OUTSOURCING VS. INSOURCING FACILITY MANAGEMENT SERVICES: THE PRACTICE IN UGANDA

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One of the theories of the development of Facility Management is that it was aided by the increase in the practice of outsourcing services identified as Facility Management services. This study is aimed at analysing the current practice of procurement of Facility Management services in Uganda, from which the growth of Facility Management in Uganda can be projected. A survey questionnaire was used for both the interviews that were carried out, and for self-administered surveys. It was discovered that although some organisations insource a number of Facility Management services, even more do outsource. The most popularly outsourced services currently are security and catering. The most common driver for outsourcing was the necessity to gain quality services from another organisation's expertise, followed by cost savings. For the organisations that are procuring their services in-house, the most common reason was the desire to control the service in terms of quality and response time. The implications of these results were discussed, and one of the conclusions made is that the Facility Management industry in Uganda definitely exists, though it is not officially recognised yet. It is a field that is steadily growing with the growth of the economy.

Keywords: facility management, insourcing, outsourcing

INTRODUCTION

Although FM, in comparison to the other management disciplines, is relatively young (Yiu 2008), it has developed as a profession in a number of countries, including the United Kingdom (UK) and other countries in Europe, the United States of America (USA) (Price 2001) and Asia among others. In Africa, it has grown largely in two countries. Firstly in Nigeria (Adewunmi, Ajayi and Ogunba 2009), the development of which is made evident by the introduction of a Nigeria branch of the International Facility Management Association in 1997 (IFMA Nigeria 2011); secondly in South Africa (South African Facilities Management Association 2011). In Uganda in particular, FM does not exist officially as a profession. However, the services considered as a part of a Facility Manager's role in an organisation are definitely present, as in all other countries.

FM development over the years has been said to grow based on practice (Kincaid 1994; Alexander 2003). There are a few theories relating to the development of FM. According to Maas and Pleunn (2001), FM was introduced in 1975 in the USA and grew through the 1980's, eventually spreading to Europe and around the world in the 1990s (Cigolini 2009). Lord et al. (2002) maintain that the term FM originated about the late 1960s to describe the practice of banks then increasingly outsourcing the processing of credit card transactions to specialist providers. FM is closely linked to outsourcing, and it could be argued that the increased requirement for outsourcing services has largely contributed to the growth of the profession. Usher (2003) states that the concept of outsourcing has been in existence longer than that of FM; though in a completely different form than it exists today. The government policies on market-testing, compulsory tendering and PFI aided the increase in the use of out- sourcing over the years (Lord et al. 2002).

Uganda is a developing economy. In the olden days, many Small and Medium sized Enterprises (SME's) used to rely on family to provide labour, and other services for their businesses. Currently, there is a change in that practice of organisations, in the sourcing of services. Pere (2011), speaking on the industrial practice in Uganda today, puts it this way:
 "Gone are the days when it was of necessity to be in touch with relatives and friends with the aim of using them for cheap labour."

It is possible that a growing practice of outsourcing FM services in Uganda would encourage development of FM as a profession in the country. This research was therefore designed to analyse and establish the current practice of FM service procurement in Uganda, and to determine what the drivers for their procurement techniques are.

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PURPOSE/SIGNIFICANCE OF THE STUDY

Not only can this study be of interest in the academic sphere to analyse the growth of FM in Uganda, but, to the professional looking to start the practice in Uganda, this study could be used as a basis for his organisation to position itself in the market. Uganda has economic practices and issues specific to its own modern society, context and culture, among other things, as do most developing countries. This study therefore acts as a guide to understanding the industry so that one is able to strategically position oneself as a provider of FM services to Ugandan businesses.

PROCUREMENT METHOD SELECTION

According to a report by the Butler Group, in Global Knowledge (2006), about 40% of organisations were likely to outsource different facets of their infrastructure within the two following years. Services categorised under FM include, but are not limited to catering, security, cleaning, and information and communication technology. A great deal of work has previously been done on the pros and cons of outsourcing.

