



**Cape Peninsula
University of Technology**

**THE RISKS OF OUTSOURCING SERVICES AT SELECTED FACILITY
MANAGEMENT COMPANIES IN CAPE TOWN**

by

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ABSTRACT

The outsourcing of facility management services has become increasingly competitive and success now depends on companies' ability to assess and manage risks of low employee morale, intellectual property right, legal, increased costs, unrealistic savings projections and reputational damage successfully. This paper examined outsourcing risks at selected facility management companies in Cape Town.

Previous study identifies loss of control, cost and life cycle impact and time inefficiency as anecdotal evidence of outsourcing risks. In the facility management sector, the identification and management of risks have begun to shift progressively from external to internal – like resource and capability management and the strengthening of internal control mechanism. This quantitative study utilised self-administered questionnaire to collect data from 142 randomly selected respondents; employees of participating facility management companies in Cape Town.

The paper found that top 6 risks ranked from the highest are information security, legal, ethics/compliance, contractual, financial and economic. The higher end of the mean scoring indicates a greater emphasis on controllable (internal) risks, with 4 out of the top 6 ranked items identified within the internal risks' category.

This research provides insight to understand outsourcing, risks of outsourcing and risk assessment techniques with emphasis on internal risk management. The examination of outsourcing risks enables companies to understand risk assessment, evaluation and mitigation requirements and categorisation for successful management of risks associated with the outsourcing of facility management services.

Keywords: Risk Management; Controllable and Uncontrollable Risk; Strategic Facilities Planning

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GLOSSARY

- FM FACILITIES MANAGEMENT
- TPM TOTAL PRODUCTIVE MANAGEMENT
- CBM CONDITION BASED MANAGEMENT
- RCM RELIABILITY CENTRED MANAGEMENT
- CM CONDITION MONITORING
- IFMA INTERNATIONAL FACILITY MANAGEMENT ASSOCIATION
- CVR CLIENT-VENDOR RELATIONSHIP
- HR HUMAN RESOURCES
- IS INFORMATION SECURITY
- IP INTELLECTUAL PROPERTY
- FMEA FAILURE MODE & EFFECT ANALYSIS
- SPSS STATISTICAL PACKAGE FOR SOCIAL SCIENCES

CHAPTER ONE INTRODUCTION

1.1 Introduction and problem statement

In a competitive real estate market, companies need to assess and manage facilities management related services in order to ensure that the company operates optimally whilst ensuring minimal risk. The outsourcing of services comes with risks, such as reduced employee morale, IP, legal, increased costs, unrealistic savings projections and reputational damage. Companies are thus required to conduct business in as effective and efficient a manner as possible, with the outsourcing of non-core functions being common practice. Also, as part of companies' growth strategies, the acquisition of new funds may emerge. The acquired fund may have a different philosophy to the levels of outsourcing in facilities management (FM), hence this study may aid companies in determining the optimal level of outsourcing of FM services for its business.

Currently, various property companies employing FM practices outsource non-core facilities related services such as technical (air conditioning, building fabric, lifts etc.), soft (cleaning, hygiene, security etc.) and professional (architect, fire, structural etc.) services. Outsourcing, according to Ikediashi, Ogunla and Boateng (2012), is the "contracting out" of business process to an external source or third party. Some, if not all, of the outsourced services are ones which may have previously been performed in-house to an external vendor, for a fee, as a means to increase organizational effectiveness & efficiency (Ikediashi, Ogunla and Boateng: 2014). In addition to this and according to the previous source, outsourcing transactions are fraught with uncertainty and are risk prone, like all other human activities. Also, employee morale problems, unrealistic saving projections, with a potential of increased costs and the loss of corporate knowledge, adds to the list of items which may increase organizational risk (Kremic et al: 2006). According to Kavcic (2014), the decision to outsource is one which could be of long term and strategic importance for a company.

For the facilities management division to aid in ensuring growth by means by means of increasing organizational effectiveness and efficiency, the risks associated with outsourcing need to be identified and mitigated as best as possible.

1.2 Purpose Statement

This study examined outsourcing risks at selected facility management companies in Cape Town. Quantitative methods were used, by means of self-administered questionnaires, which participants, including organizational staff with an interest in FM delivery, completed. Participants who fall outside of a particular company but who deal with facilities functions, including FM professionals and outsourcing service providers, were also requested to participate in the survey.

1.3 Research Questions

What are the risks affecting outsourcing of facility management services at companies in Cape Town?

In order to answer the main research question, the study seeks to determine the following risks:

- Controllable and
- Uncontrollable

In addition to this, why do companies choose to outsource facilities related services?

1.4 Aim and Objective of Study

Facilities management has, over time, grown to become a key proponent in the construction and property industries, gaining a foothold as a force to be reckoned with (Ikediashi, Ogunlana and Udo: 2013). In addition to this, outsourcing is a strategy from a sourcing perspective which has the potential to improve effective management of facilities management resources along with efficiency. There are, however, risks associated with the levels of outsourcing which a company chooses to employ. Companies have a responsibility to its shareholders to not only ensure income, share price and dividend growth but also to ensure that risk is mitigated. This study examined outsourcing risks at selected facility management companies in Cape Town.

1.5 Rationale and Significance of Study

Because of global competition, the access to global resources, the increased need for flexibility and substantial financial gains, outsourcing forms part of the business model of many companies (Herbsleb & Moitra, 2001). In order to better understand outsourcing, therefore, which is still a growing discipline, greater prioritization needs to be made of the risks associated with it (Gandhi, Gorod & Sauser: 2012). Harland et al (2005) states that limited research attention has been given to the implications of outsourcing. This is backed up by Mirza (2012) who states that there is a need for further research on the effects of outsourcing in order to better understand this topic. Further research is thus required in order to aid management in strategic outsourcing decisions.

1.6 Summary of Sampling and Research Methodology

A survey was the preferred method of data collection, with stakeholders in the FM and outsourcing sectors invited to participate. The survey was conducted in the form of a self-administered questionnaire. Questionnaires were sent electronically to 142 persons either within the industry or who operate in sectors involved with FM delivery or outsourcing to some extent. Participants invited included those involved within a technical facilities environment, non-technical (cleaning, security services), as well as non-facilities related participants.

The survey will aid in reaching the desired outcomes as per the research questions. As the primary basis of measurement in this study will be compiled using data obtained through survey design and statistical data, this study will be a quantitative type. According to Alexander (1994), the recognition of the role of facilities management in business performance has gradually grown. Companies' strategies for competitiveness means that companies look to the following key aspects which, according to Williams (1996), includes cost control, customer satisfaction, core business focus and quality of service.

1.7 Terms and Definitions

1.7.1 Outsourcing

According to Kavcic (2014), outsourcing may be defined as the transfer of business activities, which may previously have been conducted in-house, to an external vendor. It allows companies to identify aspects of the business which is deemed as non-core and appointing an external vendor to complete these functions.

1.7.2 Facilities Management (FM)

Jorgensen (n.d) states that according to the International Facility Management Association (IFMA), facilities management may be defined as a profession which incorporates multi disciplines to ensure built environment functionality by means of incorporating processes, people, places and technology. Jorgensen goes on to say that the role of a facilities manager is to create an environment which is safe, encourages productivity, is pleasing to customers, is efficient and meets government mandates.

1.7.3 Strategic facilities planning

Strategic facilities planning, according to the International Facility Management Association (IFMA-2009) is a process which could result in better, more proactive service delivery from a facilities management company to its clients. The time invested in strategic facilities planning may be considered as time well spent, as it aids in the avoiding of delays, mistakes, customer dissatisfaction and mistakes, ensuring that facilities planning implementation runs faster and smoother.

1.7.4 Strategic asset management

A strategic asset management plan (Institute of asset management) is a planning tool used to clarify organisational priorities, intentions and practices to be adopted. It considers a long-term view and considers a combination of organizational needs, expectations of stakeholders as well as the realities of current assets and asset management capabilities.

1.7.5 Asset maintenance service

The service of asset management considers a holistic view across a company's portfolio. The purpose of an asset management service includes minimizing the total cost of acquiring, maintaining, operating and renewal of assets, whilst considering acceptable levels of business risk to a company (SIMPLE).

1.7.6 Non-core services

None-core services may be defined as those services which are not particularly required by a company to fulfil its value proposition to their clients (www.businessdictionary.com). Services such as installation, maintenance, operation or replacement, which can be outsourced to an external provider, could also be deemed as such.

1.7.7 Organizational Risk

Organizational risk can be described as the potential for losses because of uncertainty. Stacey (2005) states that at the top level of a company, risks may include ones of strategic and regulatory type. Legal, reputational, security, operational and material kinds also fall within this category.

1.7.8 Controllable Risk

Controllable risks, according to BRG (2017) are preventable, internal risks, which ought to be prevented or eliminated. These risks, according to the Harvard Business Review (2012) include items such as incorrect, unethical, illegal, unauthorised or inappropriate operational processes from employees or management, and which, if left unattended, could cause severe damage to a company. These risks can be mitigated by means of monitoring processes of an operational nature whilst guiding staff behaviour towards the acceptable and desired norms.

1.7.9 Uncontrollable Risk

Uncontrollable risks may, according to the Harvard Business Review (2012), be defined as external risks which may arise from events outside of a company's influence or control. Sources of such risks may include political or natural disasters or major macro economical shifts. Whilst not avoidable, companies can focus on the identification thereof and attempt to mitigate these risks to some extent.

1.7.10 Quantitative studies/research

Quantitative research emphasises the objective measurements and mathematical, statistical or numerical analysis; focusing on gathering data of a numerical nature and generalizing it throughout groups of persons or to determine a particular phenomenon. (Babbie: 2010). Quantitative research methods have been applied to a variety of property related research topics which include property portfolio performance, transportation planning, office location along with the uses recreational facilities are put to (Stansfield: 1995).

1.8 Ethical Considerations

Ethical challenges are prevalent in all stages of this study, which started at the design phase and concluded at the reporting stage. Challenges included informed consent, confidentiality, the need for anonymity as well as the researcher's potential impact (Sanjari, Bahramnezhad, Fomani, Shoghi & Cheraghi: 2014).

Participants were informed that participation in this study is voluntary. In addition to this, participants' confidentiality will be protected. Although data pertaining to the participants' demographic such as age and gender groups were requested, participants were not required to divulge information specific to their department of work or any other personal details which may lead to positive identification.

1.9 Outline of Dissertation

Chapter 1: Introduction

This chapter will provide background on companies within the real estate sector who employ FM services and how the items creating the problem statement came to the fore.

Chapter 2: Literature Review:

This chapter provides and includes the relevant literature and shows the impact that this has on this study. Outsourcing in the facilities sector will also be explored with references to its origins and current efforts being made.

