

Northumbria Research Link

Citation: Sridarran, Pournima and Fernando, Nirodha Change management framework to enable sustainable outsourcing of facilities management services. Journal of Built Environment Project and Asset Management, 6 (3). pp. 317-331. ISSN 2044-124X

Published by: UNSPECIFIED

URL:

This version was downloaded from Northumbria Research Link: <http://northumbria-test.eprints-hosting.org/id/eprint/46522/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)



UniversityLibrary



Northumbria
University
NEWCASTLE

Northumbria Research Link

Citation: Sridarran, Pournima and Fernando, Nirodha (2016) Change management framework to enable sustainable outsourcing of facilities management services. Journal of Built Environment Project and Asset Management, 6 (3). pp. 317-331. ISSN 2044-124X

Published by: Emerald

URL: <http://dx.doi.org/10.1108/BEPAM-08-2014-0041> <<http://dx.doi.org/10.1108/BEPAM-08-2014-0041>>

This version was downloaded from Northumbria Research Link:
<http://nrl.northumbria.ac.uk/25342/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)

www.northumbria.ac.uk/nrl



CHANGE MANAGEMENT FRAMEWORK TO ENABLE SUSTAINABLE OUTSOURCING OF FACILITIES MANAGEMENT SERVICES

Pournima Sridarran

Department of Building Economics, University of Moratuwa

Nirodha Fernando

Department of Architecture and Built Environment
University of Northumbria

Abstract

Purpose: In this present globalised era, outsourcing has become a very popular and much sought after procurement strategy for Facilities Management (FM). Generally, a sustainable procurement system should be capable enough to deliver the services free of disruptions. However, outsourcing can bring about changes in working patterns, organisational culture and management styles which can possibly disrupt the activities of an organisation. In order to avoid such disruptions, organisations need to adopt a measured approach towards this change. Accordingly, this research aims to investigate the importance of change management to enable sustainable outsourcing of FM services.

Design/Methodology/Approach: Within commercial building context, the questions of ‘why change is not managed during outsourcing of FM services’ and ‘how can it be managed’ are investigated through case studies.

Findings: Organisations encountered various disagreements due to inadequate management of change during outsourcing. If the changes emanating from outsourcing are not managed satisfactorily, it would result in possible disruptions. However, to make changes happen successfully is one of the most challenging tasks faced by the leadership and corporate management of the organisations.

Value: In order to facilitate the practitioners in the industry, this paper finally offers a framework for change management during outsourcing based on the findings.

Key Words: Outsourcing, Change management, Building operations, Sri Lanka

Paper type: Research paper

1. Introduction

Outsourcing of Facilities Management (FM) services is become popular as many organisations decided to focus on their core business activities (Kadefors, 2008). Rapid changes in the business environment lead the organisations toward this trend (Hui and Tsang, 2004). Willcocks (2010) stated that, this trend increased the spending on outsourcing, and outsourcing decision became a strategy in organisations today than ever.

Organisations cannot survive in the current competitive business environment by depending only on their own resources. This makes outsourcing a potential strategy to manage the competition (Corbett, 2004). However, outsourcing involves redrawing organisational boundaries and structure, which may lead to changes in functions, number of employees and their roles and responsibilities (McIvor, 2005). Adapting to changes brought about by outsourcing to both processes and personnel can be one of the foremost challenges faced by

the manager of an outsourcing initiative (Brown and Wilson, 2005). In order to manage changes which may result from outsourcing, organisations need to adopt an intelligent approach (Sridarran and Fernando, 2013). Accordingly, this research aims to investigate the significance of change management to enable sustainable outsourcing of FM services in Sri Lanka.

This research aims to develop a framework for Sri Lankan FM professionals to improve outsourcing practices by integrating change management. However, this research is limited to the professionals who handle commercial buildings in Sri Lanka.

2. Literature review

2.1 Outsourcing as a procurement option for FM services

Based on the priority of the organisation, FM duties and roles can be effectively performed either by in-house approach, outsourcing approach, or as a mixture of both (Atkin and Brooks, 2009). Luciani (2005) states that, differences in these approaches are decided by an organisation's state of the labour force, direct control over its processes, ownership of assets, and contract terms. In recent years, outsourcing became very popular all over the world (Borisova, 2011). Organisations select outsourcing as their strategy owing to several reasons. Table 1 shows some of the key drivers for outsourcing.

Table 1: Drivers for outsourcing

| Reasons | Interpretation |
|----------------------------|--|
| Lower cost | Lower cost through economies of scale, specialisation and market experience |
| To focus on core functions | Outsourcing allows an organisation to concentrate on its own core business activities as it performs all the non-core activities through outside experts |
| Acquire expertise skills | Ability to acquire specialised suppliers to increase competitive advantage |
| Risk transfer | An organisation can transfer all the liabilities to the outsourced part while keeping the authority to modify the terms |
| To avoid major investments | An organisation could avoid major investments to establish new department for building operations and maintenance |
| To improve flexibility | Potential to make changes in scope, scale, location and quality depending on the needs or demands of the organisation |

(Source: Borisova, 2011; Brown and Wilson, 2005; Usher, 2003)

2.2 Types of outsourcing

Organisations tried different forms of outsourcing over the time, depending on their requirements (Gandhi et al., 2012). Various authors categorised outsourcing based on different features. One of those category which is categorised by Atkin and Brooks (2009) is based on the contract terms and nature of activities. They are managing agent, managing contractor and total FM.

Managing agent is an external consultant or specialist who is capable of performing FM activities and act as a client representative (De Toni et al., 2012). This person/organisation is responsible for arranging nomination of service providers (Atkin and Brooks, 2009). Under this arrangement, contracts will be signed between the client organisation and the service provider. Whereas, managing contractor is an external consultant who maintains a single point of contact with the organisation. Subcontractors will have all the contractual relationships with the managing contractor. If the subcontractors' work falls below the expected level, the organisation directly complains to the managing contractor (Atkin and Brooks, 2009).

Total FM is a strategy in which all support services are outsourced to large FM companies (De Toni et al., 2012). This strategy provides a complete and competitive solution as the FM company provides all the services and at as a single purchasing point. Figure 1 shows the contractual relationships between client and the service provider all the three strategies.