Usher (2003) suggests that there are ten themes against which the pros and cons of outsourcing or insourcing can be evaluated, being gauged for an organisation depending on what the client wants. They are cost, quality, risks and liability, specialisation and diversity, responsibilities and accountabilities, flexibility, innovation, investment, information and customer orientation (ibid). The pros of outsourcing emerge where the client demands more value for less with the elimination of risk, while the cons come with the suppliers' desire to deliver the minimum requirements from the client in order to generate maximum profit while safeguarding the retention of the contract and inheriting the least risk possible (ibid).

Some of the literature suggests that the requirement for businesses to gain profit through provision of a high service quality has driven the need for outsourcing parts of the business that are not considered a part of the core business function (Cigolini et al. 2009; Cotts et al. 2010; Lord et al. 2002; Kakabadse and Kakabadse 2002). For companies that prefer a small employee size, outsourcing is a very good way to obtain services (Cotts et al. 2010). It is also stated that a contracted workforce is believed to be more flexible and can therefore adjust better to fluctuations in the workplace (Cigolini et al. 2009).

By far, the most common reason given for outsourcing services is the belief that it brings cost savings to the customer firm, and enables the company to concentrate on its core business (Becker 1990; Cotts et al. 2010; Cigolini et al. 2009; Kakabadse and Kakabadse 2002; Lord et al. 2002; IFMA 2006; Aidan and Globerman 1999). Research carried out by Kakabadse and Kakabadse (2002) shows that a large percentage (59%) of the respondents outsourced their services to achieve a reduction in costs, which came second only to aiming to achieve best practice. However, most of these writers argue that much as that is the belief of many firms, this is not always the case. Cotts et al. (2010) argue that they have not experienced reduced costs due to outsourcing, and therefore that should not be the sole reason for it.

The major reason that firms have given for a preference for in-house services is the fact that they maintain their control over the service once it is procured in-house, in terms of costs, quality and response time (Becker 1990; IFMA 2006; Cotts et al. 2010; Vining and Globerman 1999). There is sometimes the fear that the employees of the supplier firm will not be as loyal to management (Cotts et al. 2010).

Atkin and Brooks (2009) state that the choice between whether to outsource or retain services in-house requires a lot of consideration, and a consideration of many factors affecting the business should be made. The decision has to be as objective and rational as possible (ibid), and should be made depending on what works best for the organisation to meet its objectives.
Wiggins (2010) suggests that this decision will usually depend on the location, type of buildings, type and volume of work and the organisations current workforce. The idea here is that the selection of method for procurement will depend on the organisation's corporate objectives, the implications and risks of the procurement method, and the related contractual issues. According to Schlereth (2009), it is more effective for larger organisations to procure their services in-house.

Barrett and Baldry (2003) state that the potential to contract out relates to the optimum balance between the retained in-house FM services, and those contracted out. At the end of the day, whether the company decides to outsource or insource FM services, it needs to be an informed decision, rather than random. Both methods of procurement have their pros and cons, but the organisation needs to objectively decide which method reaps the best value for the company in the long term (ibid).

METHODOLOGY

Data was sourced from different commercial organisations in Kampala, Uganda using research questionnaires. A total of 41 questionnaires were received back out of the 60 that were distributed, which comes to a 68.33% return. The respondents comprised firms from different sectors, with the highest percentage (61%) being private sector commercial organisations. 73% of the respondent firms were small/ medium scale Enterprises, while the 27% were large-scale enterprises. This categorisation was done based on the number of employees that the organisation has.

Since the scope of FM services is wide, this study covered only the support service delivery section of FM, rather than its entire scope.

RESULTS

78% of the firms approached outsource at least one facility management service, while the 22% procure all their services in-house.