Chapter 3: Methodology

This is the key research area, as it encompasses how the research was conducted, considers the measurement devices used, looks at the advantages and disadvantages with regards to the choices in measurement tools as well as considering the manner in which the administration of the research was conducted.

Chapter 4: Results stating research findings

Analysis on gathered data will be undertaken. Feedback in this chapter will pertain specifically to the data.

Chapter 5: Discussions, recommendations and further research

In this chapter, conclusions will be drawn, with recommendations and opportunities for further research being discussed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Previous studies identify loss of control, cost and life cycle impact as well as time inefficiency as anecdotal evidence of outsourcing risks. The first section of the literature focuses on the importance of facilities management in the real estate sector. The second section focuses on the elements of risk companies, service providers and facilities that professionals are exposed to in outsourcing, with the third section focusing on the drivers of outsourcing and the effects thereof on stakeholders. Finally, risk assessment techniques, considered as part of risk assessment planning, along with critical success factors in risk assessment implementation, will be explored.

2.2 The importance of facilities management in the Real Estate Sector

Increasing complexity in the real estate sector along with shifting from an external focus to a progressively internal focus of resource and capability management, has resulted in the reconsiderations of in-house functions (Krumm 1998). Corporate facilities management and real estate departments are therefore challenged to focus on core business activities in order to satisfy the corporate *raison d'être* (reason for being) - to coordinate tasks. The consequences facing real estate departments when considering industry trends such as the outsourcing of non-core services, down or right sizing and coping with industry specific challenges will therefore not only have an impact on the sector's assets in the form of properties, but also on that of real estate and facilities departments.

A company's strategic business plan clearly needs to reflect the facilities dimensions in order to achieve alignment between work processes, organizational structure and the enabling of the physical environment (Then 1999). Also, according to Then (1999) and as cited by Yiu (2008), facilities management consists of four principal components, namely strategic facilities planning, strategic asset management, asset maintenance service and facilities service management.

2.2.1 Strategic Facilities Planning

Klein (2003) states that change is the one certainty in business in the current age. The increase in competition, acquisitions, mergers and strategic alliances has forced companies to rethink the hierarchies, identities and functions of its business units. This is done with the objective of trying to cut costs and also increasing revenue growth for a company. Strategic facilities planning, may, according to Swicegood (1987) be defined as a business plan which integrates a company's business plan with long term plans for property acquisitions and disposition. From the onset, a company's strategic business plan is fully disseminated and a 5 to 10-year plan for the disposition of current properties and the acquisition of new properties is overlaid on this, which is integrated into other key business plans, referred as a "game plan" of the company. Swicegood in the same text also states that a strategic facilities plan would include:

- A summary of the company's major business strategies and objectives.
- A review of existing properties, including acquisition and operation cost analyses.
- Detailed information regarding and discussions around the "game plan".
- Recommendations for short-term goals.
- Project funding and acquisition models which are geared to a company's financial position as well as the building type, whilst considering the property markets where it may find itself.

The formation of strategic facilities planning commences in the boardroom and requires input and support from major divisions within companies. According to Kovac and Thompson (2007), the items to consider when forming strategic facilities planning teams include:

- The vision of upper-management, which not only aids in forecasting personnel needs, but also provides an overview of the long-space requirement over an extended period.
- The identification of interrelated work areas within a company and bringing these together.
- Evaluation of how well a company's existing facilities would satisfy long-term space and organizational requirements.
- The development of alternative plans specifying operational needs, the location thereof and the deployment of basic organizational units.
- The establishment of realistic implementation scenarios, taking the relocation impact, operational considerations, schedules and lease terms into account.
- The development of a cost-benefit model, evaluating the long-term benefits of planning alternatives. The model is required to take both direct and indirect facilities related costs into considerations whilst considering the impact on operations.
- The presentation of significant alternative options to top management, which include recommendations on a long-term facilities strategy.

Whilst strategic facilities planning is a key component in long-term planning of assets which may lead to great gains, getting this wrong may lead to losses on various fronts, particularly on the financial side. As stated by Jack (1994), companies embark on costly market testing exercises, only to revert to a “business as usual” approach. It is thus imperative that strategic facilities planning is conducted in a manner where it has complete stakeholder buy-in, fits in to the company’s “game plan”, and obtains the necessary funding whilst considering the long- and short-term goals in order to ensure the success thereof.

2.2.2 Strategic Asset Management

Strategic asset management provides the guiding principle for procurement, strategic planning use and disposal of assets (Barton, Jones & Gilbert: 2001). Jolicoeur and Barrett (2005) indicate that the effectiveness of a facilities management department is enhanced when aligned with and resourced in a way to support a company’s strategic direction. Also, as stated by the same author, asset management planning forms an integral component for the delivery of service within companies and has long been standard practice for facilities management departments. Jolicoeur and Barrett (2005) also state that it should be the mandate of the facilities department to provide strategic direction with regards to the processes pertaining to sustainable real property inventory. Areas where the facilities department are able to serve as integral elements of strategic initiatives include:

- Implementation of a comprehensive facilities planning process which include relevant stakeholders.
- The establishment of methods which prioritises real estate infrastructural requirement.
- The development of an empirical approach for effective rationalisation of real property assets, which aids in the support of service and program delivery.

An indicator of strategic facilities management operating effectively in a company is when the facilities management team receives timeous advice of a change in organizational requirement, whether it be for a service or physical asset (Povey & Peach: 2013). The effective application of strategic asset management allows a facilities manager the time to contemplate on how best to respond to change in requirements; to thoroughly evaluate change in demand in order to ensure that all relevant options have been considered whilst adopting the most appropriate solution. An added benefit to a company is transparency of the cost associated through the strategic asset management information.

2.2.2.1 Distinctions between property, portfolio and asset management

A common distinction between property, portfolio and asset management is made in real estate management. Property management focuses on the “daily” technical, commercial, administrative and maintenance functions, whereas asset management, as per Barton, Jones & Gilbert (2001) focuses on the guiding principle for procurement, strategic planning use and disposal of assets. Another appropriate definition of asset management, put forward by Builta and cited by Jolicoeur and Barrett (2005), defines this discipline as a process of ensuring that the value of a portfolio of property is maximised from acquisition until disposal, in line with objectives as defined by owners of the said property or portfolio.

Portfolio management, according to Nieboer (2005) focuses on the allocation of the investments amongst several options, which may include bonds, shares or real estate. Within the real estate environment, the role of the portfolio manager is one of ensuring the day to day implementation of policies set by asset management and property owners, placing emphasis on maximum returns by means of maximum occupation, efficient and effective maintenance programs, a positive response to the needs and concerns of tenants, quality programs and minimum arrears and bad debt.

Although facilities management has traditionally been categorised as a technical function with roles such as those identified above, asset management is specifically deemed as strategic. The function of the facilities manager has evolved beyond the technical discipline, with Grimshaw (2004) highlighting further functions that characterises the facilities manager’s role, by stating that facilities management:

- Is also an economic function, which entails cost control measures by means of ensuring efficient and effective use of physical resources.
- May be considered as a strategic function, as it encompasses forward planning of infrastructure resources which aids in organizational development whilst assisting with risk reduction (i.e. change management).
- Is a social function, as the legitimate needs of persons within the company needs to be met by ensuring that the physical infrastructure is adequate.
- Is a service function, aiding in the provision of non-core support services.
- Is an advocate for social responsibility for persons in the workplace.

2.2.3 Asset Maintenance Service

As a result of increased competitiveness, companies around the world have been forced to operate in a more efficient and effective manner, with asset maintenance, once a peripheral management activity, now given a central focus (Fraser: 2014). Maintenance is no longer of strategic importance only in traditional markets such as manufacturing, refineries, power plants, mining and other large scale, capital intensive operations, but also within the building and facilities management sectors. Cooke (2003) and Zio (2009) states that unlike a few decades back where maintenance activities were regarded simply as a necessary evil within the various management functions, changes in mind-set within companies over the past 15-20 years has seen maintenance recognised as being of strategic importance to a company. Business leaders, along with management, realise that physical assets have increasingly become of financial and strategic importance in a company (Khazraei & Duese: 2011). Whilst various maintenance management models exist, the four dominant ones, according to Fraser (2014) are:

2.2.3.1 Total productive maintenance (TPM)

A Japanese concept which was developed in the 1970's, the purpose of TPM was to emphasise preventative and proactive maintenance in order to maximise operational efficiency of assets (source: <https://www.leanproduction.com/tpm.html>). The traditional TPM model consists of five elements ("5S"-Sort, Set in Order, Shine, Standardise and Sustain) along with 8 supporting activities that focus on preventative and proactive techniques which aids in reliability of equipment and assets. Although TPM strives to eliminate defects, equipment and asset failure is not always preventable. The concept is thus mainly person orientated in order to aid in change of employees' mind-sets where the elimination of waste and increase of efficiency and effectiveness is key.

2.2.3.2 Condition based maintenance (CBM)

Introduced by the Rio Grande Railway Company in the late 1940's, CBM, previously called predictive maintenance, was used primarily to detect changes on railway engines' temperature and pressure readings, allowing proactive repairs thereof and thereby preventing unplanned failures (Prajapati, Betchel & Ganesan: 2012). The system proved to be of success, which led to further application and adaptation, with various concepts of CBM emerging throughout the 1950's, 60's and 70's with these proving to be successful in operational efficiency.

Increased automation means that the requirement for CBM will increase as it could aid in operational efficiencies by means of reduction in staff, reduced downtimes, reduction in supply footprint and other benefits relevant to a company's business domain.

2.2.3.3 Reliability Centred Maintenance (RCM)

RCM is used to determine the nature of maintenance to be conducted in order to ensure that an asset runs optimally in order to perform its function (Mostafa: 2004). It is however noted by Hannson *et al* (2003) that whilst adequate for simplistic assets, RCM does not work in applications where the assets are a complicated, physical one. RCM thus lends greater purpose and emphasis to areas and parts where reliability is of critical importance (Garg & Deshmuck: 2006). Although a time-consuming process, four principal outcomes (Moubray: 1991) are yielded by RCM which include:

- Enhanced understanding of the operation of an asset and its possible achievements.
- An understanding of how an asset can fail, along with the provision of the root cause thereof. This entails ensuring that energy is focussed on addressing the correct problems the first time.
- The list of proposed tasks which are designed to ensure optimal levels of performance of the asset.
- Improved teamwork.

Whilst RCM is technically sound, it has drawn criticism from various authors. Kelly (1997) questions whether resource implementation is justified and Al-Najjar (1996) states that RCM focuses on improving existing installation rather than ensuring that future installations are correct from the start.

