

Evaluating Effective Outsourcing Strategy in Facility Management

CHAN KHK, China Hong Kong

Keywords: Managing Financial Risks, Organization's Resources, Outsourcing, In-house Services, Facility Management, Competitive Advantages.

SUMMARY

Managing financial risks effectively will save an organization's resources, and this can be achieved through appropriate strategy of outsourcing or in-house services through facility management. End-users' responses can help shape the proper proportion of outsourcing; to fulfill the ultimate goal of an organization's competitive advantages for surviving in the market. In this study, a local case study will be adopted to investigate the merits/demerits, effectiveness and extent of outsourcing/in-housing services in meeting an organization's objectives. Quantitative approach, through a structured questionnaire, will be dispatched to major stakeholders to verify the main target of this research. It is expected to project some insights in considering the appropriate mix of outsourcing/in-house services in the facility management industry.

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1. BACKGROUND

What are the options and which should be progressed in an organization, and what are the pros and cons? Can the existing business processes be improved or any additional controls required? Considering in-house development for cutting edge can be spoken solutions or outsourcing management package solution for more standardized requirements.

1.1 Outsourcing and In-House Management

Outsourcing is defined as the procurement of products or services from sources that are external to the organization. As shown in Figure 1, today's modern organization has to balance the potential benefits of outsourcing with its potential costs in order to determine the proportion of outsourcing to in-house that will best achieve the organization's objectives. Inappropriate proportion of outsourcing to in-house can result in business failures and not fulfilling the customers' satisfactions.

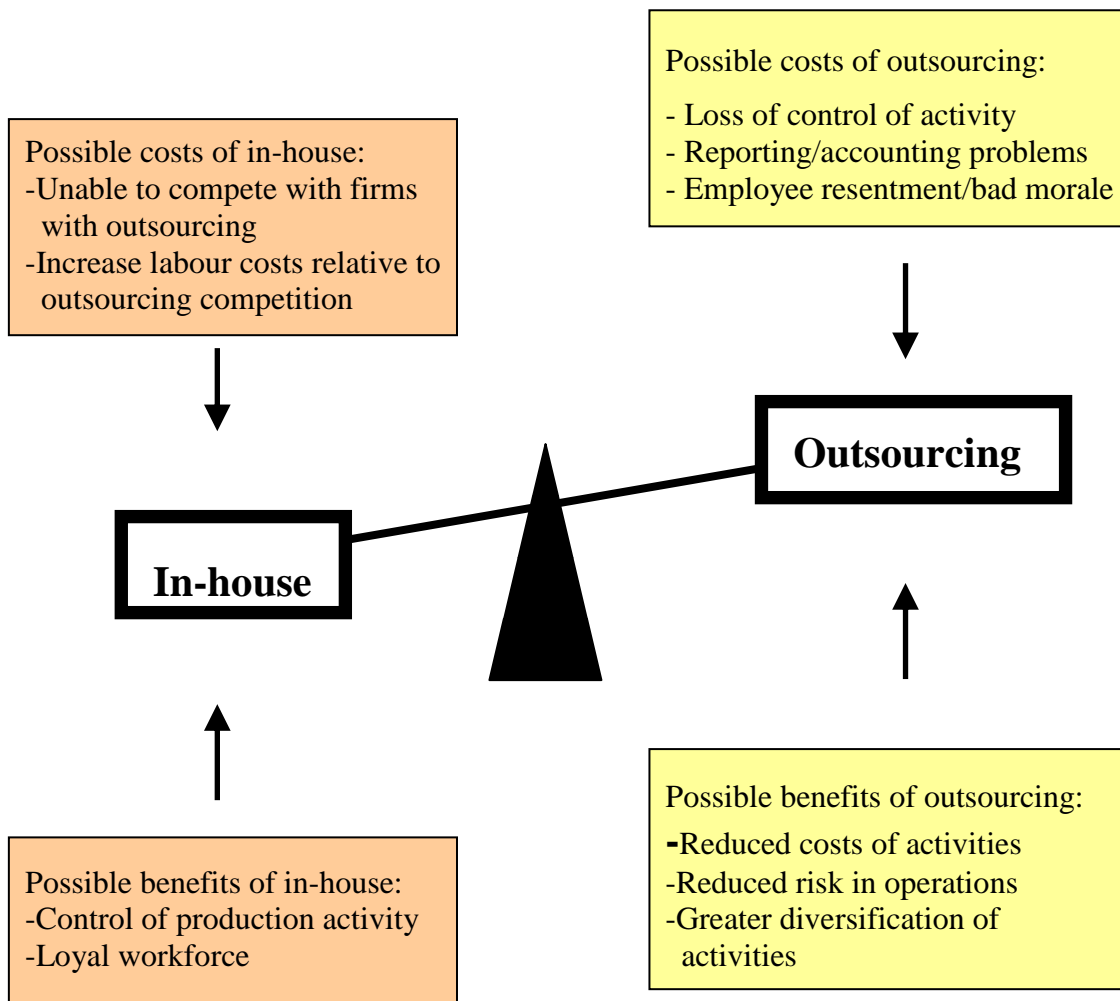


Figure 1. Balancing Outsourcing and In-house Benefits & Costs

1.2 Outsourcing & In-House Labour Market

The internal labour market, governed by administrative rules, is to be distinguished from the external labor market of conventional economic theory where pricing, allocating and training decisions are controlled directly by economic variables. Consequently these jobs are shielded from the direct influence of competitive forces in the external market (Schniederjans, 2005)..

The external labor market (outsourcing), on the other hand, can take on many forms such as out-tasking, co-sourcing, contracting, partnering and alliancing, and generally is characterized by:

- individual service providers along a company's value chain;
- contingent and 'portfolio' workers assigned on a project-by-project basis; and
- spot transactions and contracted procurement.

1.3 Values from In-House Facility Management

When facility management (FM) is performed in-house the following added value would evolve.

Reduced costs

Through less management effort and less activity required to fulfill FM activities. That is, a self-sufficient system requiring little managerial monitoring due to job specific nature (McIvor, 2005)

- equipment idiosyncrasies – due to incompletely standardized yet common equipment the individual attributes of which are 'learned' by experience only;
- process nature – due to worker adaptations during production and individual fashioning and styles;
- informal team accommodations – due to specific team changes, which are only known by the team from mutual adaptations; and
- communication nature – which are information codes and channels only of value within the specific firm and which the employees are able to own for best fit purposes. For example, an in-house facilities manager is able to formulate and manage a comprehensive lift maintenance contract able to deliver great value to the organization due to the in-depth knowledge of each lift concerned – learned over time.

Increase in flexibility&control to fulfill FM requirements

There is management discretion and ability to adjust labor input; to match demand when required. For example, senior management decides to relocate a division to another building. A cross-functional project team is set up from within other parts of the organization for the

duration of the project – utilizing existing resources temporarily redeployed to suit the business requirements (Corbett, 2004).