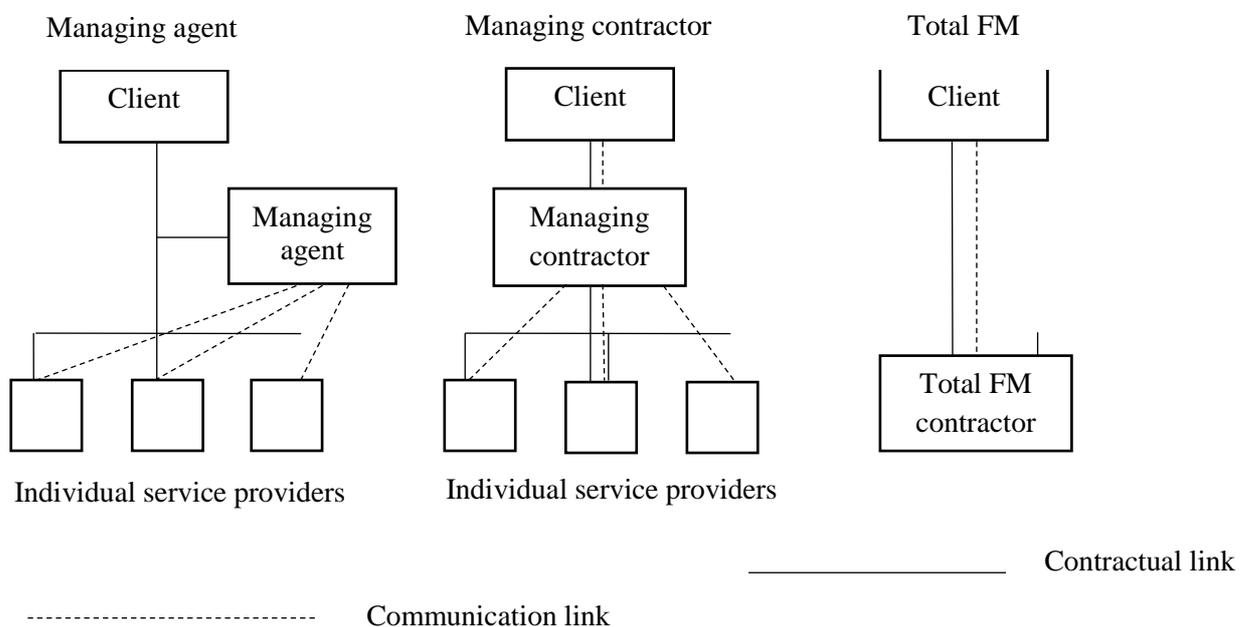


Figure 1: Types of outsourcing and their contractual links (Source: Atkin and Brooks, 2009)

In addition to the above categorisation Franceschini et al. (2003) identified three broad categories based on the level of partnership. They are traditional outsourcing, strategic outsourcing, and futuristic outsourcing. Furthermore, Gandhi et al., (2012) identified another two categories of outsourcing based on the common geographic forms. They are onshore outsourcing and offshore outsourcing.

2.3 Impact of change in outsourcing practices

Organisations realise that they have to perform better in order to progress in the competitive business environment. Outsourcing make the organisations free from the non-core activities and allow them to focus on their core business. However, it brings about changes within the organisation. Ramanathan (2008) defined change as a movement from the present state of the organisation to a desired future state. It is well a well known fact that people are resistance to changes (Almaraz, 1994). Reasons for such resistance are; fear of unknown, habit, the possibility of economic insecurity, threats to social relationships, and failure to recognise the need for change (Nadler, 1988). However, to

make a successful change is one of the most challenging tasks faced by the organisations. Therefore, if the results of the unmanaged change are to be kept at the minimum, organisations should follow a methodical approach. The usual problems that may arise from the unmanaged change when outsourcing practices are resorted to are discussed below.

2.3.1 Cultural clashes between client and service provider

Culture is an integrated system of behaviours, customs, artefacts and language of a group (Rao, 2004). 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; Power, Desouza, and Bonifazi, 2006).

2.3.2 Conflict of interest when dealing with in-house tenders

Because of the different processes followed by the outsourcing provider while handling the services, the in-house staff may not be very willing to co-operate and take part in the activities carried out by the outside providers (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 too may not be able to execute the functions in a way that he feels is best. Later on, it may give rise to dissatisfaction of top management and that would finally affect the industrial peace.

2.3.3 Poor mutual understanding

Kern and Willcocks (2000) stated that, “Outsourcing seemingly is only successful when relations are effective and functioning”. Concerning this, Kishore, Rao, Nam, and Rajagopalan (2003) suggest that mutual understanding between clients and vendors should be developed by adequate mechanisms for information sharing. Once the first contract is signed, the client as well as the service provider will have team members from either side, who would be responsible to manage the initial activities regarding the implementation and the on-going activities. The client’s staffs will be emotionally affected after the changes in the organisation. Then the staffs begin to learn the details of the agreement. Therefore, they may tend to dictate terms to the outsourced party regarding what should be performed and what should be avoided (McCray, 2008). This state of conflict may lead to disturbances in operation.

2.3.4 Poor Accountability

The organisation and its outsourcing partner(s) have accountability for obtaining bottom line business results. The organisation is responsible for providing guidance, prioritisation and support to the outsourcer (Sinha and Sinha, 2008). In cases where both the in-house and the outsource providers are expected to work in co-operation and accept the sharing of

responsibilities, in order to complete the given task, none of them would be prepared to accept accountability for any downtime or productivity loss (Ikediashi et al., 2012).

2.4 Outsourcing practices in Sri Lanka

The FM industry in Sri Lanka also uses outsourcing as one of their procurement strategies. As stated by Nadeeshani (2006), Sri Lankan FM industry is commonly practicing the in-house option. However, results show that in-house option is not the best suited method in most of the situations. Furthermore, Nadeeshani's (2006) research reveals that, outsourcing option fulfils the requirement by reducing the management burden on noncore business activities. The satisfaction level of the Sri Lankan FM industry is high for Total FM. It can be perceived that the in-house procurement option does not contribute significantly in reducing the management burden on noncore business activities of the organisation. Nadeeshani (2006) found that during the decision making process of procurement strategy in the Sri Lankan FM industry, change management issues such as employee reactions, ethical and cultural impacts, willingness to manage possible discords, have been neglected or received the least of attention. These arguments imply that, the impacts of change that occur during outsourcing is often neglected by the Sri Lankan industry.