2.2.3.4 Condition Monitoring (CM)

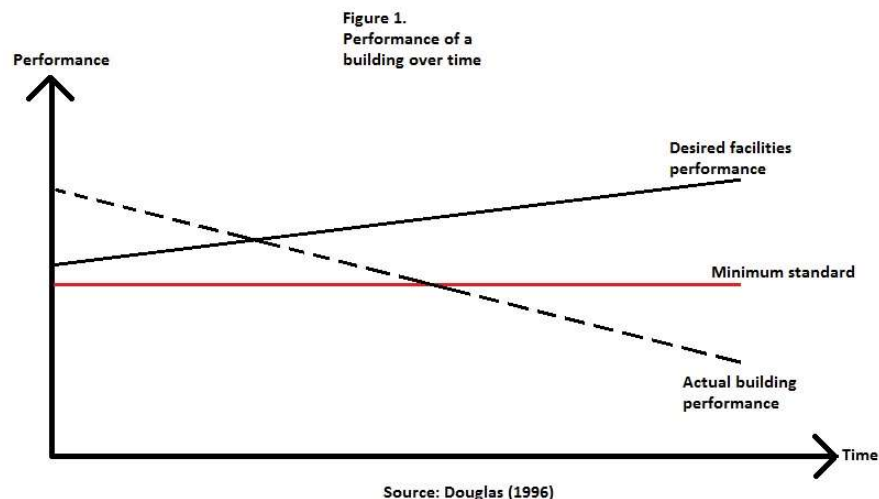
Malliar (2006) states that the increase in CM techniques has been so extensive within various industries, that it perhaps marks the start of a new era in the maintenance sector. CM described by Sherwin & Al-Najjar (1999) as a relatively cheap and non-intrusive method of asset monitoring, which ensures decreased unplanned outages due to the predictive nature of down time management, which leads to greater predictability in maintenance planning, minimizing the high cost of down time. CM incorporates life cycle planning, determining an asset's degree of deterioration more accurately than simply using statistical data. Long term and reliable CM systems may result in substantial life cycle and replacement costs, although substantial investment in the setting up of a CM system on both the hard and software side may be applicable. Tavner (2008) provides a detailed description of CM.

2.2.4 Facilities Maintenance Service

Part of the offering within a building is the provision of basic services for human habitation, which include clean water & air, waste removal, optimal humidity and thermal control, privacy, security and acoustic comfort (Osbourn & Greeno: 2007). These facilities are aimed at ensuring property performance in terms of sound control, thermal comforts, security, fire protection, sanitation, lighting and ventilation and in order for users' satisfaction levels to remain, these items are to be maintained (Sia *et al*: 2018).

Satisfaction with maintenance services and property facilities may be defined as the impression users have of their space and how maintenance and facilities affect them when within the property or its surroundings (Tan: 2016; Rahman *et al*: 2015). Satisfaction of users of the building space may be defined as users' thoughts and feelings of this particular space (Mohd *et al*: 2016).

Whilst the objective of high service levels and user satisfaction is pertinent, the fact that properties' original forms cannot be preserved indefinitely because of climate, exposure and factors such as a lack of maintenance, properties are, as shown in **figure 1** (Douglas 1996), subject to the law of diminishment. Because of usage, weather, wear & tear, dampness and improper maintenance, building performance declines over its lifespan (Watt: 2007). Whilst natural deterioration is expected, defects such as poor-quality materials and poor workmanship may accelerate the demise of the property.



Tan (2016) explains that users' satisfaction may be assessed via two perspectives, namely:

- The *purposive approach*, where the aim is to understand if the property is fit for purpose for a specific user. For example, a user who operates in an environment which requires high speed internet would be suited to a space which allows for fibre, ADSL or LTE

rather than one where this may not be possible due to proximity issues or the fact that a property might not be adequately designed to accommodate this.

- The *aspiration-gap approach*. In this instance, users have a set of aspirations for their space and require that the condition of the space meet their aspirations. An example here would be effective property maintenance, especially in area of building aesthetics.

Tan further states that once both perspective approaches have been met, that levels of satisfaction of facilities by users would be high.

2.3 Elements of risks which companies and facilities management providers are exposed to.

Outsourcing is fraught with uncertainty and, like most human activities, risk prone (Ikediashi, Ogunlana & Boateng: 2012). Risk, as defined by Abbasi *et al* (2005) may be defined as the likelihood of an occurrence of uncertain, unpredictable and undesirable nature which may alter the probability of the success of an investment. The risk with outsourcing, however, encompasses the above and in addition to altering the success of an investment, can also impact the success or failure of a relationship between the principal (client or client's representative) and the outsourcing vendor.

Research completed by JLL (Jones Lang LaSalle Incorporated: 2015), an American professional services and investment management firm which specialises in real estate (<https://www.sec.gov>) has highlighted seven compliance and facilities related risks when considering outsourcing:

2.3.1 Ethics

Besides the potentially illegal nature of unethical behaviour, companies engaging in questionable ethical behaviour may see negative consequences both reputational and financially. Commitment to strong ethical behaviours between the principal and the outsourcing service provider is thus of paramount importance. Power, Bonifazi & Desouza (2004) states that a well thought out governance plan is key to maintaining a good relationship between outsourcing stakeholders and that it should include:

- The identification of key stakeholders
- A description of the outsourcing efforts
- Schedule of activities, communication plan and tools
- Performance measurements, required skills and knowledge, roles and responsibilities
- Quality assurance change control processes and configuration management
- Budgets and procurement processes

A governance plan should be developed during the commencement of the life cycle and revised during the later lifecycle phases. This ensures that business structures and strategies can be moulded into a framework which is objective, yet manageable and which can be communicated to all stakeholders.

2.3.2 Safety

Safety risk may, according to the Health & Safety Authority (HSA) be defined as the likelihood of a person contracting adverse health effects or being harmed as a result of a hazard (health and safety authority).

The JLL report (2015) states that risk minimization by means of the implementation of proper environmental health & safety (EHS) provisions and the policies and procedures aligned to this may aid in the reduction of safety risk. Power, Bonifazi & Desouza (2004) states that although no sure method of risk elimination exists, mitigation thereof requires the correct levels of discipline. Ensuring that the vendor has the adequate skills to understand safety risk or, in the event where these skills are not within their offering, recognising and enlisting the assistance of outside professionals, will aid the outsourcing vendor in limiting its safety risk and in turn, that of the principal.

2.3.3 Vendor and financial management

Vendor and financial management, as with ethics, is key in ensuring good governance. Upon entering into an agreement between a client and vendor to work together, a CVR (client-vendor relationship) needs to be put into place, which references details pertaining to the required output, the pricing model and the period of time in which client expectations are to be met (Jain & Khurana: 2016). Kishore *et al* (2003) states that the understanding between the clients and their vendors along with the sharing of subsequent knowledge is key in positive relationship development. In outsourcing, the service provider appointed by the principal to conduct its facilities management will be the client of its sub-contractor, hence the above CVR will apply. JLL (2015) states that in the strict application of vendor and financial management, the latter, which pertains to the responsible use of financial resources falls within a company's procurement policies and framework.

2.3.4 Labour management

Staffing risk may apply to both the principal and the service provider. Power, Bonifazi & Desouza (2004) states that even though outsourcing professionals are able to guide a company through the contract, no substitute for adequately skilled internal staff will suffice, as these persons form the core of the team and the outsourcing relationship. Internal staff are

required in order to guide the vendor with regards to the company's culture, products, marketplace, processes and procedures. Also, companies, whether it is the principal or service provider, needs to ensure that management staff comply with anti-discrimination laws as well as other HR related regulations (JLL: 2015), as failure to comprehend and properly implement these may lead to labour disputes, arbitration and possible law suits as a result of unfair labour practices, which is not only of financial risk to a company, but poses one of reputational risk as well.

2.3.5 Information security

Whilst companies who choose to retain services in-house are not immune to information security risks, there is an increased risk when activities are outsourced to external providers (Colwill & Gray: 2007; Pai & Basu: 2007 and cited by Nassimbeni *et al*: 2012). Nassimbeni *et al* (2012) also states that issues pertaining to information security may be analysed according to three dimensions, namely:

- The organizational dimension, which covers protection policy and procedure that should be implemented as well as the safety requirements to be fulfilled (Bojanc and Jerman-Blazic: 2008).
- The legal dimension, which concerns the legislative under which the company and its suppliers and partners operate (Kennedy and Clark: 2006; Pai and Basu: 2007).
- Technical dimensions which involves the company's IT infrastructure along with the tools for knowledge and data protection (Haugen and Roger Selin: 1999; Chang and Yeh: 2006).

JLL (2015) states that many high-profile data breaches occur due to physical security weaknesses, which emphasises the importance of adequate data protection, both at client (principal) and supplier level.

2.3.6 Data Governance

Alhassan, Sammon and Daly (2018) state that the risk of an organizational kind is high without a data governance plan, as a company's data cannot be accurately determined. To understand the value of data, companies need to know where the data is, how it is to be used and where it could be integrated. There has been a dramatic increase in data use within companies in recent years, which now plays a critical role in the operational side of a business (Tallon *et al*: 2013). JLL (2015) states that if a company wants to achieve full compliance, its data should reflect as such, hence facilities management divisions need to ensure that data, whether it be compliance, financial or operational, needs to be accurate, timely, consistent, complete and secure.

2.3.7 Contractual risk

Breach of contract has financial and legal implications, where even minor infractions may have serious ramifications (JLL:2015). Previous research has shown that the contractual risk component features high on the list of outsourcing risks in facilities management, with studies by Keegan & Haden (2000), Hoecht & Trott (2006), Adeleye *et al* (2004), Rowe (2007), Redding (2007), amongst others and cited by Ikediashi, Ogunlana & Boateng (2012), proving as much. Items such as unfavourable contract terms, unclear targets and responsibility as well as excessive monitoring of performance are but a few of the items which are of contractual risk and may lead to a facilities management outsourcing relationship failing.

2.4 Drivers of outsourcing and the effects thereof on stakeholders

Although similarities between outsourcing and contracting out may exist, it is not the same. Contracting out, according to Embleton & Wright (1998) refers to tasks assigned to an outside vendor on a job-by-job basis, which usually involves a cost-plus arrangement. On the other hand, outsourcing entails a long-term relationship between a service provider and beneficiary, with a great degree of risk sharing.

Whilst the norm three-quarters of a century ago, wholesale vertical integration, the process of owning and managing all processes in the supply chain, is no longer popular, with the outsourcing of certain services (Farncombe & Waller: 2005), which also allows companies to focus on core activities, becoming the norm. Also, one area within the real estate sector where outsourcing may be extended includes traditional property and service contracts, which may be transferred to service providers operating within the real estate sector and who specialise in the provision of the said services and who will run them on behalf of the client, with a view to improving service delivery at a reduced cost.