SERVICES OUTSOURCED

The distribution of the services outsourced is shown in Figure 1 below. This list is not conclusive of the large range of FM services, but it covers a number of services covered by the facility manager's role under strategic sourcing of support services suggested by Yiu (2008). The results for this question are presented in consideration of the 32 respondents who said they did outsource FM services.

As shown in the graph, 65.6% of the respondents outsource catering and security services, which have the highest frequency. This result was not completely unforeseen, as it is also evidenced by the large number of security companies that are active in Uganda, including *G4S, APS, Securiko, Alarm Guards, Askar Security Systems, SGA,* among others. These security companies are employed not only for commercial organisations, but also in a number of residences, to provide a large range of security service options to their clients. Catering companies have also been quite popular, and are increasing by the day.

The second most commonly outsourced service is cleaning, followed by information technology and communication, then building operation and management, moving and asset management, transport, and finally, others. None of the respondents outsource human resource management services or mail and reprographics.
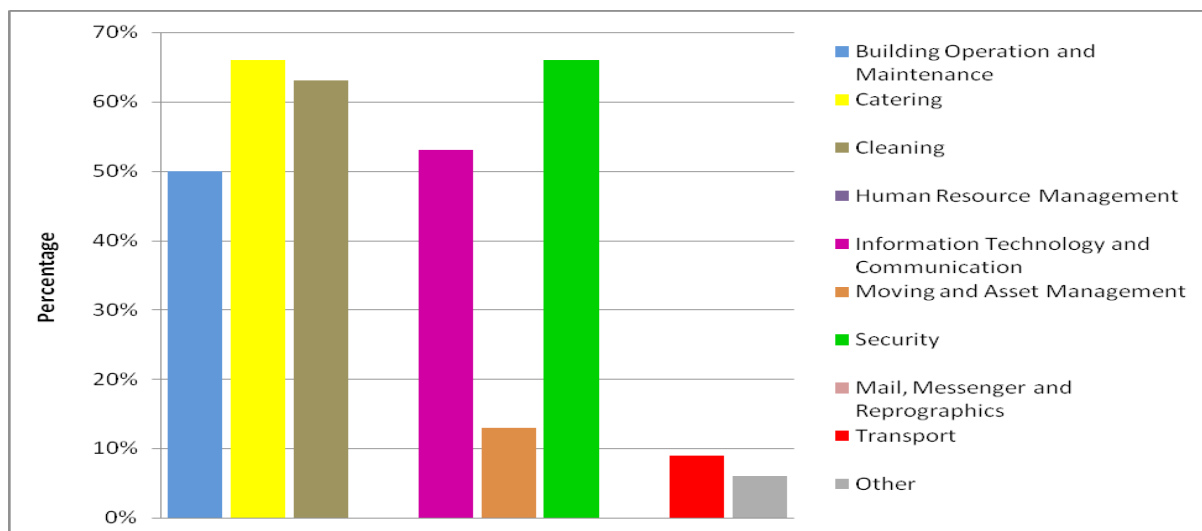

