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OUTSOURCING VERSUS IN-HOUSE FACILITIES MANAGEMENT: FRAMEWORK FOR VALUE ADDING SELECTION

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OUTSOURCING VERSUS IN-HOUSE FACILITIES MANAGEMENT: FRAMEWORK FOR VALUE ADDING SELECTION

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ABSTRACT

Investment in the physical infrastructure and the provision of facilities management (FM) services should be geared toward achieving the strategic objectives of an organization, which largely aim at value creation. Sole focus on the financials while choosing between outsourcing and in-house FM options excludes other non-financial measures such as the extent to which the FM route contributes to improving internal business processes and the overall strategic health of the organization.

This paper presents the results of investigations into a holistic perspective on the key variables to consider in choosing between outsourcing and in-house FM in order to provide value added service and improve organizational performance. The study was limited to the views expressed by facilities and property managers registered with the Property Institute of New Zealand Property and the Facilities Management Association of Australia. The descriptive survey method was used, which comprised qualitative data gathering using unstructured interviews and quantitative data gathering using structured questionnaires. Content analyses, multi-attribute methods and Spearman's rank correlation tests were used in the analysis of the data and the testing of the research propositions/ hypotheses.

Results showed that four broad categories constitute the holistic FM functional areas: strategic, operational, property development/project management and general services. Outsourcing was perceived to be more suited than in-house for providing operational, property development/ project management and general services; in-house was more suited for the provision of strategic FM functions. The relative importance of the value adding criteria underlying the broad categories of FM services, as well as the suitability of the use of outsourcing and in-house approaches in meeting each criterion were established. Using the concept of Overall Suitability Score, a process chart was developed for use in making a strategic choice between outsourcing and in-house FM service provisions. The use of this chart is recommended to property and facilities managers, and other stakeholders who may be faced with the dilemma of choosing between outsourcing and in-house approaches to providing FM services. The methodology developed in this study could be replicated in related contexts to resolving strategic decision dilemma involving making choices amongst competing alternatives.

Keywords: Facilities management; in-house FM, outsourcing, property management, strategic management.

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