Spee (1995), states that outsourcing is one way of assisting in solving the problem of companies which have undergone restructuring. Usually restructuring requires a smaller staff complement to deliver in a manner where levels of required output and quality is maintained whilst ensuring that costs are kept to a minimum. An example where the cost benefit to outsourcing of services was highlighted was in the case of General Motors (GM) in the U.S. in the 1990's, where, including fringe benefits, it cost GM an average of \$35 per hour, per employee, whereas a similar U.S. manufacturer only paid \$15 per hour to produce items of similar or better quality (Montgomery: 1992). It is clear that outsourcing is as a result of an economic climate which places an emphasis on cost cutting and increased profits (Embleton & Wright: 1998). Manning, Rodriguez & Roulac (1997) state that outsourcing is beneficial to

stockholders if an external supplier is able to execute a task more efficiently and effectively than internal personnel.

Benefits, according to the same authors include:

- Efficiencies gained from economy of scale
- Effectiveness and efficiency gains from economies of scope
- Lowered transactional costs for routine tasks
- Timeous updates on real estate holdings' values
- Improvement in real estate reporting

Whilst outsourcing, according to the above authors hold benefits as listed above, the same authors argues the possible negative implications of outsourcing, which include:

- Increased costs as a result of premium transaction fees paid in addition to the company's internal costs.
- Limitation of power of scales during contract negotiation.
- The loss of key element control, which influences business function, operations and success.
- Loss of control, meaning inefficiencies in control attempts by the principal, of uncertain, complex or long-term tasks or responsibilities assigned to the outsourced service provider.
- The loss of internal working relationships which would usually result when networking with departments.

In addition to this, Bathelemy (2003) and as cited by Lok & Baldry (2016) states that reasons for outsourcing failure are as a result of one or more of seven issues. These, along with ways that any risk of failure may be mitigated are:

2.4.1 The type of activities which are outsourced

Woodward-Pu (2014) writes in the *Business Insider* that core competencies should never be outsourced. Determining a company's key strengths whilst keeping these in-house should be the method of operation, ensuring control of these key competencies. Support services which pertain to a core competency could, however, be outsourced, with the condition that key decision-making pertaining to this remains in-house. Woodward-Pu states in the same article that problems should not be outsourced for the sake of solving a headache. It is not in a company's interest to pass on an issue blindly to a third party as there is no certainty that this supplier will be able to develop a solution, as the possibility of missing data critical in ensuring the success of the service is high due to the dependency on the client to provide these.

2.4.2 Vendor selection

Watjatrakul (2014) states that incorrect vendor selection could result in a failure of an outsourcing relationship. Hence, according to Zubar & Katarar (2012), the evaluation and selection of the correct vendor is key to the success of any outsourcing agreement. As companies have started to understand that the traditional method of merely considering cost as a selection criterion is an inefficient one, multi-criteria decision methods have evolved. Companies should evaluate a vendor's proposal with caution (Fink & Shoeib: 2003) and select one which offers various options, such as the adjusted low-bid technique, fixed price and best qualification, the weighted criteria technique and meeting qualification with the best price technique (Al-Karam: 2005 and cited by Watjatrakul: 2014).

2.4.3 Contract writing & structuring

The contract between the principal (client) and the vendor is key in ensuring the maximization of benefits and the minimization of risk associated with the outsourcing agreement (International Journal of Productivity & Performance Management: 2004). Zhu *et al* (2001) also states that outsourcing is contract-intensive in nature and that success thereof depends on a good contract. Platz & Temponi (2003) states that the establishment of a contractual framework is essential prior to the commencement of any outsourcing relationship. Contractual agreements should never be formulated post the commencement of any relationship or in retrospect. The contract which governs an outsourcing relationship is thus the most important measure against disappointments and misunderstanding, hence the more specific the contract between the principal and vendor is, the greater the likelihood of a successful and beneficial relationship to both parties (The Journal of Business Strategy: 1997 as cited by Platz & Temponi: 2007).

When formulating an outsourcing contract, stakeholders are required to decide on the ideal contract form, which aids in ensuring value, performance and return on the prospective investment. Irrespective of the type of contract developed between the principal and vendor, the outsourcing contract always needs to address standard terms in regard to creating value from the commencement of as well as ongoing operations (Platz & Temponi: 2007). The key elements required as part of an outsourcing contract are:

2.4.3.1 Performance elements

Platz & Temponi (2007) states that the principal should fully disclose its expectations with respect to quality and service levels as well as the means of performance management within the outsourcing contract. Kweku-Muata & Sullivan (2003) states that contracts which encourages vendor performance and discourages underperformance as one which is of

interest to the principal. Predetermined performance standards, as stated by Sadler (2002) and cited by Platz & Temponi (2007) should focus on the achievement of standards with emphasis placed on maximizing profits whilst defining the details pertaining to quality, timing, quantity and delivery methods.

Sadler (2002) also states that incentives, as difficult it may be to measure accurately, should, as a minimum, be linked to measurements which tests the vendor's responsiveness, reliability, quality and conformity.

2.4.3.2 Financial elements

A major hurdle, according to Worthington (1992), in cost construction on an outsourcing contract is distinguishing between what can be considered as direct costs (costs charged to the contract directly) and indirect costs (costed in pool for future allocations). Initial costs, such as the starting up, planning and training also needs to be allocated for. According to Platz & Temponi (2007), pricing should be determined by means of basic cost principles, meaning that the outsourcing agreement needs to dictate that payments of costs which is to be made by the principal on the assumptions that costs were actually incurred, with the provision it was done in a reasonable, responsible manner and that the function on hand necessitated as such (Steele & Shannon: 2005).

2.4.3.3 Human resources elements

Siegel (2000) states that the contract should discuss the functions of personnel, indicating the personnel items which will remain under the auspices of the principal and that which needs to move to the vendor providing the outsourcing service. In addition to this, the contract should also include provisions on recruitment, training and compensation of vendor staff, in order to ensure that the quality of staff is thoroughly adhered to.

2.4.3.4 Legal elements

Platz & Temponi (2007) state that the terms pertaining to the ownership of existing assets, the use of new and existing assets and the transfer of ownership of assets are to be addressed within the outsourcing contract shall be defined and agreed upon. Licencing agreements and IP (intellectual property) should also be considered as assets, as IP is considered to be of key economic value to a company. The outsourcing contract needs to provide infrastructure for adequate organizational security which protects IP related exchanges between the principal and all vendors or stakeholders (Fitzpatrick & DiLullo: 2005). The necessary warranties and liabilities need to be in place to aid in protecting the principal and end users in the event where issues pertaining to product quality and service arise.

2.4.3.5 Terms for disengaging

Long term contracts may hinder future mergers or acquisitions, according to the Internal Journal of Productivity & Performance Management (2004). Hence, the allowance for a “Termination of convenience” should be made in the event where the relationship between the principal and vendor becomes unprofitable. Any termination settlement should allow stakeholders in an outsourcing agreement to recover costs of functions terminated and agree on settlement expenses, which in turn protects both the principal and vendor from unjust economic advantage over the other.

2.4.4 Personnel issues

Where levels of outsourcing get to the point where employees are affected, either by redundancies or where they are outsourced, increased stress within employees of the company may occur as they may question their futures within the company (Outsourcing Effects Workplace Satisfaction: 2011). Staff members’ morale might suffer to the extent where levels of efficiency drop. In addition to this, levels of apathy towards the service provider might come to the fore, affecting the relationship between the company and the outsourced service provider.

I-admin (2016) states that change management is key in the implementation of any outsourcing solution. Whilst change is uncomfortable and disruptive and, as a result, may have a negative effect on workplace satisfaction, correct handling thereof may enhance employee satisfaction. Key factors been identified by I-admin (2016) in order to mitigate the risk of negativity pertaining to outsourcing are:

2.4.4.1 Negative emotions

Outsourcing leads to job losses in many instances. In addition to this, the splitting of employees in the event where some lose their jobs, some remain with the company whilst the remainder are outsourced may create concern to employees. In the event where an employee is outsourced, the natural emotion would be one of fearing for job security. Thus, transparency and communication is key in this regard in order to allay employee concerns. This also aids in preventing gossip and “corridor talk”, which may lead to the spread of misinformation between employees and, in turn, negatively affect morale.

2.4.4.2 Transition

Disruptions of items such as employee pay and other services may negatively affect an outsourced employee. Troubleshooting techniques include adequate planning where issues may be pre-empted along with considering alternatives in the event where issues may occur.

2.4.4.3 Practical concerns

Changing the way that staff is remunerated may cause anxiety. Between the principal where the employee moved from and the vendor where they've subsequently moved to, mechanisms which ensures that the employee gets paid in time, receives the correct remuneration and ensuring the correct transfer of benefits are key to ensuring a successful transfer.

2.4.5 Controlling of outsourcing activity

Loss of managerial control is a dilemma faced by principals, as it cannot be certain from the onset that the vendor will perform functions to the same standard, mission and passion as by in-house staff (The balance small business). As part of an outsourcing strategy, however, and in order to ensure success thereof, principals are required to hand over the reins when it comes to certain activities (intetics.com: 2013). Success in this regard may be achieved if:

- The chosen vendor is transparent and has proven risk management processes.
- All stakeholders, inside or outside of the company needs to understand what outsourcing entails.
- The usage of appropriate communication channels.
- Maintaining constant communication.
- Principal involvement and management of the outsourcing process.

2.4.6 Hidden costs associated with outsourcing

Hidden costs may be defined as the additional, usually unaccounted for expenses which exceed the initial expense estimation of a contract, which could result in the failure of an outsourcing relationship (Sayeed: 2008; Larsen *et al*: 2013 and as cited by Zheng & Wang: 2017). With task or location-related complexities which may require additional effort, time or resources in order to fully comprehend the scope of a project not always completed adequately, principals may overlook certain "future costs", which may lead to post decision surprises along the way (Larsen *et al*: 2013). Previous research into hidden costs mainly consists of four aspects, which include the origins of hidden costs, the antecedents of the hidden costs, the long-term risks associated with these costs and finally the mechanism for managing these costs (Zheng & Wang: 2017).

2.4.7 The exit strategy

When an outsourcing contract reaches towards the end of its lifespan, the three options available to companies, according to KPMG (2016), is extend, divide or terminate.

When choosing to extend, the contract may take two forms, namely continuing a contract at the existing or on improved terms depending on the levels of satisfaction between the parties or amended where changes are agreed upon and which may aid in optimal results.

Contract division is the transfer of some responsibilities originally held by the vendor, which may need to be split due to a vendor's inability to adequately perform tasks, a vendor's shift of focus which means that specific areas of the contract may no longer be applicable to its service offering or the principal deciding to take some functions in-house, a term which is referred to as outsourcing turnback (Elliot: 1998 and cited by Maelah *et al*: 2010).