Reduction in opportunism

There is elimination of the potential for competing forces to artificially expand the cost of facility management, i.e. resistant to market forces to some degree. For example, large facility management outsource companies charging a higher unit rate for facility management than is necessary (because it is what the market is willing to pay), where the actual costs associated are much lower when performed in-house (Corbett, 2004).

Costs for In-House FM

The costs associated with utilizing in-house procurement of FM are that there is an eventual tendency for teams to become large bureaucratic structures. According to Peter Drucker, a highly renowned management author, in an article in the Wall Street Journal (1990) states that in-house support services (such as FM) within organizations have become defacto monopolies with little productivity incentives due to boredom. When required to improve productivity, more staff are then likely to be employed thus perpetuating the problem. That is, too many resources and too much wastage equal reduced efficiency. For example, in-house trades teams becoming significantly less productive than external subcontractors, requiring twice the number of labor inputs to achieve the same work output (Schniederjans, 2005).

1.4 Values from Outsourcing FM

Values/savings from in-house to outsource

This is also achieved through the provider being a specialist in the area of FM. For example, a specialist facility management company is coming to the end of a large contract with a client and has underutilized resources (people). It also has two other very large clients that it services. It is therefore able to supply this underutilized resource at a very competitive price to any potential client organization (Schniederjans, 2005).

Increased competitive advantage efficiencies

By giving over control and ownership of the FM activities to someone else, the organization is able to focus management resources onto core activities in order to improve efficiencies and concentrate on competition advantages. For example, a large utilities company outsources its FM. It then re-invests management time (previously used on FM) into essential research and development projects (Corbett, 2004).

Increased flexibility

By eliminating fixed overheads, bureaucracy and physical plant ownership. For example, financial institutions outsource FM Department and embarks on a sale and leaseback program of its owned/occupied premises. At the same time it decentralizes its banking operations, flattening its company structure (Corbett, 2004).

1.5 Costs in Outsourcing FM

Loss of control

Without doubt, handing over control and ownership to an external supplier means you hand over a climate to create a monopoly situation. The client organization would more than likely divest this transfer of ownership and control to multiple providers to avoid this monopoly. This would cause an increase in management time and effort (monitoring multiple contracts) (Corbett, 2004).

Decreased flexibility

There are costs associated with decommissioning plant and equipment. The cost to the outsourcing provider to take over the facility management is high due to the large size of the site. Payback is going to be long-term – thus a long-term contract is negotiated. The contract term could reduce the client's ability to scale back facility management activities to suit production (Corbett, 2004).

Decreased staffing quality & availability

The skills required of a 'portfolio' worker are the ability to be flexible, motivated, articulate and available, in order to perform in a multiple workplace environment. The skills required of the

in-house employee are organizational specific skill sets or job specific nature learned over time. As such there will be high learning curves for transitioning staff– requiring management focus. This leads to a high demand for relevant people almost from day one of the outsourcing contract.

As outsourcing became more and more well accepted, facility managers seem to feel that it lessen the need for proper organization. Outsourcing is essentially a staffing issue. Whether the positions are filled by in-house staff, consultants or contract staff, it is important to get the organization correct to meet customer needs (Schniederjans, 2005)

Decreased quality – increased costs

The supplier's need for profit growth may force it to try to move components of the process outside the scope of the services so that it can then charge extra for them and satisfy its profit needs. This will mean focused monitoring and contract management by the client organization will be necessary. This monitoring will lead to an increase in costs for the client organization (transaction costs) (Schniederjans, 2005).

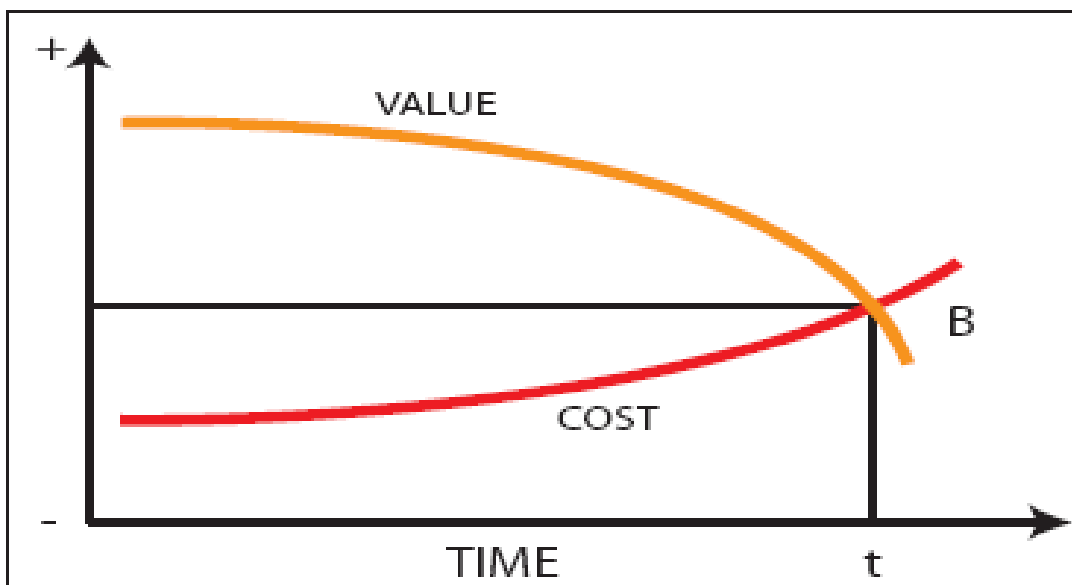


Figure 2 Value & cost relationship

2. LITERATURE REVIEW

In order to make an effective decision, one of the first steps is to identify the needs of the organization and understand why outsourcing may or may not be appropriate. The following reasons to adopt external resources may apply:

- To have access to technology, skills, and knowledge not internally available
- To improve business processes and enable organizational change
- To provide needed short-term services without adding to ongoing operational costs
- To focus internal resources on core strategic plans and projects

Organization must identify all internal and external service costs and benefits to make an effective and reasonable comparison. Quantitative and qualitative measures are essential to determine the full impact of the staffing choice. Prioritizing objectives and identifying measures are essential to project success because they influence the costs and benefits of staffing decisions. The staffing decision is also based on the opportunity cost of using internal resources and the identification of organization needs and costs. It is also relies on an understanding of the complete costs of an outsourcing engagement. Some potential costs to consider are outlined below:

Costs of Outsourcing

- Contract management costs to the organization
- Effectiveness costs from lack of understanding of project objectives
- Higher project costs as organizations may experience greater overall project costs in order to access necessary skills and expertise that are unavailable internally
- Higher costs from inadequately defined requirements

Costs of using In-house

- Opportunity costs of staff time
- Ongoing costs for additional full time equivalent employees
- Unpredictable costs as overtime occurs and as employees spend varying amounts of time month-to month working on the project
- Effectiveness costs if in-house resources are not sufficient or skilled enough for the project.