Figure 1: Outsourced Services

DRIVE FOR OUTSOURCING FACILITY MANAGEMENT SERVICES

The highest number of respondents (85%) said that their intention is to gain quality services from the expertise of the firm from which they are purchasing the service (See Figure 2).
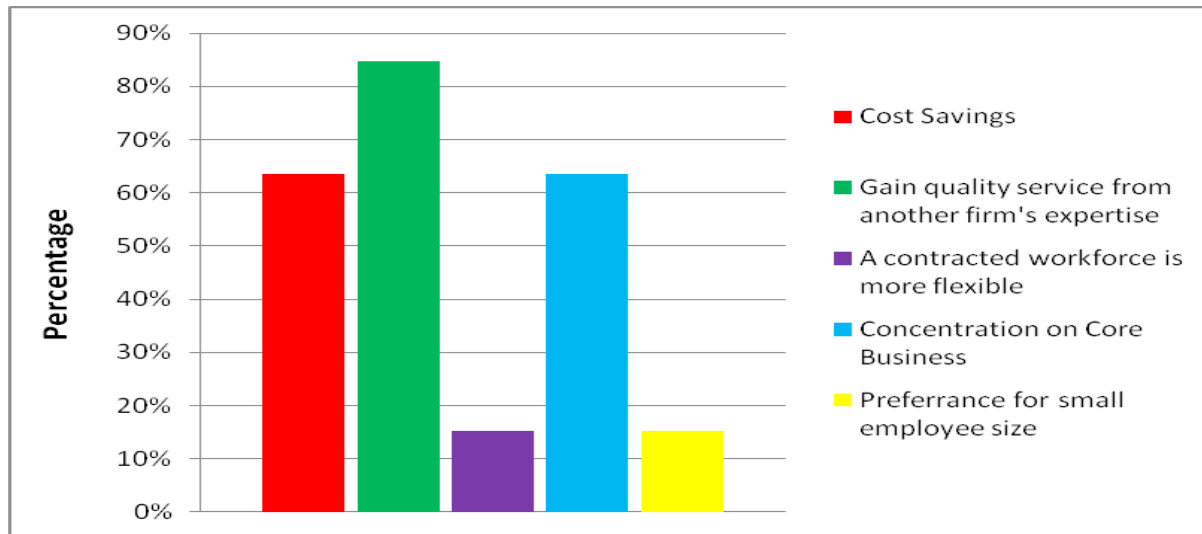

Figure 2: Drive for outsourcing facility management services

Cost savings came in second as the next most popular reason for outsourcing. An equal number of respondents (64%) said that they outsource to gain cost savings and to concentrate on the core business of the organisation.

The least percentage (15%) was from those that said their reason for outsourcing was due to their preference of a small employee size, and an equal number said that they outsourced because they believed that a contracted workforce was more flexible than an in- house one.

DRIVE FOR PROCURING FACILITY MANAGEMENT SERVICES IN-HOUSE

This question was posed to both the firms that had earlier responded that they do not outsource any FM services at all, and those that outsource some and still procure the rest in- house.

The most popular reason for insourcing services (83%) was to enable the organisation retain control on the quality of the service (See Figure 3). This high percentage shows how highly placed service quality is for any organisation. A high percentage seeks to retain control over the service in terms of response time. There is a big difference between the percentage of those that outsource to manage service quality, and those that outsource for cost savings (41%).

This difference could indicate that a number of organisations may agree with the fact that insourcing may not bring in cost savings, but it is chosen as a better option for a number of other reasons. This is in line with the suggestion by Becker (1990) and Nelson (2004).
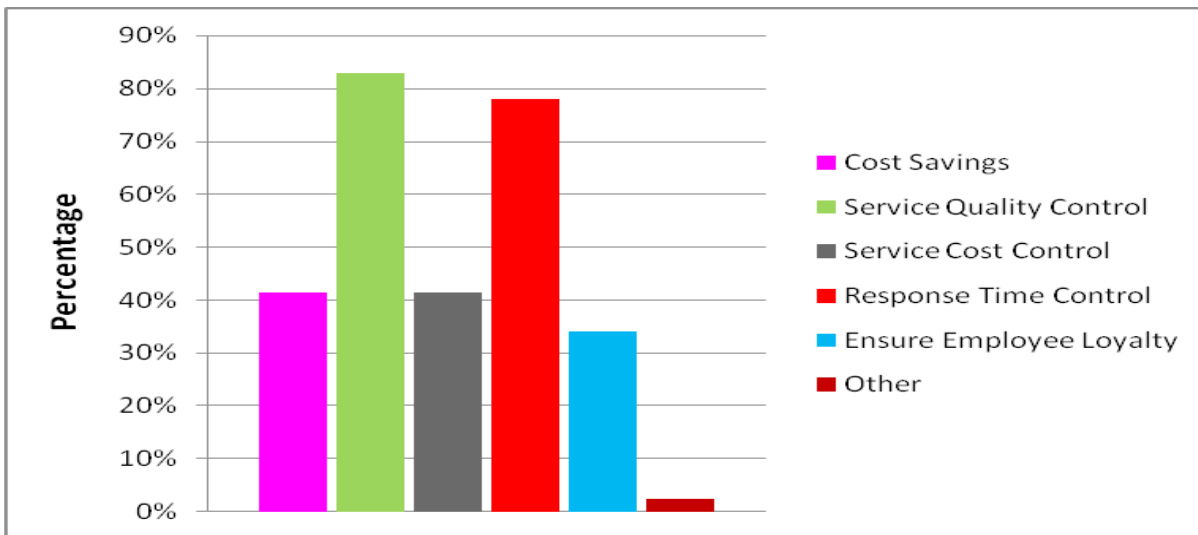
Figure 3: Drive for insourcing facility management services