2.5 Risk assessment techniques as part of risk assessment planning and critical success factors in risk assessment implementation

Risk assessments involve the identification of potential losses by means of establishing the extent of these, understanding the likelihood of the potential losses, placing significance on the potential losses whilst appraising overall risk attributed to it (Yates & Stone: 1992 as cited by Zsidisin *et al*: 2004)

Lee, Yeung & Hong (2012) state that risk assessment techniques include qualitative and quantitative types. RIMS risk forum of 2014, a risk assessment technique developed by ISO as part of the ISO 31000 standard, expands on the techniques stated above by including semi-quantitative, combination, prediction and post action types.

Lee, Yeung & Hong (2012) proposed the failure mode & effect analysis (FMEA) framework to construct a risk map for qualitative risk assessment purposes. An FMEA according to asq.org (2018) may be defined as a step-by-step approach in the identification of possible failures in a design, assembly/ manufacturing process, a product or service. Failure modes pertain to the ways in something might fail and effect analysis is the consequences of such failures. An FMEA may be used:

- During the design phase of a product, process or service
- When an existing product, process of service is redesigned
- Prior to the modification of control plans for new or modified processes
- Whilst analysing failures of existing products, processes and services.

As per the framework proposed by Lee, Yeung & Hong (2012), successful risk management cannot be planned in a single stage. Various factors which contribute to risk analysis using FMEA are taken into consideration, which aids in the exploration and diagnosis of problems at progressive stages of a process (Carbone & Tippett: 2009). Stage one focuses on the identification, exploration and examination of the outsourced service. Stage two focuses on the quantification of risks, and accounts for components such as probability, impact and detection factors. Stage three focuses on the understanding of what each risk entails. Consequences understanding is key to strategy formulation in the risk mitigation domain. Stage four focuses on the statistical techniques of outsourcing, with the cost and benefit associated with this being explored. Stage five focuses on the design of an action plan and finally, stage six the stage where action is taken, leading to mitigation of risks.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, an outline of research methods which were used to investigate the risk factors associated with outsourcing at selected facilities management companies in Cape Town will be discussed. Survey methods, measurement instruments, population, survey administration along with sample and data analysis will be described in this chapter.

3.2. Survey Methodology

The method of research considered is of a quantitative nature. As each step is standardised to reduce bias when conducting data collection and analysis, the fact that the quantitative study approach leads to reliable, valid and data generalizable to a larger population made this the preferred method of study (<https://www.theclassroom.com>). Although human behaviour and flawed sampling techniques may make gathering useful data tricky, the fact that the other available option, being a qualitative approach may have led to a longer, painstaking data collection procedure. In addition to this, the fact that qualitative studies lack rigorous scientific control and numerical data means that it may be dismissed by some as anecdotal information.

A self-administered questionnaire was distributed via email to 142 participants who operate within the real estate environment and who outsource facilities related functions. The makeup of the census to complete the questionnaire was considered, as wide distribution to the general population which may include many persons outside of the facilities and outsourcing fraternity may have provided a platform to an extended audience. It was felt, however, that persons with limited exposure to the facilities and outsourcing sectors may not be able to provide accurate feedback, hence it was decided that the sample will focus on persons who operate within the facilities/ outsourcing sector, or those who have had some measure of exposure to the sector. As a result, the sample size that was selected was smaller than which may have been in the event of wide distribution. The challenge that this presented to the study was that in the event where the response rate was low, the study may not have provided a large enough sample, which may have resulted in skewed data. Whilst concerns around honesty, lack of conscientious responses and variable levels of interpretations may be disadvantages associated with self-administered questionnaires, the cost efficient nature of them along with their practicality and ability to deliver speedy results made it the preferred method of quantitative data collection (<https://surveyanyplace.com/>).

Of the two methods of research strategy considered, namely census and sampling, the researcher concluded that a census would be the most appropriate method, since a larger sampling ratio would be required in the smaller population for sampling to deliver any sort of accurate result (Chu: 2008, as cited by Petersen:2012).

3.3. Population

A population, according to Polit & Hunger (1999:37) may be defined as a totality or an aggregate of all the members, objects or subjects who conform to a set of specifications. The population selected as part of this research is indicated in the survey methodology above and is limited to those persons who actively or passively deal with items of a facilities or outsourcing nature. Persons inside of companies who have little or no exposure to either facilities management or outsourcing functions were excluded due to concerns that their limited understanding of both key disciplines might lead to these participants completing the questionnaire without fully understanding the contents of the survey.

The questionnaire was distributed via email to the 142 participants, both male and female, with participants requested to return these via email in the allotted time given to do so, which was a period of ten days. The reason for this timeframe was that the researcher felt that although the nature of the questionnaire was simple in the sense that it contained eleven questions which required no extended answers outside of a check box tick, that certain identified participants might have been out of office or not necessarily able to immediately respond to this questionnaire. Whilst the period was set with the consideration of not rushing participants, the researcher was also mindful that allowing an extended period for the questionnaire return may have led to the participants procrastinating on this and ultimately not returning the questionnaire.

3.4. Questionnaire administration

Questionnaires were distributed to participants via email on 31 July 2018. The original request was sent without any time limit set in place. An updated email was sent on the same day, requesting that respondents return the questionnaires via email 10 days after, on 10 August 2018. The reason it was decided to allow for a 10-day response period was to allow participants enough time to complete the questionnaire without pressure and to set a limit so as to minimise time loss in waiting for respondents and to discourage procrastination by participants. Participants were informed in the email that the questionnaire formed part of an academic study with participation being voluntary and that the information obtained would be used exclusively as part of this study and would be treated with utmost confidence. In the interest of

data integrity, the researcher did not discuss any expectations or desired results with any of the participants during the data gathering period.

Questionnaires were returned to the researcher via email from the day that it was distributed until 16 August 2018. Although the request to return was set at 10 August 2018, some participants who returned to their places of work post this date requested that they be allowed to return their surveys then. The researcher agreed to this based on two factors, namely the fact that data measurement had not commenced up to that point and that the sample size at that point was low and it was felt that obtaining the additional results would add greater credence to the study. Participants who returned completed questionnaires were responded to individually to thank them for participating, with the respondent who indicated his desire to not complete the questionnaire also thanked for responding.

3.5. Instrumentation

The questionnaire used as part this study consisted of various measurement instruments split over three sections. Outside of the demographics, which is covered under section 4.2 and section C in the questionnaire, the questionnaire consists of 2 further sections, namely:

- Section A: This section focuses on gathering data on whether outsourcing of FM services is prevalent in the participant's company, the level of outsourcing, the desired level of outsourcing in the opinion of the participant and the impact which outsourcing of FM services have had on the company.
- Section B: This section focuses on the importance of reasons for outsourcing facilities related functions. As adapted from the model presented by Burdon & Bhalla (2005), a Likert scale indicating key reasons as to why companies may choose to outsource FM related services was included. The 6 key items which emanates from various studies conducted on this topic was selected, with participants able to rank importance from irrelevant to very important.

In addition to this, the key questions pertaining to considering risk factors associated with the outsourcing of FM functions, both inside (controllable risk) and outside (uncontrollable risk) the company was considered. To identify the risk associated with the outsourcing of services on the facilities management environment, a survey consisting of variables which has been adopted from previous outsourcing studies (Keegan & Haden:2000; Hoecht & Trott:2006; Adeleye et al: 2004) amongst others and cited by Ikediashi, Ogunla and Boateng (2012), was used as the design approach which pertains to the perceived risks to companies from an outsourcing perspective. A 5-point Likert scale method of 1-strongly disagree to 5-strongly agree was employed.

3.6. Data Analysis

The software package used to conduct data analysis is called SPSS, which is an acronym for Statistical Package for Social Sciences.

The analysis of data was completed using descriptive statistical tools (Ikediashi & Okwuashi: 2015).

3.7. Conclusion

The research methodology component used as part of this study is clarified in the above chapter, with items such as the method of survey, population, administration of questionnaire, instrumentation method and data analysis explained.

CHAPTER FOUR RESULTS

4.1 Introduction

This section focuses on the data collected as part of the self-administered questionnaire. The initial part of this chapter will focus on frequencies, with the researcher initially unpacking the levels of outsourcing which participants are exposed to in their companies and the effects that they perceive outsourcing of facilities related services has had on the company. This will be followed by understanding the reasons for which participants feel their company should be outsourcing services, with reasons being ranked from irrelevant to very important. The frequencies focus will conclude with the risks, both controllable and uncontrollable. Following this, the researcher will unpack the descriptive statistics, initially focusing on the reasons that companies choose to outsource, followed by descriptive statistics on controllable and uncontrollable risks which companies are exposed to when choosing to outsource facilities related functions.

4.2 Frequencies

Of the selected population of 142 persons, 58 participants returned their questionnaires in a completed state with a single participant responding with an indication of their desire not to participate in the survey. This meant that a total of 83 participants did not return any surveys, which equates to a 41% response rate. Although below 50%, several studies have concluded that an increase in response rate does not increase survey accuracy. Visser *et al* (1996) states that surveys with lower response rates (near 20%) yielded more accurate results than those with higher response rates (70%). Whilst email surveys have shown to be superior to paper-based surveys from a cost and response speed perspective, the fact that participants have become “over-surveyed” means that a low response rate to emailed questionnaires are normal (Sheehan: 2001).

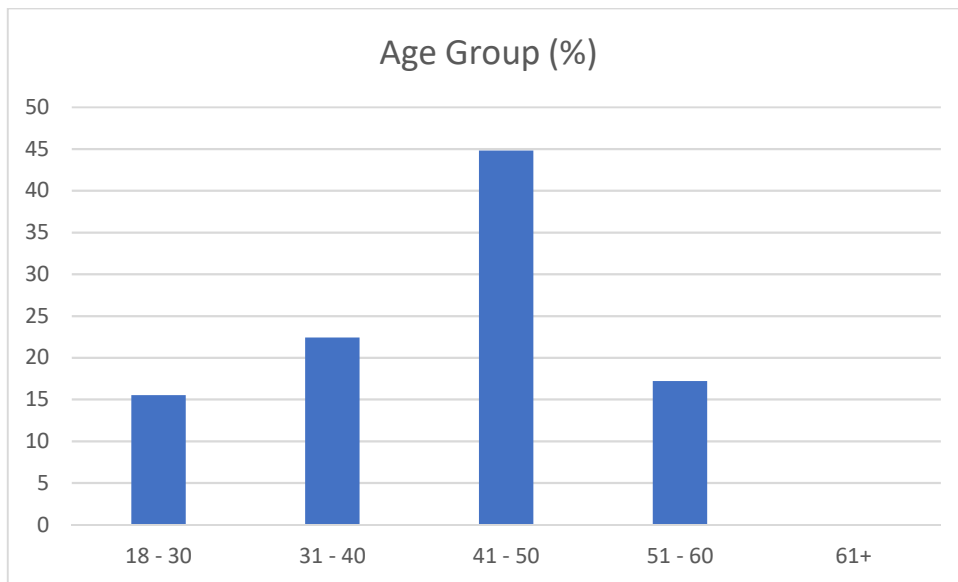


Table 4.1-Age Group (n=58)

Table 4.1 shows that the largest group of respondents (45%) falls within the 41-50 years old age group, followed by those in the 31-40 years age group (23%). A smaller group of respondents (17%) falls within the 51-60-year age group, with the remaining 15% falling within the 18-30-year age group. No participants over the age of 61 years participated. This could be attributed to the fact that very few surveys were sent to persons over this age. A correlation between participation rates and ages of participants may or may not exist, although this will not be explored as part of this study.