2.5 Conceptual model for change management

Based on Brown and Wilson's (2005) model, the process of outsourcing can be explained in six phases. The first is the Strategy Phase: this lays down the objectives and scope of the outsourcing process and also decides the practicality of the process. Furthermore, it should include the programme for the total effort in terms of time, budget, and the essential resources required for the commencement of the process. Secondly the Scope phase: this contains the baselines and stipulates the service levels expected from the vendors. Moreover, with the intention of providing the desired interfaces between the two parties, it brings out the functions which would be outsourced and those which would remain in-house. Thirdly the Negotiation phase: here, a contract is signed between the chosen vendor and the client organisation. Fourthly the Implementation phase: this indicates the handing over of services rendered, from in-house to outsource. Fifthly the Management phase: here the relationship between organisation and vendor would be managed. This deals about the negotiation and implementation of whatever changes that should occur in the outsourcing relationship as deemed necessary to assure a successful result. Sixthly at the end of the contracting period will be the Completion or termination phase: the organisations will decide weather or not to negotiate another contract with the same vendor or to terminate that relationship and get together with a new vendor in which case the cycle commences all over again. In this phase, at times the organisation may decide to get back to the in-house system.

Further, Ramanathan's (2008) change management model 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 institutionalising the change.

Based on that, a conceptual model was developed by incorporating the six phases of outsourcing (Brown and Wilson 2005) along with the steps of change management which includes (Ramanathan, 2009). Figure 2 illustrates the model. The model describes how the change management steps can be connected with outsourcing phases.

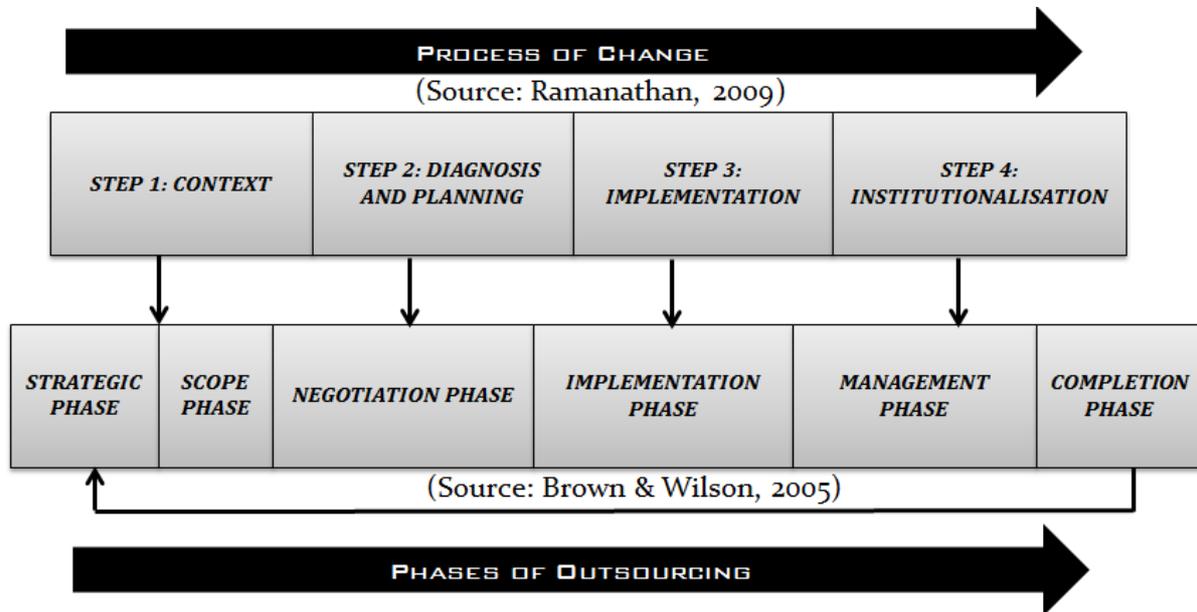


Figure 2: Conceptual Model

3. Research method

Research method is a way of presenting the research that is decided based on the philosophical stance of a researcher (Billing, 2004). As set out by the aim, this research involves the study of complex interactions between people in real-life settings. Furthermore, this study requires the researcher to be a part of the environment and interaction is needed within it, to identify the different views of people and to interpret them. Accordingly, it can be argued that interpretivism is preferred over positivism and realism stance of epistemological undertaking for this research.

Since this research falls under the interpretivism and subjectivism stances, this research adopts case study method, as it is a qualitative research according the philosophical position. The qualitative case study is an approach, which allows for multiple facets of the phenomenon to be explored (Baxter and Jack, 2008). A case study is defined as a study that ‘investigates a current phenomenon within its real life context especially when the boundaries between phenomenon and context are not clearly evident’ (Yin, 2009).

Further, Yin (2009) stated that, research questions start with who, what, and where can be analysed through document reviews, surveys and interviews. However, the research questions start with why and how can only be investigated through case studies if they focus on the contemporary events over which the researcher has no control. Research questions of this study are why change is not managed during outsourcing of building operations and

maintenance? And, how can it be managed? Therefore, case study approach is selected as the appropriate method as all the above requirements fit to the study. As well as the study needed to focus on in-depth decisions and behavioural attitudes of individuals and groups within and between organisations. Which is not usually investigated through other methodologies (Woodside, 2010; Yin, 2009).

As stated by Woodside and Wilson (2003), multiple sources are needed to increase the comprehensiveness and understanding of the same event. Moreover, it is generally regarded as more convincing and thus believed to increase the strength of the overall study (Yin, 2009). In order to construct validity, this study selected multiple cases, as it offers multiple sources of evidence and possible replication of findings. Only commercial buildings were selected for the study as they are the frequent practitioners of outsourcing. Table 2 furnishes the list of cases. Organisations that obtains building operations and maintenance services by partial and full outsourcing have equipped equally in the selection in order to achieve a non-discriminatory solution.