Nevertheless, the decision whether to use internal or external resources on a project is determined the needs, risks, and benefits - costs significant benefits will be realized from prioritization and determination of success criteria, as the organization is able to identify a complete and comparable set of costs and benefits regarding resource choices. Resource limitations, in-house skill sets and knowledge and expected performance and outcome measures are important factors that must be analyzed in making the outsourcing decision.

2.1 Resource Decision Making

Understanding of business processes within the organization is necessary before making the decision regarding whether to outsource. Successful projects result from strong in-house knowledge and understanding of one's organization requirements, processes, and service and performance measures. Assigning costs and benefits requires that the management understand the organization mission, and how the proposed effort will support that mission. Choosing either external or internal resources is simply a question of determining what available option best enables the organization to accomplish its business objectives. Business objectives will differ based on whether you are evaluating *global*, *sectional*, or *transitional* outsourcing (Power, Desouza and Bonifazi, 2006).

Identifying Organization Needs

The first step in the decision-making process is to identify organization needs. These needs set the framework and priorities for the projects and activities. Address the strategic interests and goals of the organization. The organization strategic plan, the information resources strategic plan, and the organization performance measures should all be considered in the process of identifying agency needs and directions. The goals of the organization serve as a basis for determining project success. Core competencies, by and large, should not be outsourced. Depending upon agency resources and weaknesses, however, this may change if the agency determines that resources or knowledge from an external source would supplement the organization's available resources.

Pace the decision process in a neutral framework. While outsourcing can be encouraged for particular management reasons, the justification regarding the use of internal or external resources should be framed solely in business case terms. A sound analysis of options will be a strong support for the particular management recommendations and decisions (Power, Desouza and Bonifazi, 2006).

Decision Flowchart

To identify whether or not outsourcing is appropriate, several background questions must be answered. Figure 3 illustrates the analysis process that helps to ascertain if outsourcing is an option, or if in-house staff represents the best use of organization resources (Schniederjans, 2005).

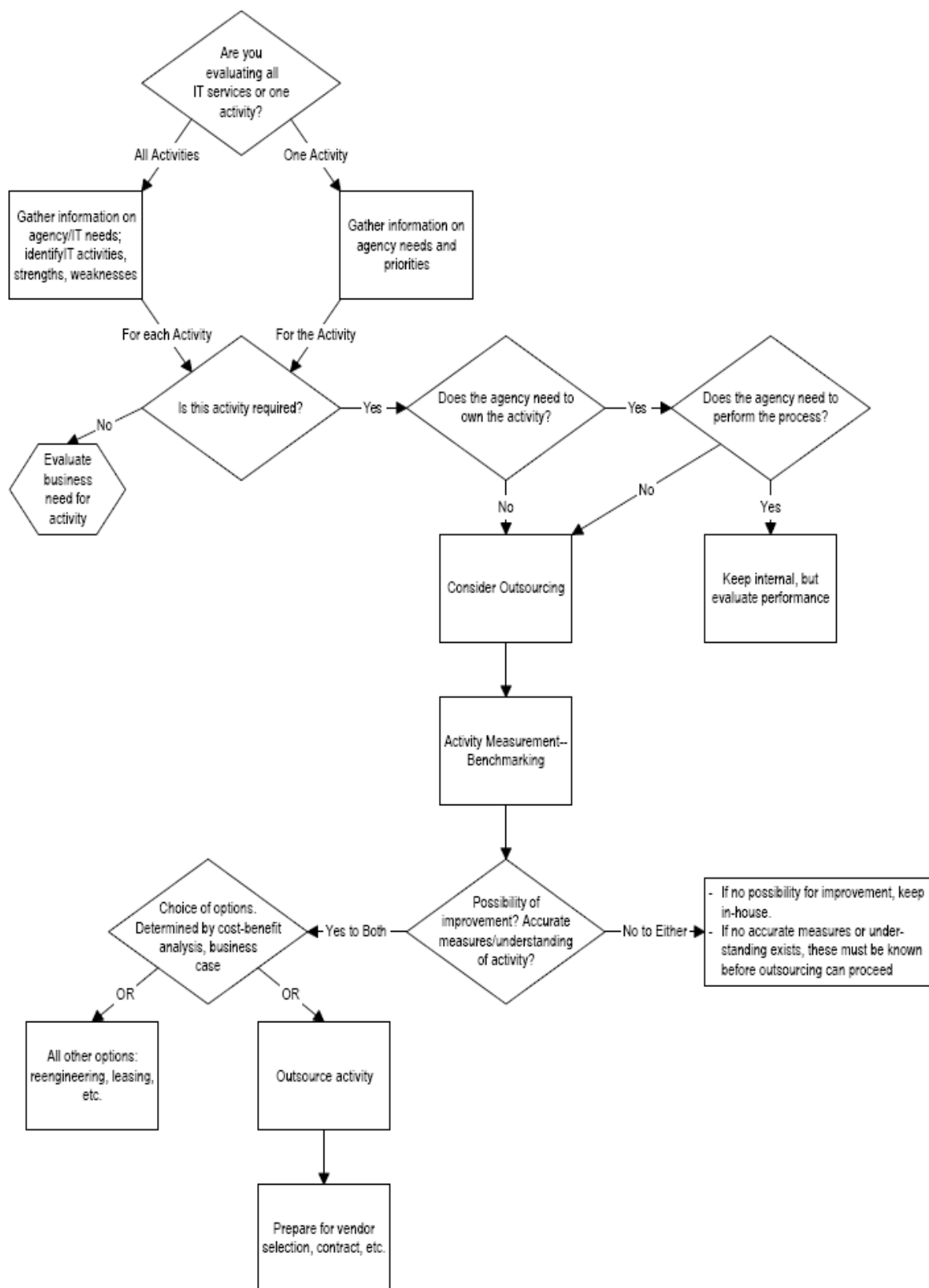


Figure 3. Outsourcing Decision Flowchart

Establishing Analysis Criteria

Once it has been determined that the use of external resources may be an option that would meet business needs, a cost-benefit analysis should compare both the internal and external resource options. A major problem with external and internal staffing decisions happens when the decisions are based on a lack of understanding of expected benefits. Actually, outsourcing contracts did not meet user expectations in any of the five areas surveyed (McIvor, 2005):

- Vendor expertise
- Better focus on core competencies
- Improved quality/delivery of IT services
- Reduced costs
- Improved transition to new technologies

Table 1 provides examples of costs and benefits to consider when attempting isolating specific costs and benefits important to the project. The list is not intended to be exhaustive. Instead, it should serve as a beginning point for determining appropriate criteria. Some of the costs may be the same for both options. For example, if external resources are working on-site, they will have the same utilities cost as the in-house resources would have. In the same way, benefits may also be similar. A final consideration regarding internal versus external analysis criteria is the importance of recognizing the full costs of the external vendor. Many times costs are not explicitly seen, but are accounted for in the fees charged by the vendor. The recognition of these embedded costs is necessary in order to make a consistent comparison between options.