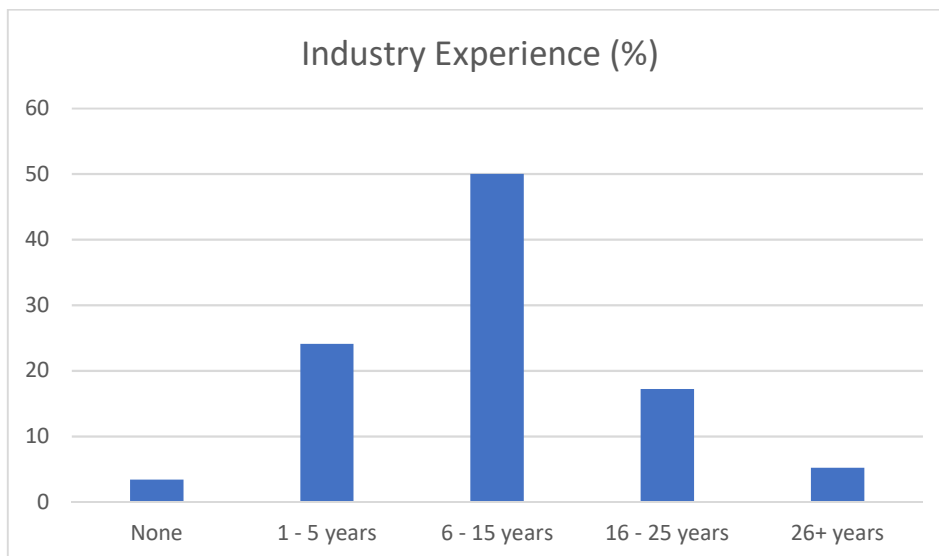


Table 4.2: Industry Experience (n=58)

Industry experience specifically pertains to the amount of years participants were employed in or exposed to the facilities and/or outsourcing sectors. Half of the respondents fall within the 6-15-year bracket, with 24% falling into the 1-5-year bracket, 18% the 16-25-year bracket, 5%

of respondents falling into the 26+ year bracket and 3% indicating that they have had no exposure in the sectors. It is interesting to note the similarity between the age grouping and industry experience, with the centre grouping in both graphs making the highest number of participants, with the numbers tapering off the further it moves towards the outer grouping. This may indicate a correlation between the ages versus the levels of industry experience, although this will not be explored as part of this study.

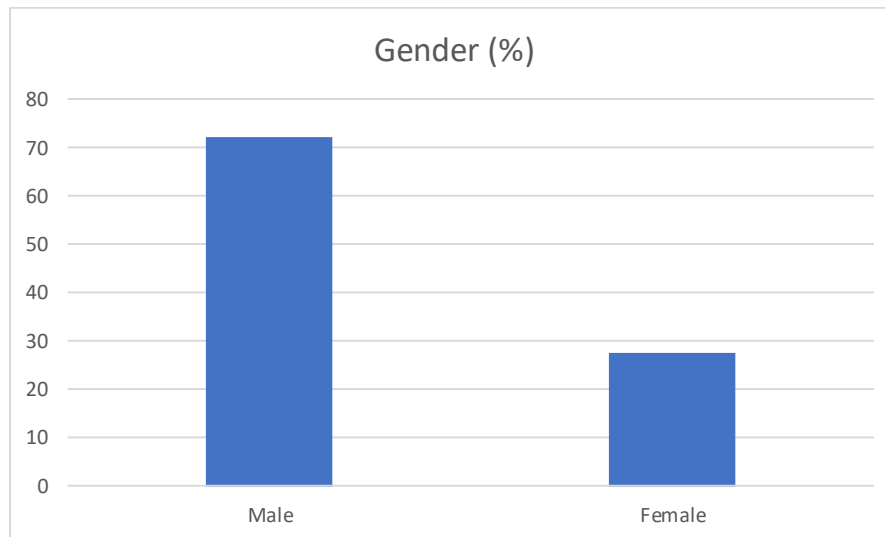


Table 4.3: Gender (n=58)

As shown in Table 4.3, most of the respondents in this study were male (72%), with female respondents making up the balance thereof (28%). This represents a nearly 3-to-1 male to female ratio. This lends credence to perception that the facilities industry is a male dominated one. FM World (2011) states that the FM industry is one which has a reputation for being male dominated, partially because of gender stereotypes and because of male bias inherited from the engineering side of facilities management. Although the remit of the industry has grown to include typically “feminine” disciplines such as soft services, the issue around gender stereotyping potentially halts career progression of mostly women within this industry. Should perceptions around this not change, ratios such as the above will remain the norm.

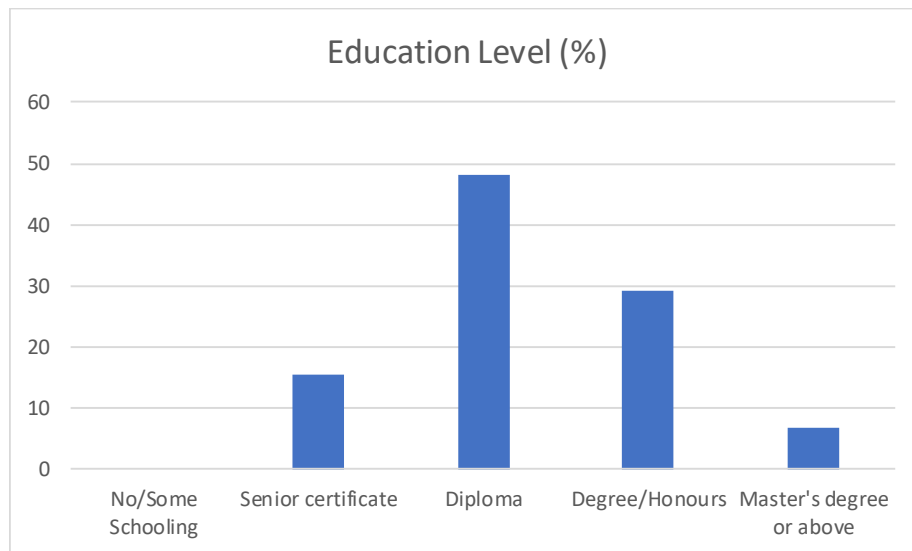


Table 4.4: Education Level (n=58)

Table 4.4 indicates a large section of respondents having obtained some level of tertiary education, with 84.5% having obtained a diploma or above and the remaining 15.5% of respondents having obtained a senior certificate. None of the respondents who participated have indicated none or only some level of schooling.

4.2.1 Levels of outsourcing within companies

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	37	63.8	63.8	63.8
No	19	32.8	32.8	96.6
Unsure	2	3.4	3.4	100
Total	58	100	100	

Table 4.5: Prevalence of outsourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
Full	7	12.1	12.1	12.1
Partial	39	67.2	67.2	79.3
None	12	20.7	20.7	100
Total	58	100	100	

Table 4.6: Existing levels of outsourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
Full	9	15.5	15.5	15.5
Partial	36	62.1	62.1	77.6
None	13	22.4	22.4	100

Table 4.7: Desired levels of outsourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
Positive	35	60.3	60.3	60.3
Neutral/no change	10	17.2	17.2	77.6
Negative	2	3.4	3.4	81
Not applicable	11	19	19	100
Total	58	100	100	

Table 4.8: The impact outsourcing of FM services

Table 4.5 shows that almost 64% of respondents indicated that facilities related services were outsourced within their organisation, with 33% indicating no levels of outsourcing and 3% being unsure. Tables 4.6 & 4.7 refers to the existing and desired levels of outsourcing within the participants' respective companies. A correlation between these tables exists, with the maximum differential on both tables showing a 5.1% difference, which is that between the existing and desired levels of outsourcing for those who are employed in companies who practice partial outsourcing. The variance between companies practicing full outsourcing (12.2%) and the desired level (15.5%) as well as companies where no outsourcing is prevalent (20.7%) and the desired level (22.4) is low. This indicates a general satisfaction between existing and desired levels of outsourcing.

4.3 Descriptive Statistics

This section focuses on unpacking the mean and standard deviation of the collected data which relates to the relevant variables encompassed as part of this study, which will allow the researcher to obtain a clear picture of the data observed (Petersen: 2012).

The mean, according to techopedia.com (2018) may be defined as the central tendency of data which is being interrogated. Adding all data points within a population and dividing this total by the number of points thus allows a researcher to determine the mean.

The standard deviation, according to Wikipedia.com can be defined as a measure which is used to quantify the number of dispersions or variations in a set of data values. A lower standard deviation indicates data points closer to that of the mean, with a higher standard deviation showing a larger range of values. In statistics, standard deviation is important in the measuring of confidence in statistical conclusions.

	N	Minimum	Maximum	Mean	Std. Deviation
Q5.5 To focus on core activities	58	1	5	4.45	0.921
Q5.1 Reduction of costs	58	1	5	4.43	0.84
Q5.3 Access to greater knowledge/skills pool	58	1	5	4.29	0.918
Q5.2 Shared risk/accountability	58	1	5	4.21	1.039
Q5.6 Competitive pressure	58	1	5	3.98	1
Q5.4 Less staff to manage	58	1	5	3.81	1.115

Table 4.9: Descriptive Statistics on Reasons Companies Outsource FM Services

Farrell (2010) states that outsourcing has a higher likelihood of success should the appropriate framework be planned and applied. In the same article, it is stated that a framework needs to consist of sequential and logical steps which will address the processes and timing of outsourcing.

When considering reasons why companies choose to outsource FM related services as per table 4.9, the desire to focus on core activities, followed by the need to reduce costs are considered as the greatest reasons to do so.