Interview is the most appropriate data collection method for case study researches (Yin, 2009). For this study, semi-structured interviews were deliberated as ideal because it elicits more elaborative and purposeful answers from the respondents to the questions raised. Moreover, it allows the researcher to ask additional questions to follow up on any interesting or unexpected answers to the standard questions (Mitchell and Jolley, 2009). Being so, a large part of data was collected through semi-structured interviews with staff members who are directly involved in planning and implementing the FM outsourcing in each of the eight case organisations. In order to develop the framework for change management, a separate interview was carried out to gather opinions.

Table 2: Profile of the cases

| Case | Type of the Organisation/ Core business | Mode of FM outsourcing | Respondent | Profile of the respondent |
|------|---|---------------------------|------------|---|
| A | Asian foreign country based private bank | Fully | A1 | Facilities Manager |
| B | Sri Lankan owned private bank | Fully | B1 | Senior Manager - Operations and Maintenance |
| C | Sri Lankan owned private leasing company | Fully | C1 | Premises Manager |
| D | Sri Lankan owned private office complex | Fully | D1 | Maintenance Engineer |
| E | Asian foreign country based apparel manufacturing organisation | Partially | E1 | Manager - Infrastructure solutions |
| F | Asian foreign country based wheat flour milling company | Partially | F1 | Human Resources Manager |

| Case | Type of the Organisation/ Core business | Mode of FM outsourcing | Respondent | Profile of the respondent |
|------|--|------------------------|------------|---------------------------|
| G | Sri Lankan owned private interior solutions organisation | Partially | G1 | Facilities Manager |
| H | Sri Lankan based cement manufacturing organisation | Partially | H1 | Administration Manager |

4. Data analysis and findings

Collected data were divided into key themes and cross case analysis was carried out. Figure 3 illustrates the structure of the themes. The factors identified from the collected data under each theme were categorised as current outsourcing practices, current change management practices and barriers of integrating change management.



Figure 3: Structure of the themes

4.1 Drivers for outsourcing

In the Sri Lankan context, outsourcing is a common procurement practice in commercial building sector. Interview results demonstrated that, organisations undertake outsourcing for diversified reasons depending on the determination of their functions. Table 3 shows the responses of the respondents are subject to the reasons for which they selected outsourcing as their procurement option.

Table 3: Responses on drivers for outsourcing

| Reasons | Cases | | | | | | | |
|-----------------------|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Cost saving | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Expertise | ✓ | | ✓ | | ✓ | | ✓ | |
| Risk transfer | ✓ | | | | ✓ | ✓ | | |
| Top management policy | | | ✓ | | ✓ | | | ✓ |
| Manufacturer's agent | | | ✓ | | ✓ | | | |
| Time saving | ✓ | | | | | | ✓ | |
| Faster replacement | | | | | | ✓ | | |
| Flexibility | | ✓ | | | | | | |

| Reasons | Cases | | | | | | | |
|------------------------------|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Lack of internal resources | | | | ✓ | | | | |
| Single point responsibility | | | | | | | ✓ | |
| Avoid major investments | | | | | ✓ | | | |
| Concentrate on core business | | | | | | | ✓ | |

Most commonly, organisations go in for outsourcing, in order to have a cost leadership and to acquire external expertise. Responses revealed, the major reasons for selecting outsourcing do not decide the mode of outsourcing (i.e. full outsourcing or partial outsourcing). In order to achieve cost leadership, the organisations have opted for outsourcing and have chosen both full and partial outsourcing. Risk transfer is another key motive for outsourcing. Though only three respondents have directly declared risk transfer as another reason, the replies from other respondents too obliquely fell in line. The presumptive reason for the outsourcing approach selection (i.e. full outsourcing or partial outsourcing), will be the top managements' decisions and availability of organisational resources. Other reasons listed by the respondents were related to their corresponding fields of expertise. Literature (Borisova, 2011; Brown & Wilson, 2005; Usher, 2003) also explains the same, as the reasons.

As long as the foremost reasons to go for outsourcing are cost reduction and acquiring expertise, it can be presumed that during the selection of vendors, organisations will concentrate more on the less price offer and the vendor organisation's field of expertise. This may lead to lack of attentiveness on the vendor organisation's culture, and their ability to coordinate. The organisations which are partially outsourcing FM services have in-house teams. Similarly, the organisations which are fully outsourcing FM services have small in-house teams or at least supervisors to monitor the outsourcing party. Ultimately organisations have to face a change when admitting the vendor organisations and coordinating with them. However, all the organisations are not prepared to adopt changes instantly.

4.2 Impact of change in outsourcing practices

The outcomes from the interviews revealed that, the change due to the entry of another organisation makes an impact on the efficiency of outsourcing. Table 4 shows the issues as encountered by the respondents.

Table 4: Responses on issues of outsourcing

| Issues | Cases | | | | | | | |
|--|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Poor understanding of scope of the work | | ✓ | | ✓ | ✓ | | ✓ | ✓ |
| Works may be performed in different ways | ✓ | | | ✓ | ✓ | | | |
| Poor communication | | | ✓ | ✓ | | ✓ | | |

| Issues | Cases | | | | | | | |
|---------------------------|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Cultural clashes | | ✓ | | | ✓ | | | ✓ |
| Conflict of interest | | | | ✓ | ✓ | | | |
| Poor mutual understanding | | ✓ | | | ✓ | | | |
| Comparisons | | ✓ | | | | | | |
| In-house staff resistance | ✓ | | | | | | | |

All the respondents agreed that, there will be an impact because of change due to outsourcing. As well as, they have listed multiform of issues arising out of full outsourcing. Conventionally, the vendor organisations lack in understanding the requirements of the client organisation. The effect of this issue will be high on the organisations which outsource FM services fully than the organisations which outsource partially. Because, fully outsourced organisations totally depend on the outsourcing organisation. According to ‘Respondent G1’ poor understanding of the scope of the work affects the partially outsourced organisations as well. Due to the inadequate understanding of the scope of their work at the beginning by both in-house and outsourcing parties may compete to keep ahead at the expense of the other. This may possibly reduce the efficiency of the outsourcing process. The impacts of cultural clashes also high compared to fully outsourced model, as the involvement of in-house staff is high in this model. Comparatively other issues are lesser, since they are not totally dependent on the outsourced party and they can back up with their in-house staff in an event of urgency.