Quantitative Direct Costs	In sourcing Consideration?	Outsourcing Consideration?
Personnel Costs	Yes	Yes
Fringe benefits	Yes	Yes. Embedded in contract
Material supplies	Yes	Yes
Maintenance/licenses	Yes	Yes
Training	Yes	Yes
Contracts (eg if some maintenance/other peripheral services will still be performed by other vendors)	Yes	Yes
Telecommunications charges	Yes	Yes
New equipment costs	Yes	Yes

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New software costs	Yes	Yes
Rent	Yes	Yes
Utilities	Yes	Yes
Travel	Yes	Yes. Maybe embedded in contract
Quantitative Direct Benefits	In sourcing Consideration?	Outsourcing Consideration?
Dollar value of staff time saved	Yes	Yes
Dollar value of new operating efficiencies(e.g number of additional licenses to be processed)	Yes	Yes maybe evaluated on the basis of different technical solutions proposed by internal or external resources.
Quantitative Indirect Costs	In sourcing Consideration?	Outsourcing Consideration?
Administrative overhead	Yes	Yes embedded in contract
Divisional overhead	Yes	Yes in some cases
Costs to other organizations	Yes	Yes this is a project cost
Contract administration costs	No	Yes this will include internal resources and time
Quantitative Indirect Benefits	In sourcing Consideration?	Outsourcing Consideration?
Service improvements to clients	Yes	Yes
Support of stakeholders	Yes	Yes
Flexibility solution	Yes	Yes
Qualitative Project Benefits and Costs	In sourcing Consideration?	Outsourcing Consideration?
Availability	Yes	Yes
Quality of service	Yes	Yes
Impact on staff	Yes	Yes
Legal environment	Yes	Yes
Security	Yes	Yes
Sensitivity	Yes	Yes
Planning time	Yes	Yes

Table 1. Sample list of cost-benefit criteria

Specific Cost-Benefit Criteria

The following criteria, however, are highlighted as important concerns that all internal/external resource decisions should consider. Figure 4 and Figure 4a indicate usually the services costs differences in between In-House management and Outsourcing Management