	N	Minimum	Maximum	Mean	Std. Deviation
Q6.5 Information Security Risk	58	2	5	4.07	0.876
Q6.3 Ethics/Compliance Risk	58	1	5	4.03	0.955
Q6.2 Contractual Risk	58	2	5	3.97	0.917
Q6.1 Financial Risk	58	1	5	3.95	1.067
Q6.4 Staffing Risk	58	1	5	3.84	0.951
Q6.6 Vendor Management Risk	58	2	5	3.59	0.817

Table 4.10: Descriptive Statistics for Controllable Risks

	N	Minimum	Maximum	Mean	Std. Deviation
Q7.2 Legal	58	2	5	4.07	0.856
Q7.3 Economic	58	2	5	3.95	0.804
Q7.5 Technology	58	2	5	3.79	0.913
Q7.4 Political	58	1	5	3.6	0.917
Q7.1 Social	58	2	5	3.33	0.866

Table 4.11: Descriptive Statistics for Uncontrollable Risks

Determinant	N	Minimum	Maximum	Mean	Std. Deviation	Rank	Remark
Q6.5 Information Security Risk	58	2	5	4.07	0.876	1	S
Q7.2 Legal	58	2	5	4.07	0.856	1	S
Q6.3 Ethics/Compliance Risk	58	1	5	4.03	0.955	3	S
Q6.2 Contractual Risk	58	2	5	3.97	0.917	4	S
Q6.1 Financial Risk	58	1	5	3.95	1.067	5	S
Q7.3 Economic	58	2	5	3.95	0.804	5	S
Q6.4 Staffing Risk	58	1	5	3.84	0.951	7	S
Q7.5 Technology	58	2	5	3.79	0.913	8	S
Q7.4 Political	58	1	5	3.6	0.917	9	S
Q6.6 Vendor Management Risk	58	2	5	3.59	0.817	10	S
Q7.1 Social	58	2	5	3.33	0.866	11	S

Table 4.12: Descriptive Statistics for All Risks

Table 4.12 takes both controllable as well as uncontrollable risks into consideration, with the risk which is assigned the highest risk being the one(s) with the mean closest to that of the maximum. A benchmark of 3 $(1+2+3+4+5)/5$ was set to determine the significant as well as non-significant factors, which is a model adopted by Ikediashi & Okwuashi (2015) from previous studies conducted by the likes of Ikediashi *et al* (2012) and Chileshe & Kikwasi, who used this method in a study to determine a number of critical success factors (CSFs) for the implementation of risk assessment and management practices within Tanzania's construction industry. Thus, any mean value greater or equal to 3 can be considered as significant. The results gathered indicates that all 11 determinants listed as controllable or uncontrollable risks fall within the significant parameter of this study. There is an 18% difference in the mean score between the highest and 11th placed risk item, with the difference between the top 6 being separated by less than 3%, which is an indication that these factors appear to be almost equally critical to the respondents.

The top 6 risks ranked from the highest are information security, legal, ethics/ compliance, contractual, financial and economic. The higher end of the mean scoring indicates a greater emphasis on controllable risks, with 4 out of the top 6 ranked items identified falling within this category. According to the Ernst & Young, publication on risks of 2017, preventable or controllable risks present only negative impact, which should be avoided or eliminated. The probability that respondents feel that the items within their control is of greater risk or concern is a plausible one and warrants further investigation.

Information security risk was highlighted as the leading risk (mean of 4.07) that companies are faced with when choosing to outsource facilities related services. As per JLL (2015) many high-profile data breaches occur due to physical security weaknesses, which emphasises the importance of adequate data protection, both at client (principal) and supplier level. Although risks to information systems may be mitigated by implementing items such as proper contract structuring, partnering with the correct service provider and understanding the company's objectives (Gonzalez, Gasco & Llopis: 2005), an increase in information security risk will always remain when choosing to outsource facilities related functions.

Legal risk was identified as the joint biggest risk (mean of 4.07) faced by companies who choose to outsource facilities related services. Pai & Basu (2007) states that any outsourcing agreement would require proper due diligence and legal planning in order to prevent the common legal pitfalls. When considering international outsourcing, for example, companies should familiarise themselves with the judicial system of the country where outsourced services are provided in order to ensure that proper protection in the event of an outsourcing venture failing exists. Pai & Basu also state that jurisdictions or time zones need to be

considered, especially when an outsourcing partner is in possession of software and data belonging to the outsourcing company. This information related risk ties in with the other biggest risk, which is the risk of information security.

Thirdly, ethics/ compliance risk was listed as a risk to companies when choosing to outsource facilities related services. Ethical behaviour between the principal and service provider is of utmost importance, as failure to do so may see negative consequences both from a reputational and financial perspective.

Following this, contractual risk was identified as the next biggest risk. According to JLL (2015), a breach in contract has both legal and financial implications, with even minor infractions having serious ramifications. Previous research pertaining to this highlights the importance of a well drafted contract, with Lai, Yik & Jones (2006) indicating an appropriately drafted scope of works as the most important attribute in the drafting of a contract.

Financial and economic risks, making up items number 5 and 6 respectively, are considered as the biggest risks to companies conducting outsourcing functions. Whilst both items pertain to items of a monetary nature, financial risk specifically refers to the risk that shareholders and stakeholders have of losing money by means of perilous deals and investments (<https://www.investopedia.com>), and can be considered a controllable risk. Economic risk pertains to macroeconomic conditions such as government regulation, exchange rate or political stability, which may affect investment (<https://investinganswers.com>) and may be considered an uncontrollable risk.

4.4 Summary of key findings

- All 11 items identified as risks as part of this study were considered as significant, with an 18% differential in mean between the highest (4.07) and lowest (3.33) risk item indicated.
- Risks numbers one to six indicated a difference of 3% between the highest (4.07) and lowest (3.95) mean, which indicates that participants consider these risk items nearly equally important.
- The majority of the risks identified towards the higher end pertains to those of a controllable nature.
- Staffing risk features towards the lower end of the table, with staffing related concerns also featuring lowly when considering reasons to outsource. This indicates that the staffing component is not one which features prominently on respondents' reasons for considering the outsourcing of facilities related services.
- Allowing a company to focus on core activities, along with cost reduction, were considered as the key reasons when considering reasons to outsource tasks.

4.5 Conclusion

In this chapter, the data collected as part of the study was analysed. By considering means and standard deviations, descriptive statistics was able to aid the researcher in understanding reasons why companies choose to outsource services of a facilities nature along with the risks that participants consider as ones of greatest concern, both of a controllable and uncontrollable nature.

CHAPTER FIVE DISCUSSIONS, RECOMMENDATIONS AND FURTHER RESEARCH

5.1 Introduction

The primary goal of this study was to explore the risks which companies are exposed to when outsourcing facilities-related, non-core services and the reasons why companies conduct outsourcing functions. A survey indicating risks associated with outsourcing facilities related services was used to determine the factors that participants considered as the greatest controllable and uncontrollable risk to organisations dealing with facilities related disciplines. A 5-point Likert system was employed, with 11 influences as selected by considering those studied before by the likes of Keegan & Haden (2000), Hoecht & Trott (2006), Adeleye *et al* (2004) used as a determinant. The 11 influences were divided into 2 sections, with 6 influences considered as controllable and 5 as uncontrollable risks. Risks were ranked from 1 (no risk) to 5 (high risk).

In addition to this, an arrangement of six influences relating to factors which companies consider when outsourcing facilities related services were selected from previous research conducted on this topic, with the model presented by Burdon & Bhalla (2005) chosen. Again a 5-point Likert system was employed, with reasons ranked from 1 (irrelevant) to 5 (very important).

5.2 Answers to research questions

5.2.1 What are the risks affecting outsourcing of facilities management functions?

By considering the descriptive statistics, both controllable and uncontrollable risks featured towards the upper end of the combined table when ranking these risks from highest to lowest and using the mean as a benchmark. There is, however, an inclination towards controllable risks as the ones considered as greater risk to an organisation. Items such as information security, ethics/ compliance, contractual and financial risk feature prominently when considering controllable risks, with legal and economic factors featuring as such when considering uncontrollable risks. Information security and legal risk were deemed to be the greatest risks facing companies who choose to outsource facilities related functions, with studies completed by JLL (2015) and Gonzalo, Gasco & Llopis (2005) supporting this finding from an information security perspective and Platz & Temponi (2007) as well as Fitzpatrick & DiLillo (2005) agreeing to the legal component. The tendency of participants to consider controllable risks as the greater one in this study leads the researcher to believe that because these risks are of such nature that a potential failure could have been prevented, they feel

pressurised to highlight and prioritise these items in comparison to uncontrollable risks and failures, as participants may not necessarily have control of failures attributed because of these risks. This hypothesis, however, was not tested as part of this study and warrants further investigation.

5.2.2 Why do companies choose to outsource facilities related services?

As per Then (1999), a company's strategic business plan clearly needs to reflect the facilities dimensions to achieve alignment between work processes, organizational structure and the enabling of the physical environment. By considering descriptive statistics and using the mean as the benchmark, the fact that outsourcing allows a company to focus on its core activities (mean of 4.45 out of 5) was highlighted as a key determinant when considering outsourcing functions. This is supported by Farncombe & Waller (2005), who indicated that unlike $\frac{3}{4}$ of a century ago where wholesale vertical integration was popular, doing so in this era is no longer the case, with outsourcing processes deemed as non-essential becoming the norm.

Another key determinant when considering reasons to outsource is a reduction in costs, with a mean score of 4.43 out of 5 reflected in this regard. Outsourcing, according to Embleton & Wright (1998) stemmed from an economic climate which places an emphasis on cost cutting and profit maximisation. Hence, according to Manning, Rodriguez & Roulac (1997), the objective for a company which employs partial or full outsourcing of services would be to generate cost savings delivered as a result of:

- Efficiencies gained from economy of scale
- Effectiveness and efficiency gains from economies of scope
- Lowered transactional costs for routine tasks

5.3 Limitations of Research

The method of statistical data processing was limited to descriptive data analysis. Also, the population selected as part of this research was limited to those persons who actively or passively deal with items of a facilities or outsourcing nature. The researcher felt that extending this beyond the facilities fraternity would not allow participants to adequately gauge the questions listed in the questionnaire which may have led to inaccurate data.

5.4 Conclusions, recommendations and further research

The real estate industry features prominently in the South African marketplace, with investment volumes seeing an increase of 55.2% in 2016. In addition to this, property companies or those with large property investments feature prominently on the JSE, with some featuring as top 40 companies. Facilities management features prominently within these companies, with various levels of outsourcing of services implemented across them. Along with understanding reasons why companies choose to outsource services, understanding the risks associated with these, both internally and externally is important. The recommendations for companies employing facilities management services would thus include:

- Conducting capability management exercises which focuses on the reconsiderations of in-house functions (Krumm 1998). This will allow companies to separate core activities from those deemed as non-core.
- Conducting strategic facilities planning, which can be integrated into a company's 5- or 10-year plan for the disposal of existing and the acquisition of new properties, which reviews a company's strategic business strategies, assists in cost analysis, provide recommendations on short-term goals and consider project funding and acquisition modelling (Swicegood:1987)
- Considering drivers of outsourcing and determining those which may resonate with the specific company. Whilst outsourcing provides companies with many reasons to do so as highlighted by Manning, Rodriguez & Roulac (1997), the same authors argue that outsourcing may be fraught with negative implications. Companies should weigh up benefits against challenges associated with the outsourcing of services and implement a system (i.e. none, partial or full outsourcing) which applies to its company.
- Conducting risk assessments and considering critical success factors in this regard. When conducting risk assessment, the identification thereof along with the likelihood of potential losses and significance thereof needs to be considered (Yates & Stone: 1992 as cited by Zsidisin *et al*: 2004). Although no single risk assessment technique may mitigate all risks, the Failure Mode & Effect Analysis (FMEA) mode proposed by Lee, Yeung & Hong (2012) may assist through the design, redevelopment, modification and analysis phase.