RELATIONSHIP BETWEEN ORGANISATION SIZE AND PROCUREMENT PRACTICE

Regarding the relation between the size of the organisation and its procurement practice, the 9 firms that responded that they do not outsource any services were studied. Of these, 11% were large scale organisations, and 89% were small and medium scale organisations.

This statistic, when compared to the sourcing practices shows that of the 29 small-scale industries that participated, 28% procure all their services in-house, while 72% procure some services from external providers. Of the large-scale industries, 8% use insourcing for their services, while 92% use outsourcing. A big percentage of large- scale organisations in Uganda outsource one or more services, and none of these reported dissatisfaction with their service procurement.

A larger number of small-scale organisations than the large scale ones procure their services in- house, and a percentage of these stated that they would rather source them out in order to get better quality services. There is therefore no absolute relationship between the size of the organisation in Uganda and its sourcing practice.

PREFERRED OUTSOURCED SERVICE PROVIDERS

The respondents who outsource services were asked which type of service providers they preferred to use. The results are shown in Figure 4 below.
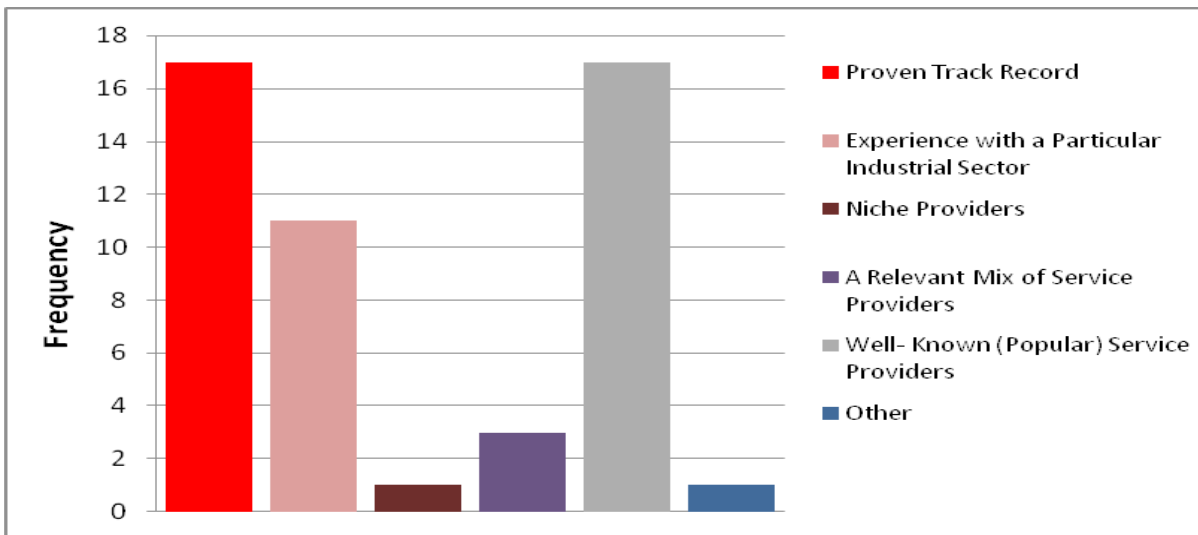
Figure 4: Preferred service providers