Based on the respondents’ views, another issue arising from full outsourcing is that, the differences in performance. Basically outsourcing is a strategy to reap supplier specialisation that would either be unavailable or too costly for the organisation to procure, within the limited time. The impact can be high in cases where the outsourcing organisation proposes a replacement of specific machinery or a change of work procedure which cannot be borne by the client organisation. Furthermore, the discrepancy in the organisational culture of the client and vendor organisation can bring about interruptions. ‘Respondent B1’ stated that, the disruptions originating from the cultural differences. Another reason is based on ‘Respondent A1’s statement. That is, the effect can be high, if an organisation has been an in-house model for a long time and then changed suddenly to an outsource model. They may have to select some of their in-house staff and retire them. Consequently, they may face problems from employees who resist the change and problems about labour law which restricts such retirements.

As specified in the literature (McCray, 2008; Power, Desouza, & Bonifazi, 2006), in the Sri Lankan context also, all the organisations have experienced issues such as poor understanding of scope of the work, poor communication, cultural clashes and difference in working patterns without realising the root cause for the issues. As Nadeeshani (2006) stated, the organisations are paying less attention to the employee reactions, ethical and cultural impacts, and willingness to manage possible discords during outsourcing decision making. If

the organisation is not prompt to accept changes, disruptions arising are a possibility. The evidences proved such issues could affect the efficiency of the outsourcing.

Figure 4 illustrates the cognitive map showing the relationships between outsourcing and its issues. This shows the relationships of factors which decide the reasons for outsourcing and the impacts of outsourcing.

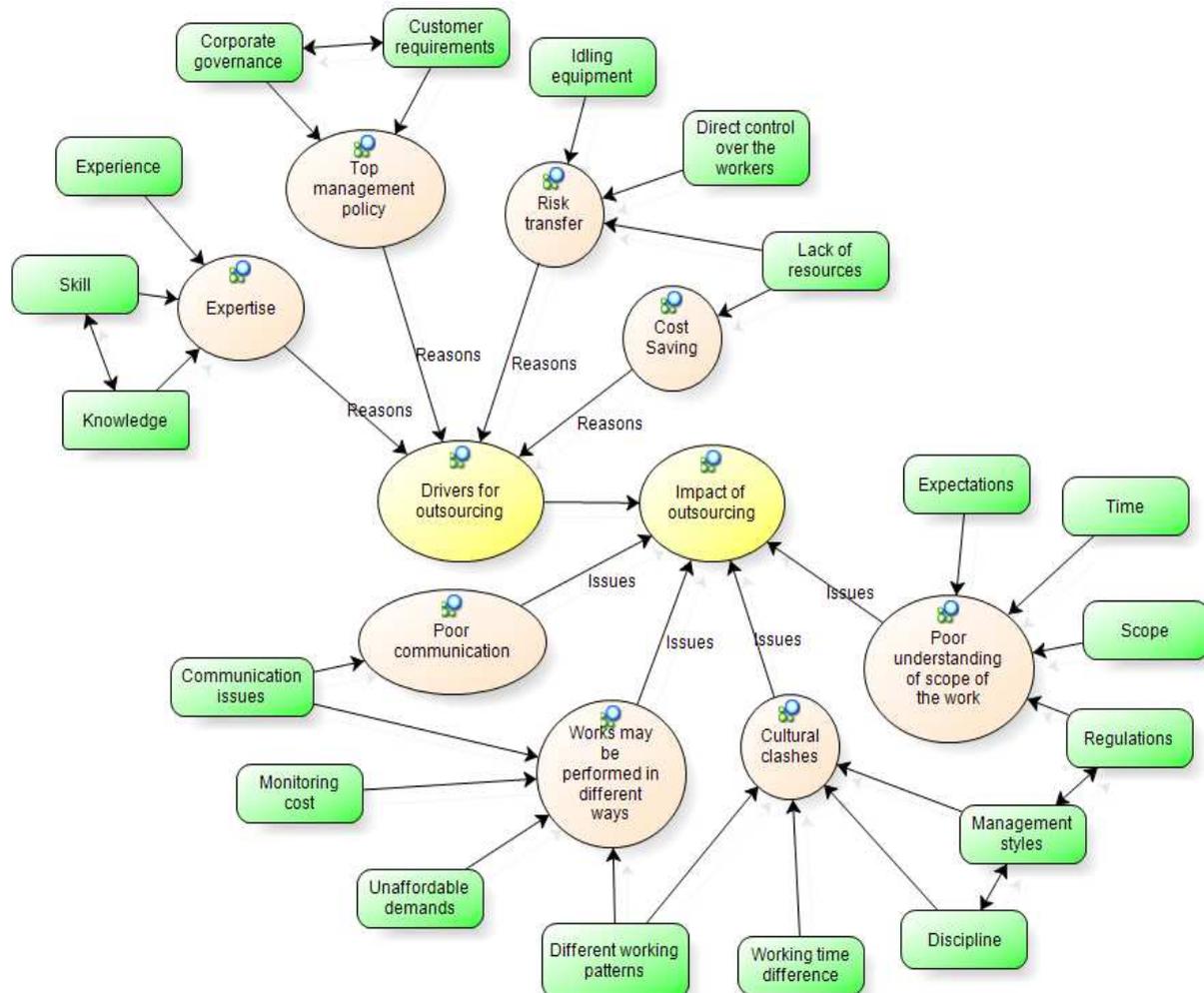


Figure 4: Cognitive map for outsourcing and its impacts

4.3 Current practices of Change Management within the commercial building sector

In the Sri Lankan context most of the organisations have experienced disputes attributable to the presence of third party organisations. Not knowing the root cause for this, all the organisations are mitigating the issues based on their management styles. However, those are superficial and not carried out in a systematic way to eradicate them completely.

Table 5 exhibits conflict management as practiced by the organisations. Among the following management practices, some are adaptable and others are not.