Although many facets pertaining to the outsourcing of services in the facilities has been covered in this study, certain areas in this study warrants further investigation and study, namely:

- The gender gap that exists in the facilities sector, with the industry having a reputation of being male dominated partially because of gender stereotypes and male bias (FM

World: 2011). Questions pertaining to the apparent patriarchal bias warrants further investigation.

- This study implies a tendency towards controllable risks. This appears to indicate that participants may feel obliged to prioritise risks of a controllable nature. Further research is thus required as to whether issues within a participant's control will be highlighted as a greater risk in comparison to issues which are beyond someone's control.
- Harland et al (2005) states that limited research attention has been given to the implications of outsourcing. Further research is also thus required in order to aid management with making strategic outsourcing decisions.

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APPENDIX A: SURVEY LAYOUT



QUESTIONNAIRE:

The risks of outsourcing services at selected facility management companies in Cape Town is a study conducted as part fulfillment of the requirement for the M Tech Business Administration. You have been selected as a respondent. Be advised that your responses will be used for the stated purpose of academic research only and will be kept with strict professional confidence.

Contacts: **Student** (researcher): Rethaa van der Berg (084 635 8613)

University Academic Supervisor: Dr. D. Onojaefe (021 460 9019)

Section A

1. Is outsourcing of facilities management services done in your company?

- a. YES
- b. NO
- c. UNSURE

2. Which levels of outsourcing does your business?

- a. FULL (The outsourcing of facilities professionals and service providers)
- b. PARTIAL (The outsourcing of non-core services such as cleaning, security etc whilst retaining some FM presence internally)
- c. NONE (Retain all FM related functions in-house)

3. Which level of outsourcing is appropriate for your company?

- a. FULL (The outsourcing of facilities professionals and service providers)
- b. PARTIAL (The outsourcing of non-core services such as cleaning, security etc whilst retaining some FM presence internally)
- c. NONE (Retain all FM related functions in-house)

4. What is the impact of outsourcing on your company?

- a. POSITIVE
- b. NEGATIVE
- c. NEUTRAL/NO CHANGE
- d. NOT APPLICABLE

Section B- Please rate by ticking on a five-point Likert scale below:

5. When considering reasons to outsource, how important are the reasons below?

Item	Description	Irrelevant	Little Relevance	Neutral	Somewhat Important	Very Important
1	Reduction of costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Shared risk/accountability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Access to greater knowledge/skills pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Less staff to manage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	To focus on core activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Competitive pressure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. When considering internal risk, how would you rate the items below?

Item	Description	No Risk	Low Risk	Neutral	Moderate Risk	High Risk
1	Financial Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Contractual Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Ethics/Compliance Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Staffing Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Information Security Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Vendor Management Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. When considering external risk, how would you rate the items below?

Item	Description	No Risk	Low Risk	Neutral	Moderate Risk	High Risk
1	Social	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Economic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Political	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section C

8. Which age group do you fall into?

- 18-30 31-40 41-50 51-60 61+

9. How many years have you been exposed to facilities related outsourcing?

- None 1-5 6-15 16 to 25 26+

10. What is your gender?

- Male Female

11. What is your highest level of education?

- No/some schooling
 Senior certificate (matric)
 Diploma
 Degree/Honours
 Master's degree or above

THANK YOU FOR YOUR PARTICIPATION AND CONTRIBUTION

APPENDIX B: FREQUENCY TABLES

Q1 Is outsourcing of facilities management services prevalent in your organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	37	63.8	63.8	63.8
	No	19	32.8	32.8	96.6
	Unsure	2	3.4	3.4	100.0
	Total	58	100.0	100.0	

Q2 To which level is outsourcing prevalent in your organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full	7	12.1	12.1	12.1
	Partial	39	67.2	67.2	79.3
	None	12	20.7	20.7	100.0
	Total	58	100.0	100.0	

Q3 Which level of outsourcing is appropriate for your organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full	9	15.5	15.5	15.5
	Partial	36	62.1	62.1	77.6
	None	13	22.4	22.4	100.0
	Total	58	100.0	100.0	

Q4 What is the impact of outsourcing on your organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Positive	35	60.3	60.3	60.3
	Neutral/no change	10	17.2	17.2	77.6
	Negative	2	3.4	3.4	81.0
	Not applicable	11	19.0	19.0	100.0
	Total	58	100.0	100.0	

Q5.1 Reduction of costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	1	1.7	1.7	1.7
	Little relevance	1	1.7	1.7	3.4
	Neutral	4	6.9	6.9	10.3
	Somewhat Important	18	31.0	31.0	41.4
	Very Important	34	58.6	58.6	100.0
	Total	58	100.0	100.0	

Q5.2 Shared risk/accountability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	3	5.2	5.2	5.2
	Little relevance	1	1.7	1.7	6.9
	Neutral	5	8.6	8.6	15.5
	Somewhat Important	21	36.2	36.2	51.7
	Very Important	28	48.3	48.3	100.0
	Total	58	100.0	100.0	

Q5.3 Access to greater knowledge/skills pool

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	1	1.7	1.7	1.7
	Little relevance	2	3.4	3.4	5.2
	Neutral	6	10.3	10.3	15.5
	Somewhat Important	19	32.8	32.8	48.3
	Very Important	30	51.7	51.7	100.0
	Total	58	100.0	100.0	

Q5.4 Less staff to manage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	3	5.2	5.2	5.2
	Little relevance	4	6.9	6.9	12.1
	Neutral	12	20.7	20.7	32.8
	Somewhat Important	21	36.2	36.2	69.0
	Very Important	18	31.0	31.0	100.0
	Total	58	100.0	100.0	

Q5.5 To focus on core activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	1	1.7	1.7	1.7
	Little relevance	3	5.2	5.2	6.9
	Neutral	2	3.4	3.4	10.3
	Somewhat Important	15	25.9	25.9	36.2
	Very Important	37	63.8	63.8	100.0
	Total	58	100.0	100.0	

Q5.6 Competitive pressure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Irrelevant	2	3.4	3.4	3.4
	Little relevance	3	5.2	5.2	8.6
	Neutral	8	13.8	13.8	22.4
	Somewhat Important	26	44.8	44.8	67.2
	Very Important	19	32.8	32.8	100.0
	Total	58	100.0	100.0	

Q6.1 Financial Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Risk	2	3.4	3.4	3.4
	Low Risk	6	10.3	10.3	13.8
	Neutral	4	6.9	6.9	20.7
	Moderate Risk	27	46.6	46.6	67.2
	High Risk	19	32.8	32.8	100.0
	Total	58	100.0	100.0	

Q6.2 Contractual Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	5	8.6	8.6	8.6
	Neutral	10	17.2	17.2	25.9
	Moderate Risk	25	43.1	43.1	69.0
	High Risk	18	31.0	31.0	100.0
	Total	58	100.0	100.0	

Q6.3 Ethics/Compliance Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Risk	1	1.7	1.7	1.7
	Low Risk	5	8.6	8.6	10.3
	Neutral	4	6.9	6.9	17.2
	Moderate Risk	29	50.0	50.0	67.2
	High Risk	19	32.8	32.8	100.0
	Total	58	100.0	100.0	

Q6.4 Staffing Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Risk	1	1.7	1.7	1.7
	Low Risk	6	10.3	10.3	12.1
	Neutral	7	12.1	12.1	24.1
	Moderate Risk	31	53.4	53.4	77.6
	High Risk	13	22.4	22.4	100.0
	Total	58	100.0	100.0	

Q6.5 Information Security Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	4	6.9	6.9	6.9
	Neutral	8	13.8	13.8	20.7
	Moderate Risk	26	44.8	44.8	65.5
	High Risk	20	34.5	34.5	100.0
	Total	58	100.0	100.0	

Q6.6 Vendor Management Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	6	10.3	10.3	10.3
	Neutral	18	31.0	31.0	41.4
	Moderate Risk	28	48.3	48.3	89.7
	High Risk	6	10.3	10.3	100.0
	Total	58	100.0	100.0	

Q7.1 Social

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	12	20.7	20.7	20.7
	Neutral	18	31.0	31.0	51.7
	Moderate Risk	25	43.1	43.1	94.8
	High Risk	3	5.2	5.2	100.0
	Total	58	100.0	100.0	

Q7.2 Legal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	4	6.9	6.9	6.9
	Neutral	7	12.1	12.1	19.0
	Moderate Risk	28	48.3	48.3	67.2
	High Risk	19	32.8	32.8	100.0
	Total	58	100.0	100.0	

Q7.3 Economic

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	4	6.9	6.9	6.9
	Neutral	8	13.8	13.8	20.7
	Moderate Risk	33	56.9	56.9	77.6
	High Risk	13	22.4	22.4	100.0
	Total	58	100.0	100.0	

Q7.4 Political

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Risk	1	1.7	1.7	1.7
	Low Risk	5	8.6	8.6	10.3
	Neutral	19	32.8	32.8	43.1
	Moderate Risk	24	41.4	41.4	84.5
	High Risk	9	15.5	15.5	100.0
	Total	58	100.0	100.0	

Q7.5 Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Risk	8	13.8	13.8	13.8
	Neutral	7	12.1	12.1	25.9
	Moderate Risk	32	55.2	55.2	81.0
	High Risk	11	19.0	19.0	100.0
	Total	58	100.0	100.0	

Q8 Age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 30	9	15.5	15.5	15.5
	31 - 40	13	22.4	22.4	37.9
	41 - 50	26	44.8	44.8	82.8
	51 - 60	10	17.2	17.2	100.0
	Total	58	100.0	100.0	

Q9 How many years have you been exposed to facilities related outsourcing?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	2	3.4	3.4	3.4
	1 - 5 years	14	24.1	24.1	27.6
	6 - 15 years	29	50.0	50.0	77.6
	16 - 25 years	10	17.2	17.2	94.8
	26+ years	3	5.2	5.2	100.0
	Total	58	100.0	100.0	

Q10 Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	42	72.4	72.4	72.4
	Female	16	27.6	27.6	100.0
	Total	58	100.0	100.0	

Q11 Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior certificate	9	15.5	15.5	15.5
	Diploma	28	48.3	48.3	63.8
	Degree/Honours	17	29.3	29.3	93.1
	Master's degree or above	4	6.9	6.9	100.0
	Total	58	100.0	100.0	