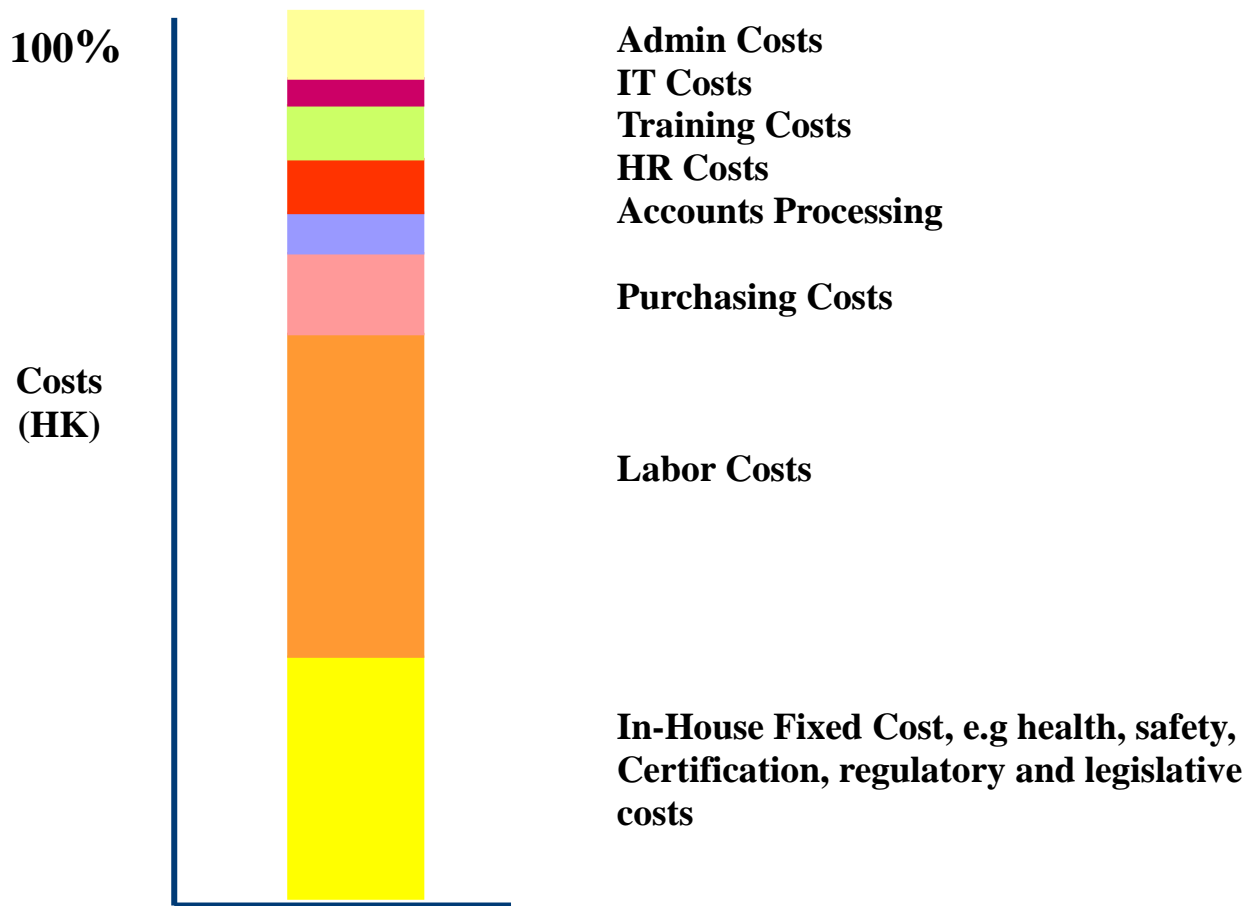


Figure 4. Services cost in In-House Management

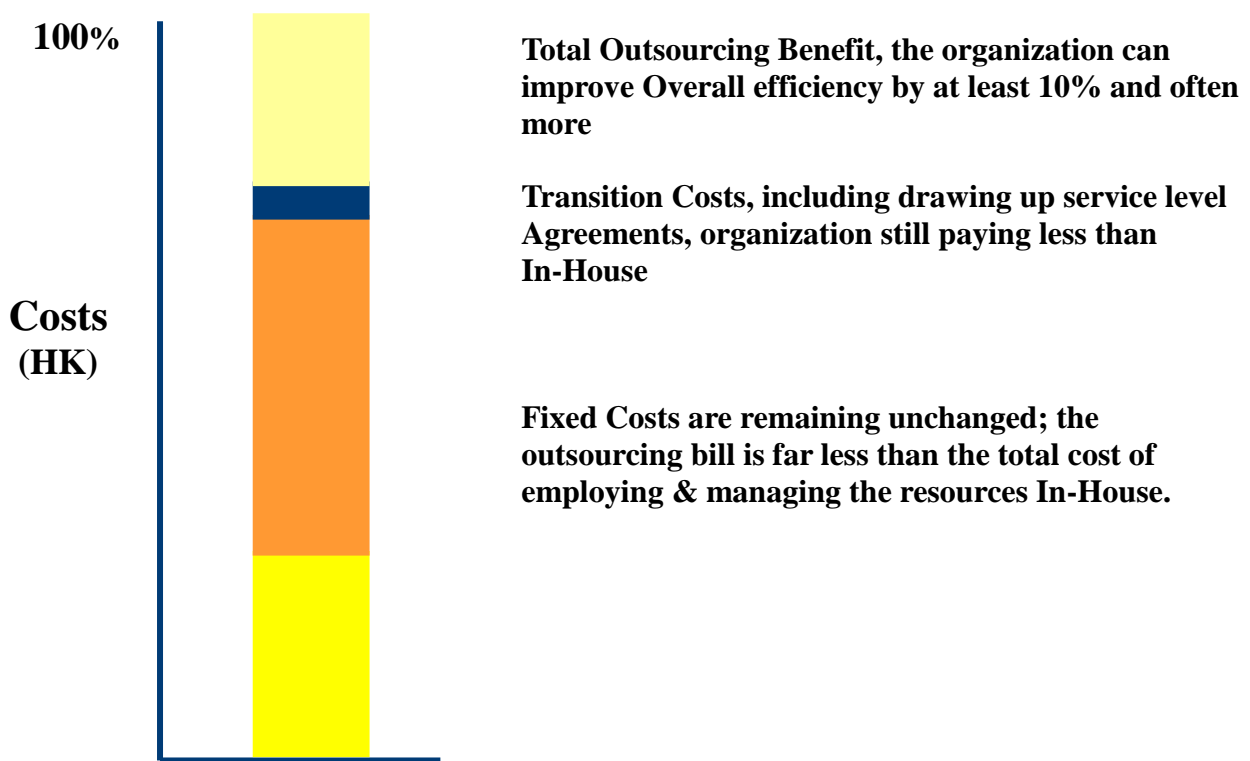


Figure 4a. Services costs of Outsourcing Management

Quantitative Considerations

i) Dollar Costs

Cost avoidance is also a consideration. Ongoing operational costs that may be avoided by outsourcing should be identified. Like cost savings, cost avoidances are dependent on the reason behind the outsourcing and the type of outsourcing used. Cost avoidance should not be used as a justification for making a resource decision, but can be considered as a potential benefit that may result from the decision (McIvor, 2005). Sample cost avoidances:

- Avoid hiring additional resources to support an application once it is in production.
- Avoid significant investments in technology that is constantly changing.
- Avoid loss of funding by meeting deliverables deadlines, etc. In the analysis of options, three general types of fiscal costs should be examined: *project, management, and ongoing*.

Type of Dollar Cost	How to use
Project Costs	This is the cost for the life cycle of the project eg the application development period, help desk staffing contract length, maintenance staff, etc. A careful detailing of external costs versus internal costs needs to occur here, to identify the full range of costs on both sides and to obtain a cost comparison that measures the same criteria in the same way. Sample criteria would be labor effort, time, hardware or software needed, etc.
Management Costs	Costs of managing the project. Regarding of whether a project uses internal or external resources, the organization will still be responsible for managing the project. If using internal resources, it will include the cost of the project manager. If using external resources, it will include the cost of the agency resources required to oversee the contract.
Ongoing Costs	Once the project has been completed, there will be costs to maintain and make needed enhancements. Either internal or external resources may do this, but if an external vendor has worked on the project, there must be a knowledge transfer plan in place so that organization resources can maintain the system.

Table 2. Types of Fiscal Costs

ii) Measurements

Analyze the measures for strengths and weaknesses, and evaluate alternative options for making changes. The right measurements are essential for evaluating options available to the organization. Measures must be accurate and verifiable while measuring real areas of end-user need or effectiveness. The trend towards outcome or performance-based measures rather than work-based measures shows the importance of choosing the right metrics to reflect agency business needs.

Qualitative Considerations

i) Time

The time available to complete the project is an essential factor in the decision about what type of resources to use. Current organization resources may not be able to meet the project deadlines because of other responsibilities, resource shortages, or lack of needed skills. These facts will impact the cost of the project. It may be more cost-effective to complete a project with internal resources, but the timeline prevents that from being possible. Time, as shown in Table 4, will play a role in three parts of the decision-making process.

Time	Significance
Planning time	Planning at the start is essential to all projects. Sufficient time is required to identify the project/service scope and define the project requirements and deliverables. Even more time is required if considering external staffing solutions, as the contract negotiation and management will rely heavily upon the identified goals, metrics, and deliverables. Negotiating advantages are in the vendors' court when an organization has allowed little time for establishing terms and conditions and a statement of work. Since they vendor knows the organization's project implementation deadline, the price for services will rise accordingly.
Project time	The needs of the organization during the life of the contract. Identify project deadlines, including interim deadlines if only a final implementation due date is known.
Ongoing considerations	Consider transition efforts or ongoing maintenance efforts when examining costs and benefits. How will the organization manage the project after its completion? If an external vendor has worked on the project. What is the length of the transition period, or is the vendor expected to maintain the system forever? When type of impact will these ongoing time considerations have on the cost of the contract, particularly ongoing vendor contracts over time?

Table 3. Time Factors

ii) Risk

There are three mains area of risk to considerate:-

1) Operational Risks

- The ability to meet project dead lines, out comes, and required skills
- The ability to respond to changes in legislation, mission, and service definitions
- Balance between what IT needs and what the agency needs
- Agency commitment: top down sup port from executive management and end-user buy- in are critical success factors

2) Technology Risks

- The ability of the project to respond to technology changes or new technologies
- Matching the project to the current technical architecture for the organization

3) Relationship Risks

- When comparing external resource costs to internal resource costs, recognize the relationship risks that exist when external resources are chosen over internal resources. These risks include:
 - Expectations on service delivery
 - Unexpected costs of outsourcing arrangements
 - Vendor responsiveness to the need for improvements
 - Vendor failure to deliver products on time
 - Impact on staff—job satisfaction, morale, workload

iii) Staffing Issues

Internal and external resources issues are extremely important to considerate in the cost-benefit analysis.