Table 5: Responses on change management

| Practices | Cases | | | | | | | |
|---------------------------------------|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Adoptable practices | | | | | | | | |
| Communicating the scope | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Continuous training | | | | | | ✓ | | |
| Encourage teamwork | | | | | | | ✓ | |
| Indirect monitoring | | | | | ✓ | ✓ | | |
| Inform stakeholders prior to change | ✓ | | | | | | | |
| Loyal relationship | | | | | ✓ | | | |
| Offer better packages | | ✓ | | | | | | |
| Non-adoptable practices | | | | | | | | |
| Outsourcing only to reputed companies | | | | ✓ | | | | |
| Terminate the contract | | | ✓ | ✓ | | | | |

Majority of the organisations have identified, poor understanding of the scope as the major issue. Correspondingly, the organisations are endeavouring to communicate their requirements to the outsourcing party in order to fix the issues. ‘Respondent G1’ affirmatively stated that, “*After that issue we had a meeting with both in-house and outsource staff to explain the scope of each staff*”. These issues might arise owing to inadequate communication in the agreement. After designating the vendors, a descriptive agreement should be formulated and it should be disseminated to the top level, to the operational level of both in house and outsourced organisations. If any ambiguous terms have been encountered, those should be clarified at the initial stages. Most of the queries will be resolved if the party concerned communicates the vision, mission and scope.

Although, the respondents belong to fully outsourced organisations spoke of various issues originating from outsourcing, they were not paying much attention towards solving them. Apart from communicating the scope, ‘Respondent C1’ and ‘D1’ specified that, terminating the contract with the particular provider is the preferred remedy. The reasonable supposition for such a statement from them is presumed to be their consideration of cost, for retaining inefficient outside parties. Yet, changing the service provider cannot be the solution, as these issues will recur with the succeeding service providers, if the root cause is not eradicated. All the other practices are subject to their own fields and management styles.

Other than communicating the scope, another approach resorted by the partially outsourced organisations to manage the issues, is regular indirect monitoring. ‘Respondent F1’ indicated that, “*Regular indirect monitoring of outsource staff enables identification of the issues, at the beginning itself*”. This can be an effective method, as it suppresses the reasons that give rise to issues. Nevertheless, it is practiced only by partially outsourcing organisations, as these organisations have more interaction with outsourcing parties. The monitoring can also contribute to identify the training needs of their own staff and enables management to appraise them. Other practices are based on the organisations’ field of expertise and management styles.

Comparatively, partially outsourced organisations follow better change management practices, since they are not entirely dependent on outsourcing organisations.

4.4 Barriers in integrating change management practices

Interviews revealed that, in order to refrain from undesirable consequences of outsourcing, majority of the selected organisations respond by treating the symptoms or proximity causes. To achieve the veritable advantage by outsourcing, the principal cause for conflicts should be eliminated. In conformity with the literature (Brown & Wilson, 2005; Griffin, 2008; Andersen & Ankerstjerne, 2011; Ramanathan, 2008) an appropriate change management throughout the outsourcing process will be of support to overcome the root cause. Although respondents agreed with the aforesaid fact, they enumerated certain barriers in implementing such change management processes.

Table 6 mentions the replies given by the respondents regarding the barriers, in integrating the change management with FM outsourcing.

Table 6: Responses on barriers of integrating change management

| Barriers | Cases | | | | | | | |
|----------------------------------|----------------|---|---|---|-------------------|---|---|---|
| | Full outsource | | | | Partial outsource | | | |
| | A | B | C | D | E | F | G | H |
| Unawareness | ✓ | ✓ | | ✓ | | | ✓ | ✓ |
| Lack of discipline | ✓ | ✓ | ✓ | ✓ | | | | |
| Traditional outsourcing | | | | ✓ | ✓ | ✓ | | |
| Manufacturer's choice of vendors | | | ✓ | | ✓ | | | |
| Attitude of top management | | | | | | ✓ | | |

Nearly all the selected fully outsourced organisations are not aware of the fact that fastidious process of change management can proceed to extirpate the root cause of the disputes. 'Respondent B1' asserted that, "*Organisations are not used to this kind of change management. That is the skill we need to harvest*". The aforesaid assertion confirms the unawareness and lack of attentiveness on the part of the organisations to follow a systematic approach to eliminate the quarrels, in its infancy. However, the processes that should be adopted to tide over the outsourcing issues are still not transparent enough to the organisations concerned. Subsequently, if admitting the vendor is urgent, following all the procedures may involve time. Hence, in such situations where outsourcing is involved, organisations cannot carry out change management practices, without a pre-planned schedule. This is one of the main barriers faced by the organisations.

Another barrier, specified exclusively by all the respondents from fully outsourced organisations, is the lack of discipline. Respondents attempted to express several ideas regarding the term 'lack of discipline'. One of those is control over outsourced staff. As 'Respondent A1' stated that, "*Basically human resource is most difficult to obtain, manage and retain*". However, to construct effective change management practices, both the in-house and outsourced parties should make their contributions. Organisations have control over their in-house staff whereas; they have no control over outsourced staff. Therefore, implementation of change management practices will be unmanageable without the cooperation of the outsourced staff.

Moreover, in the Sri Lankan context, obtainability of outsourcing providers is often considered inferior. Almost always manufacturers recommend their agents as service providers for the plant or machinery produced by them. As a result, organisations will not undergo all the phases of outsourcing as theorised by Brown and Wilson (2005). Therefore, execution of change management process throughout the outsourcing process is impossible. 'Respondent C1' indicated that, "*We have to purchase the spare parts through the agent*". It confirms that, organisations cannot change the service provider, whereas manufacturers can be contacted through the agent. Accordingly, aforesaid context is also a barrier to execute change management practices throughout the outsourcing process.

Another barrier specified by the respondents from partially outsourced organisations is about exercising traditional outsourcing. Basically, traditional outsourcing is concentrated on win-lose assortments, where one party benefits at the other's expense. Respondent F1 affirmed that, "*Outsourcing should be shifted from the traditional way towards global outsourcing practices*". In traditional outsourcing, one party is not concerned about another party's benefits. Consequently, cooperation for such change management process will be comparatively less by both parties. Hence, organisations should be attentive about shared values and goals, to generate a prearrangement that is mutually beneficial to both.

