it would be less painful, and help to sustain the outsourcing practices within the organisation in an efficient manner.

8.   REFERENCES

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