Staffing Issues	Significance
Internal resources	<ul style="list-style-type: none">● Identify current workloads. Are current resources able to perform additional duties? What are the organization priorities and time lines?● Identify staff interest in the jobs that they perform. Are current resources kept motivated and interested in their job? Would the organization and the staff benefit from using existing resources on new projects that require innovation?● Consider the impact on existing resources if an external vendor is procured. Determine at the beginning which internal members will be affected and plan for what will happen to them—will they be reshuffled, transferred to the vendor, or terminated? What will the impact on staff morale/retention be?● Identify the skill sets required for vendor management in an outsourcing arrangement. Do internal resources have the necessary expertise? If not, should it be obtained? If so, are those people free to devote their time to the project?
External	<ul style="list-style-type: none">● What are the capabilities of external resources? Ask for and evaluate resumes. Are

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Resources	<p>the people needed for the project currently available, and will they be available for the life of the contract? How can you ensure that the people you want are permanently assigned to your project?</p> <ul style="list-style-type: none"> ● Because of the competitive market for skills and services, vendors are also experiencing staff turnover. What will the impact of vendor staff turnover mean for project success? ● Do the vendor resources show the necessary qualities for organization - e.g., match in work hours, culture and initiative?
Contingency Planning	<ul style="list-style-type: none"> ● Changes will occur during the course of the project ● If an external vendor is used, the outsourcing contract will end at some point ● Change control procedures must be in place to monitor, track, and manage changes and their impact to the contract. ● Understand transition difficulties with outsourcing, whether evaluating a vendor-managed environment, managing an effort to take the service back in-house, or changing from one vendor/methodology to another. Know what staffing levels and skill sets will be required by such changes. Changes in outsourcing contracts are inevitable, and this information will be needed during the course of the contract.
Access to Expertise	<ul style="list-style-type: none"> ● Gaining access to expertise that does not exist in-house is a common reason for outsourcing, especially when taken in the context of budget/time constraints. Some emerging arguments against this argument are: ● Assigning internal resources to develop new projects and learn new skills may increase staff morale and improve staff retention as employees are continually challenged and given new opportunities. ● However, require that time lines and training funds are able to support this option. Choosing to use internal resources for a new project and then outsourcing existing services may lower operating costs and ensure a more efficient and successful outsourcing contract. This is because the internal service is so well-known that it is easy to measure and quantify. It is then much easier to determine the success of the vendor in meeting the needs of the organization. ● It is also important to ensure that you have a knowledge transfer plan to avoid becoming dependent on one vendor for continued operation of the system.

Table. 4 Staffing Issues

iv) Business Value

The intangible “business value” concept must, however, still be pinned down to specific reasons and justifications. After completing a cost-benefit analysis, the organization may still consider that an alternative staffing acquisition method is better than the one shown by the analysis. If this happens, the appropriate weights and concerns have not been shown in the analysis. Establishing project objectives, outcomes, and primary staffing considerations should provide the organization with enough information to show a cost-benefit analysis that provides the best business value outcome. Using both qualitative and quantitative measures ensures that business value is accounted for in the cost-benefit analysis (McIvor, 2005).

2.2 Essence of strategic outsourcing

An outsourcing is tactical when it is driven by a desire to solve a practical problem. For example, a company may find that its payroll clerk is not able to process payroll changes, cheques, tax returns and make the required accounting entries on time. The company concludes that although the payroll clerk is competent, there is too much work for a single person. The company outsource the payroll process (including the clerk), and ends up with all of the payroll work done on time and at a lower cost. As a result, it achieves a net gain in operational efficiency. Similarly, if an organization outsource infrastructure as for an example and it can save 5 to 10 per cent on the cost of operating that function, the outsourcing is purely tactical (Corbett, 2004).

What attributes make core activities so important that they should not be outsourced? A strategic activity, they argue, is one that confers a competitive advantage on an organization and should not be outsourced. We now briefly examine a methodology that can assist organizations in reviewing their functions and processes in order to determine what activities are not true competitive differentiators, and therefore obvious candidates for outsourcing (Schniederjans, 2005).

2.3 Advantage & disadvantage of Outsourcing & In-house

In-house Management

It is also a danger in some organizations that the in-house management team can become "institutionalized" whereas an outsourcing management team will bring a fresh perspective that can challenge the in-house management team preconceptions. After all, some of the staffs will loss of their morale and feel being unwanted. The most important is the organization wills loss of key personnel in some of the main departments.

Reasons for Outsourcing	Advantage/Disadvantage of In-house
Cost Savings	<p>The cost of business activities outsourced to a provider can be less than the cost of in-housing in the same activity.</p> <p>When client firms outsource business activity, they can be left with assets for example technology, which can be converted to cash to deal with short-term cash problems. The outsource provider a purchases the assets, at market value or above, making the outsource provider short-term source of funds.</p> <p>Can turn fixed costs(assets) into variable costs (leasing agreements)</p> <p>Can reduce nonproductive assets on balance sheet</p>
Gain outside expertise	<p>Gain access to a broad base of expertise and skills unavailable by in-house. Outsourcers can be a source of original ideas for improvements in core and non core competency services and products</p>
Improve service	<p>Improves operations flexibility allowing the client firm more easily increase during boom times in customer demand.</p> <p>Reduced costs resulting from outsourcing can increase customer value an satisfaction</p> <p>Can be use to introduce new technologies or systems incrementally into the client</p> <p>Can help a client firm develop and gain access to new distribution channels quickly</p>
Focus on Core Competencies	<p>Allows the organization to focus efforts on outputs and outcomes, while the provider focuses on inputs and processes.</p> <p>Frees up assets to relocate to core competencies</p>

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KHK Chan (Hong Kong SAR, China)

	Organizations may find they have outsource capacity that they can sell to others
Gain outside technology	Can help the organization personnel learn newer technology
Others	Organizations can improve their image by association with an outstanding outsource provider. Changes the culture of the organization to be more productive Can be used as a strategy for downsizing or reengineering an organization Allows the organization to conserve capital to invest in core competencies

Table 5. Advantages of outsourcing (Disadvantages of In-house)

Outsourcing Management

Outsourcing management is often better placed for dealing with more challenging and opportunity. Sometimes having an in-house management team is not always appropriate. For a start the ongoing financial commitment may simply not be an option even where the organization evolution is the preferred approach. Secondly, outsourcing management can sometimes have the advantage when it comes to complex activities in the organization. Outsourcing management teams are normally larger than in-house management teams including more specialists in specific fields (e.g. accessibility, usability etc). In addition, because of the competitive nature of outsourcing there is more pressure on them to keep up-to-date with the latest innovations and developments. The most expensive approach, maintenance contract with outsourcing management does provide the best level of service in the organization.