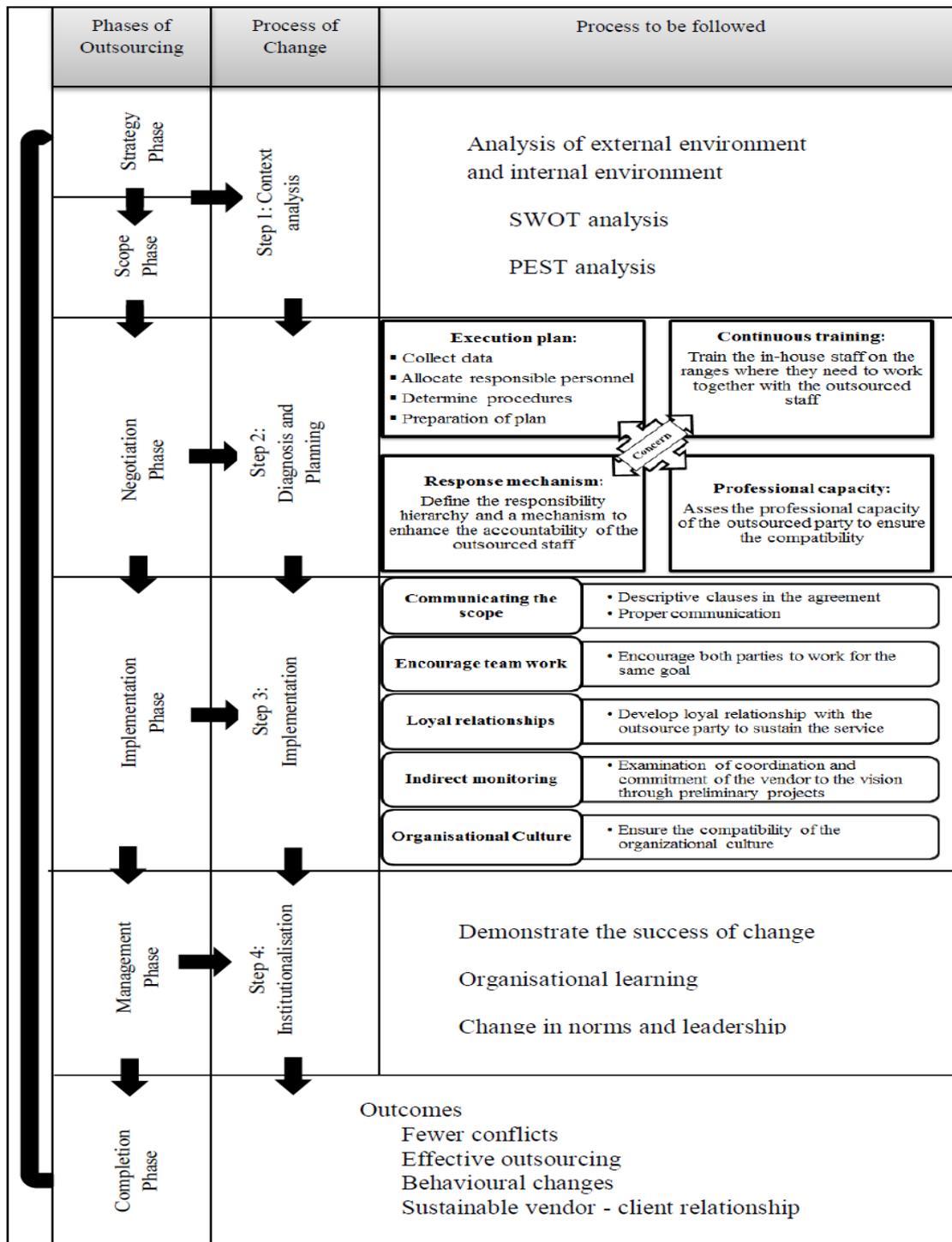
5. Framework for change management

Case study findings elucidated that efficiency of outsourcing can be enhanced through incorporating change management practices during the outsourcing process. Such practices can differ according to the type of the organisation, mode of outsourcing, and management styles. Though, fully and partially outsourcing organisations are characterised under different contexts, change related issues and need to resolve are similar. Hence, a common framework is presented Figure 5, in order to facilitate decision makers to incorporate change management practices during outsourcing. For the purpose of developing a framework for change management as referred in the Figure 2, conceptual model was altered based on the case studies. It was validated through further data collection and the final version was developed based on the validation results.

During strategic and scope phase of outsourcing, context analysis for change management can be performed correspondingly. In this particular step the organisation can focus on internal and external environment of the business, to ensure the authentic necessity for change. Once the outsourcing moves to the next phase of negotiation, the change management step would also change to the diagnosis and planning step. During this step the professional capacity of the outsourcing company should be investigated fastidiously. Consequently, response hierarchy can be outlined to ensure the accountability of the outsourcing staff. Continuous training can be given to the in-house staff in order to cope with the outsourcing staff. Moreover, to enhance the manageability of change, a proper execution plan can be prepared with adequate steps that should be followed. The plan possibly will include procedures and responsible personnel. Implementation phase of outsourcing and change management implementations should be scheduled in parallel. During

implementation the agreement should be drafted with descriptive clauses which can convey the scope of both parties without ambiguous terms. Furthermore, management should be observant to encourage teamwork between in-house staff and outsourced staff, which is the foundation to develop a loyal relationship. Consequently, indirect monitoring of outsourced organisation can be carried out to ensure the compatibility to organisation culture and achievability of goals. During management phase of outsourcing, change management practices can be institutionalised through organisational learning, which will lead to ultimate sustainable practice of outsourcing. The final outcome of adopting this framework will be reduction of conflicts, behavioural changes, sustainable vendor-client relationship and effective outsourcing.

Figure 5: Framework for change management



6. Conclusions

Outsourcing is one of the widely adapted procurement practices by building management practitioners. Sri Lankan commercial building sector organisations prefer outsourcing in order to achieve cost leadership, and to acquire external expertise. Hence, organisations' key intentions have been curtailed to reduce the cost. As such, concern over the soft aspects such as the ability to coordinate, organisational culture is presumed to be neglected during the selection of the vendors. In addition, occasionally manufacturers appoint their agents as outsource providers to service and maintain the plant and machinery manufactured by them. In such instances, organisations are not given an opportunity to consider outside providers' compatibility with the organisation. Successively, the efficiency of the outsourcing can get affected and attributed to the aforementioned facts. Furthermore, analysis substantiated that, if the organisations were not willing to admit changes arising out of outsourcing, disruptions can originate.

In the Sri Lankan commercial building sector organisations are attending to such issues in line with their management style and experience. Some of the practices exercised by the organisations are adaptable whereas some are not. The most common approach adopted by the organisations to eliminate such issues is, communicating the scope of the work, with the outsourced party. As such, lack of commitment and poor understanding of the scope were identified as the main issues by most of the organisations. Nevertheless, the scope needs to be familiarised during the signing of the contract or the agreement should be communicative rather than wait until a problem arises. Exercising some of the practices as an instant remedy will not eradicate the root cause of the problem. Therefore, a need to adapt a systematic process is essential for the organisations.