The highest percentage of the respondents (53%) said they prefer to use service providers who can demonstrate a proven track record, and an equally high percentage said they prefer to contract well- known service providers. The second highest percentage (34%) said they prefer those that have experience with a particular industrial sector. Some large-scale businesses contract corporate service providers. Those that responded that they prefer to use a relevant mix of service providers were 9%, and those that prefer to use niche providers were 3%.

SATISFACTION LEVELS

In response to the level of satisfaction of the organisations with their current procurement methods, 18% of the respondents said they were very satisfied, 68% said they were satisfied, 12% were neutral, 2% were dissatisfied, and 0% were very dissatisfied (See Table 1). One respondent said the level of satisfaction definitely varies among different service providers, but overall, they are satisfied with the service provision.

Table 1: Level of service satisfaction

	PERCENTAGE (%)
Very Dissatisfied	0
Dissatisfied	2
Neutral	12
Satisfied	68
Very Satisfied	18

The 2% that responded that they were dissatisfied outsource. Of those who responded that their level of satisfaction was neutral, 75% outsource and 25% in- source. From the 68% that are satisfied, 86% outsource and 14% insource. Of the very satisfied percentage, 71% outsource and 29% insource. The majority of both those that insource and those that outsource are within the satisfied and very satisfied category, while the larger percentage of those that are neutral and those that are dissatisfied procure their services externally. This question was linked to the earlier one about the reasons for the organisation's method of procurement, and to that of the fears they have for outsourcing, and it is probable that the reasons for the dissatisfaction of the organisations are in line with those explained above.

CONCLUSION

Global Knowledge (2006) stated that in reality, there are only a few businesses that do not outsource at least one service. Comparing to what was discovered in the findings, it can be said that the statement holds true for Uganda too. There is still a percentage of the organisations that still insource their FM services, but the larger percentage of them outsource at least one service. In Uganda, while a number of large-scale industries insource their services, it seems to be a practice more common with small/medium scale industries. The results from the distribution show that there is no particular tendency to relation between the size of the organisation and its sourcing practice.

The need to receive quality services is a factor that kept recurring through this research. As with those that outsource their services, the organisations that procure their FM services in-house are concerned about quality. Many of the quoted authors emphasise the need for organisations to control their services in terms of cost, quality and response times, and this was agreed by the organisations in Uganda which prefer to insource. Cost issues with outsourcing, though less popular than quality is one of the reasons why some organisations choose to retain their services in-house, showing that a number of organisations actually believe, along with Cotts et al. (2010), Cigolini (2009) and Vining and Globerman (1999) that in some cases there is either barely any difference between the two options' costs, or that actually, outsourcing is the more expensive option.

A lot of the issues that have been reflected in this research can be dealt with through efficient contract management. If the companies draw up strict, well- specified contracts that include detailed specification on the key performance indicators required of the supplier firms, and closely monitor the supplier firm's performance (Incognito, 2001), then many of the glitches can be solved.

It is in areas of assurance of quality, response time, cost and client confidentiality and trust that many organisations seem to be struggling. It is necessary for any supplier organisation to consider the cultural aspects of the business community because, in addition to those mentioned above, the understanding and integration of the cultural aspects will play a big role in determining its success.

Although FM is not recognised at present in Uganda as much as it is in some African nations, traces of its practice are clearly evident. Therefore, if the theory that the growth of FM as a profession is aided by the increase in the practice of outsourcing holds, then it can be said that in Uganda, FM is soon to develop as a recognised profession separate from property management, and this development is one that will be worthwhile to witness. This growth will also yield many opportunities for study of the industry.

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