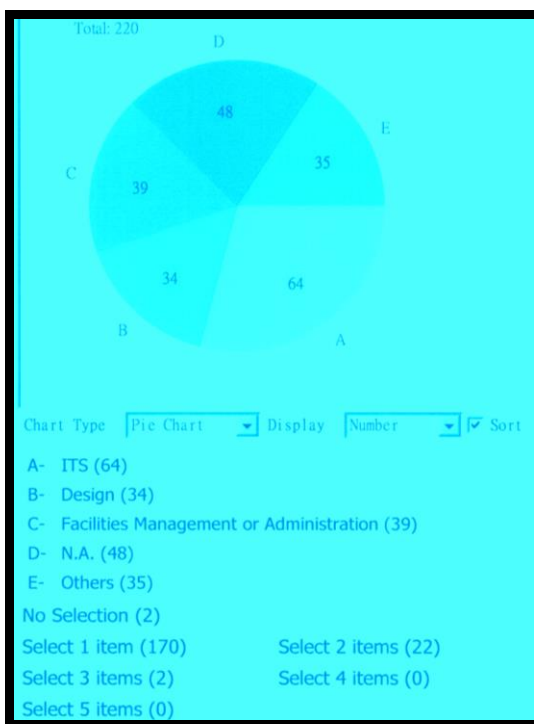
Research methodology

Quantitative method with a pre-set questionnaire is dispatched to colleagues of various departments of a Hong Kong mega commercial complex AAA to solicit their respective opinion in the effectiveness towards customers' satisfaction through implementation of Outsourcing or In-House Management Services. Generally 201 out of 1013 responses (20%) have been received; yet not all respondents answer all questions. These data are analysed by descriptive statistics for further discussion.

Analysis and findings

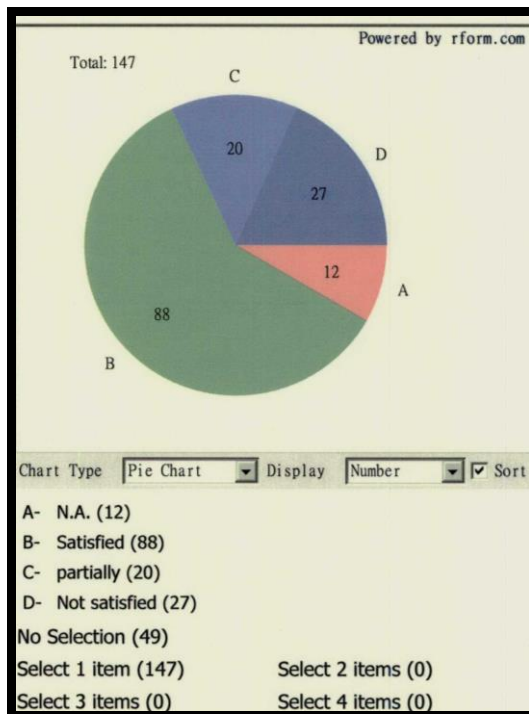
The Information Technology Services (ITS) Department of AAA has been outsourced for several years.

In Question 1 (Do you know which departments/services in AAA have been outsourced?) of the questionnaire, most colleagues do choose and know the services of ITS Department is outsourced to service provider BBB. The scope of works is only partially and not all; only operation team services has been outsourced. The main services of this service provider include fixing term maintenances computer systems, technical supports and setting up ITS 24 hours Customer Services; oversea offices and the exhibitions which are hosted by AAA. Besides, BBB also provides adequate technical staffs in office relocation, office renovation period and fair grounds to process the PCs installation & removal works from area to area or from floor to floor.



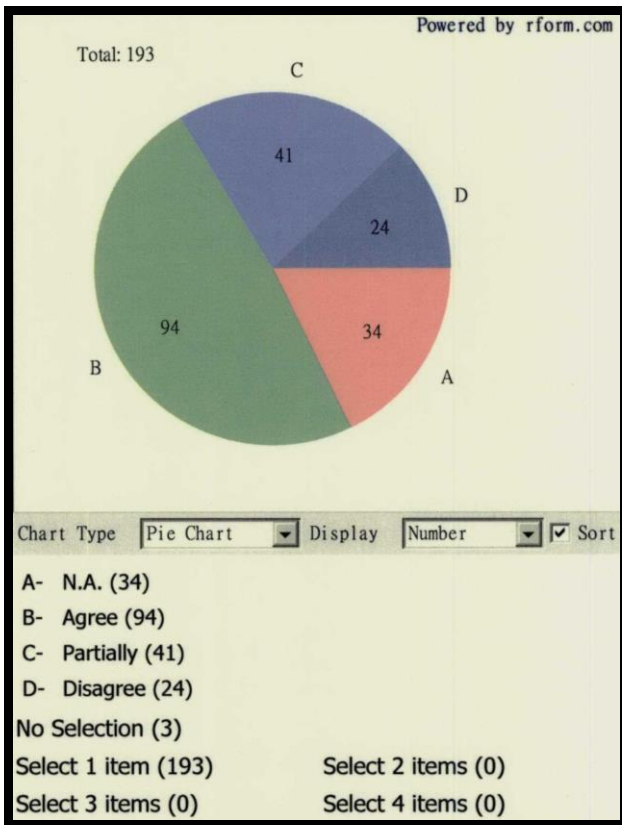
Result of Q.1 Do you know which departments/services in AAA have been outsourced?

In Question 2 (If there are outsourced services in AAA, are you satisfied with these services?), most colleagues choose “satisfied” towards BBB’ s services. On the other hand, the decision of AAA did make a right direction. According to the In-house IT Manager CCC who mentions that outsourcing part of ITS Department can save budget for the organization, also continuously provide similar/standard services as before; and BBB improves the manpower of ITS Department.

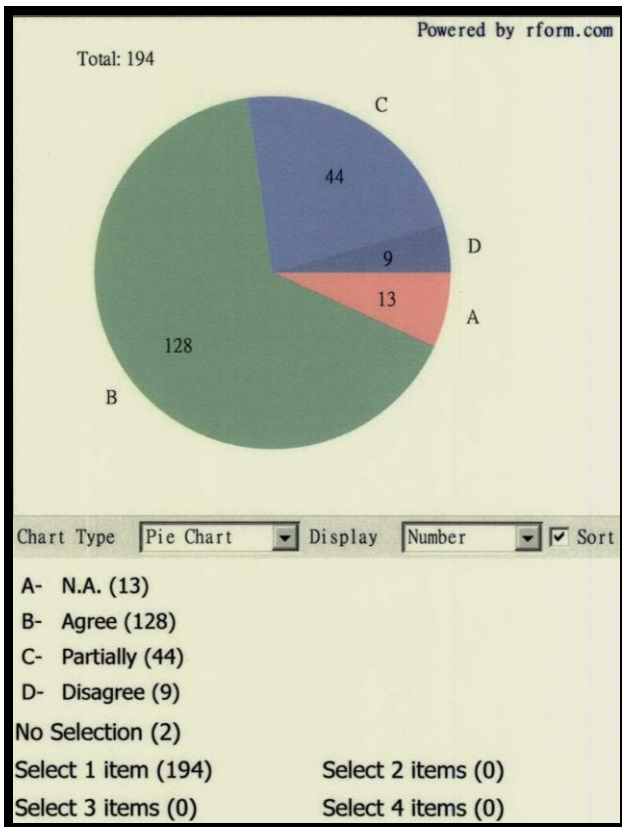


Result of Q.2 If there are outsourced services in AAA, are you satisfied with these services?