However, the organisations found themselves confronted by some barriers on implementing such systematic processes. The main barrier encountered by most of the organisations is unawareness. The organisations' management and staff are not acquainted with change management practices. And the organisations also cannot afford to obligate change management teams or agents. As a result, the importance of adapting such systematic processes and the benefits they may bring into the organisation remain unidentified by the organisations. Furthermore, without a pre-planned procedure, organisations cannot implement such processes. Objectives including identify the existing FM outsourcing practices, investigate the change management practices within commercial building sector and identify the barriers of integrating change management practices with FM outsourcing are achieved through the analysis from the data collected through the interviews.

In order to avoid the disagreements that may result from outsourcing, organisations need to adopt a measured approach towards this change to ensure the sustainability of the outsourcing practices. Ultimately Facility Managers should recognise the contributory element of change management and implement it to ensure the effective operation of buildings.

7. References

Almaraz, J. (1994). Quality Management and the Process of Change. *Journal of Organizational Change Management*, Vol.7 No.2, pp. 6-14.

Andersen, B., Fagerhau, T. and Beltz, M. (2009). *Root cause analysis and improvement in the healthcare sector: A step-by-step guide*. USA: ASQ Quality Press.

Atkin, B. and Brooks, A. (2009). *Total Facilities Management (3rd ed.)*. New York: Wiley-Blackwell Publishers.

Baxter, P., and Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report*, Vol.13 No.4, pp.544-559.

Billing, M. (2004). Methodology and scholarship in understanding ideological explanation. In C. Seale (Ed.), *Social research methods: a reader* (pp. 13-18). London: Routledge.

Borisova, A. (2011). *Perspectives of Facility Management Outsourcing Development in Russia*, Lappeenranta: s.n.

Brown, D. and Wilson, S. (2005). *The Black Book of Outsourcing*. New Jersey: John Wiley and Sons.

Corbett, M. F., (2004). *The Outsourcing Revolution: Why It Makes Sense and How to Do It Right*. USA: Dearborn Trade Publishing.

De Toni, A. F., Fornasier, A. and Nonino, F. (2012). Organizational Models for Non-Core Processes Management: A Classification Framework. *International Journal of Engineering Business Management*, Vol.4 No.46, pp. 1-9.

Franceschini, F., Galetto, M., Pignatelli, A., and Varetto, M. (2003). Outsourcing: guidelines for a structured approach. *Benchmarking: An International Journal*, Vol.10 No.3, pp. 246-260.

Gandhi, S. J., Gorod, A. and Sauser, B. (2012). Prioritization of outsourcing risks from a systemic perspective. *Strategic Outsourcing: An International Journal*, Vol. 5 No.1, pp. 39 - 71.

Griffin, R. W. (2008). *Management (9th ed.)*. USA: Houghton Mifflin Company.

Hui, E. Y. and Tsang, A. H. (2004). Sourcing strategies of facilities management. *Journal of Quality in Maintenance Engineering*, Vol.10 No.2, pp. 85-92.

Ikediashi, D. I., Ogunlana , S. O. and Boateng, P. (2012). Analysis of Risks Associated with Facilities Management Outsourcing. *Journal of Facilities Management*, Vol.10 No.4, pp. 301-316.

Kadefors, A. (2008). Contracting in FM: collaboration, coordination and control. *Journal of Facilities Management*, Vol.6 No.3, pp. 178-188.

Kern, T., and Willcocks, L. (2000). Exploring information technology outsourcing relationships: theory and practice. *The Journal of Strategic Information Systems*, Vol.9 No.4, pp. 321–350.

Kishore , R., Rao , H. R., Nam , K. and Rajagopalan, S. (2003). A relationship perspective on IT outsourcing. *Communications of the ACM*, Vol. 6 No.12, pp. 87 - 92.

Luciani, P. (2005), February/March. Outsourcing or in-house facilities management? *FM*, pp. 16-21.

McCray, S. (2008). *The top 10 problems with outsourcing implementations*. USA: Technology Partners International.

McIvor, R. (2005). *The Outsourcing Process: Strategies for Evaluation and Management*. New York: Cambridge University Press.

Mitchell, M. L. and Jolley, J. M. (2009). *Research design explained*. USA: Cengage Learning.

Nadeeshani, W. (2006). *Procurement Selection Criterion for Facilities Management in Sri Lanka*, Sri Lanka: Unpublished dissertation, (B.Sc.). University of Moratuwa.

Nadler, D. (1988). *Concepts for the Management of Organizational Change*. (2nd ed.). Cambridge: Ballinger.

Power, M. J., Desouza, K. C. and Bonifazi, C. (2006). *The Outsourcing Handbook*. Great Britain: Kogan Page Limited.

Ramanathan, T. R. (2008). *The role of organizational change management in offshore outsourcing of information technology services*. Florida: Universal Publishers.

Rao, M. (2004). Key issues for global IT sourcing: country and individual factors. *Information Systems Management Journal*, Vol.32 No.4, pp. 16-21.

Sridarran, P. and Fernando, N. G. (2013). "Influence of change management for effective outsourcing of facilities management services", *Proceedings of the Second World Construction Symposium: Socio Economic Sustainability in Construction*, 14-15 June, 2013, Colombo. pp. 288-297.

Usher, N. (2003). Outsource or in-house facilities management: The pros and cons. *Journal of Facilities Management*, Vol.2 No.4, pp. 351-359.

Willcocks, L. P. (2010). The next step for the CEO: moving IT-enabled services outsourcing to the strategic agenda. *Strategic Outsourcing: An International Journal*, Vol.3 No.1, pp. 62-66.

Woodside, A. and Wilson, E. (2003). Case study research methods for theory building. *Journal of Business and Industrial Marketing*, Vol.18 No.6, pp. 493-508.

Woodside, A. G. (2010). *Case Study Research: Theory, Methods, Practice*. UK: Emerald Group Publishing Limited.

Yin, R. K. (2009). *Case Study Research: Design and Methods*. 4th ed. California: Sage Publications.