From Question 3 and 4 (Q3 Do you agree AAA targets for more outsourcing management services? Q4 Do you agree the following disadvantages claimed for outsourcing management services?), most colleagues also do agree AAA to outsource some works especially regarding cost saving. It is proven that outsourcing to BBB initiates budget saving with good technicians/engineers and services. There may be disadvantage e.g. lack of control over BBB due to its own internal problems and higher staff turnover; resulting in AAA’s security management. There are complaints from some AAA staff too.

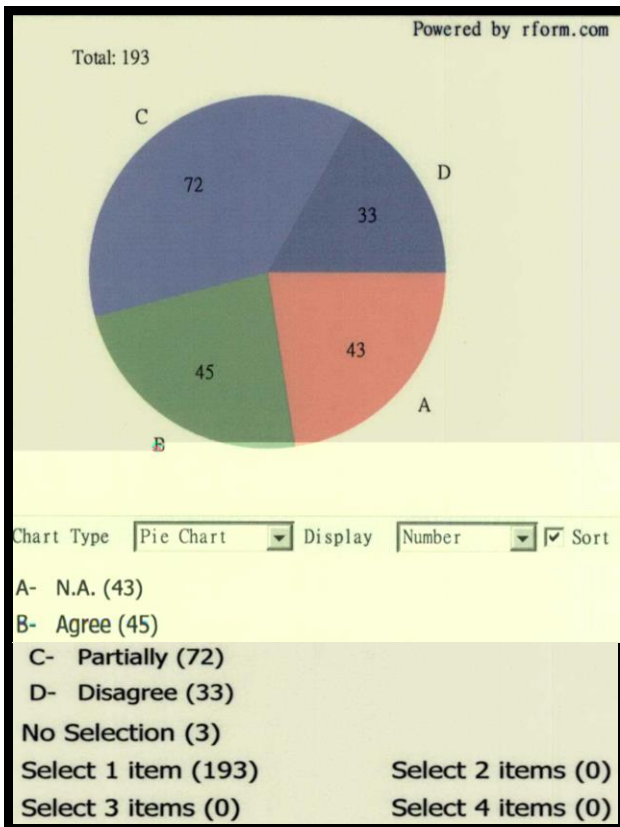


Result of Q.3 Do you agree AAA targets for more outsourcing management services?



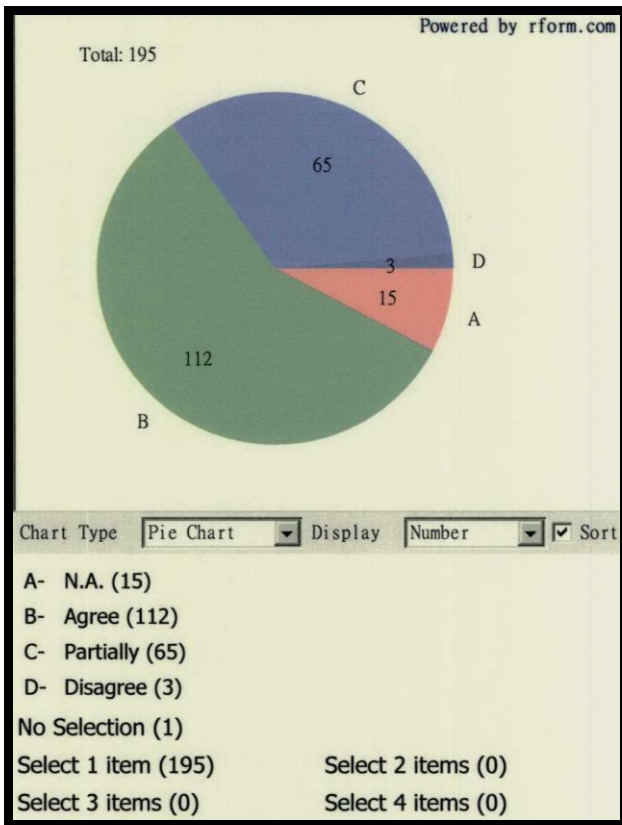
Result of Q.4 Do you agree the following disadvantages claimed for outsourcing management services?

In Question 5 (Do you agree AAA only targets for in-house management services?), only half of the colleagues do agree that AAA should keep in-house management services i.e. better than outsource services. Some colleagues do concern their job stability or transferring to other department. It has been the case that some former ITS colleagues have been coerced to “transfer” to BBB, with lower pay/benefits. As a result half of the colleagues do support in-house management services, whilst another half disagree.



Result of Q.5 Do you agree AAA only targets for in-house management services?

In Question 6 (Do you agree the following disadvantages claimed for in-house management services?), most colleagues concur with the advantages and disadvantages of in-house management services. If there is no outsourcing, AAA may restructure the internal departments. The disadvantages of in-house management services are lack of updated expertise and knowledge to handle specific works, lesser chance to improve services for customers, and increase the operation costs.



Result of Q.6 Do you agree the following disadvantages claimed for in-house management services?

CONCLUSION

Outsourcing has become a trend all over the world, whereby appropriate outsourcing is deemed acceptable. Most outsourced projects can enhance better quality of services, advance in new technology, higher competitive advantages when compared with in-house services in the longer run. It creates more flexibility to meet uncertainty in the industry such as:

- Speed up the works, and share innovations for best practices. The organization can attain more opportunities with new innovative ideas continuously.
- Reduce risk and increase productivity.
- Organization can save cost on an average with outsourcing.
- Renewed and increased focus on core business.
- Improved customer satisfaction with improved processes.
- Risk reduction due to confidence on experts and infusion of new technology.
- Project enhancement and effective cost management through financial engineering.
- Renewed opportunities for employees with skill upgrade and access to newer skills.
- Visible cost reduction and avoidance of capital investment e.g. eliminate fixed overheads and physical plant ownership, thus cutting costs.
- .Asset adaptation.
- Value and savings gained.

Outsourcing enables organizations to focus on their core business function, and takes care of secondary functions in part or in totality. The organization's growth can be based on its core or specific business. It can reduce the operating costs by focusing on major business area. This way, the capital funds always remain available for the core business instead of being confused to other supporting portions of the business. Moreover, it helps employees to be more efficient in coping with the changing working environment.

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