

Embracing the Outsourcing Strategy

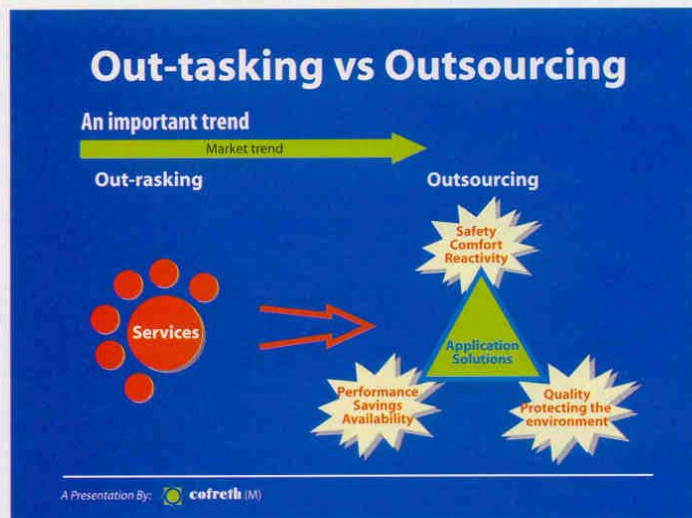
By Ir. Ong Ching Loon

Ir. Ong Ching Loon, the General Manager of Cofreth (M) Sdn Bhd, shares his views on the practice of Outsourcing in Malaysia. Established since 1986, Cofreth (M) is the one-stop centre offering Facilities Management & Energy Services Solutions to large multi-national organisations, Government, commercial and industrial clients.

It is estimated that only 10% of the Facilities Management of office buildings in Malaysia is being outsourced to a third party, while in retail, less than 5% has been outsourced.

Based on this estimation, it can be concluded that the outsourcing of Facilities Management, although not a new concept, is still at its growth stage and relatively immature in Malaysia. This phenomenon can be attributed to the many myths surrounding the industry and the lack of awareness among building owners and managers. Many potential customers still do not recognise the need and benefits of outsourcing, thus, are reluctant to embrace its strategies. Many still hold misconceptions that they will lose control over their building operations or maintenance staff, and that outsourcing practices normally fail and incur high costs. These misconceptions are the main barriers hindering the growth of Facilities Management Outsourcing in Malaysia.

However, rising competitive challenges, the quest for productivity and cost reduction, refocusing on one's primary field of activity, and increasingly stringent regulations are some factors helping to accelerate this movement. With the establishment of the Energy Commission lately, more emphasis is also being given to matters relating to energy efficiency and conservation. The Ministry of Energy, Communications & Multimedia, aided by *Pusat Tenaga Malaysia* (PTM) and other professional bodies are strenuously promoting energy efficiency measures, and this, in turn, is changing the landscape of Facilities Management.



OUT-TASKING VS OUTSOURCING

Out-tasking

Most facility managers are familiar with traditional methods of out-tasking or sub-contracting work to individual service providers with different expertise. By out-tasking, the facility manager keeps the management function in-house but, is eventually bogged down by routine maintenance and multiple contractors with no clear definition of their responsibilities. For example, a manager may outsource the cleaning and laundry services of a building to a third party, but has no bargaining power or control over their service levels.

Outsourcing

Outsourcing, on the other hand, is the hiring of a single source solutions provider to perform activities traditionally handled by internal staff and resources. It is the process of contracting out major functions to specialised and efficient service providers who become valued partners to the organisation.

Contrary to the misconception, outsourcing is not merely "sub-contracting" supplementary resources. However, it involves substantial restructuring of an organisation's business activities, such as transfer of staff, assets, subcontractors, etc.

Advertorial

Outsourcing of Facilities Management generally covers a wide spectrum of the operations, maintenance and supervision of building facilities support services, such as Mechanical & Electrical systems, housekeeping, cafeteria services and other building administration services.

TRENDS IN FACILITIES MANAGEMENT

Following the economic downturn, many companies in Malaysia, especially MNCs are reviewing their historical and forecast cash flows. Many companies are looking for means of reducing administrative headcounts and investment in overhead related to fixed assets, and lately, to increase energy savings. For example, MNCs such as IBM, Exxon Mobil and HSBC Bank have made the decision of outsourcing their Facilities Management to expert solutions providers in the field.

According to Bloomberg Professional, growth in facilities services is coming primarily from:

- The increasing complexity and technological sophistication of building services
- Dramatic increase in the demand for outsourcing of essential building and facilities services
- Explosive growth in voice and data communications infrastructure
- Increasing investment in energy efficient equipment to lower energy costs
- Growing base of aging buildings with systems that require replacements
- Increasing demand for a single source supplier to ensure a high and consistent quality for all of their facilities services
- Leading facilities service providers with national capabilities are best suited to satisfy customer's growing need for a single source provider of consistent and high-quality services



In the field of rational energy use, the enforcement of Energy Efficiency Regulations 2001 will witness Facility Managers having to embrace energy management as a key component in the management of their buildings. Energy services companies will be able to offer energy auditing, management, guarantees and performance contracts for the benefit of building owners.

WHY OUTSOURCE YOUR FACILITIES MANAGEMENT?

Facilities Management is a highly specialised function that requires core competency in technical and managerial areas to ensure best maintenance practices are maintained at buildings. Most often, organisations do not have the time or necessary technical skills to ensure their building operations are maintained at optimum level.

Some common reasons that motivate organisations to outsource their facilities management are:

- Reduce and control operating costs
- Improve host company focus
- Gain access to world-class capabilities
- Free internal resources for other purposes

- Manage and control a function that is time-consuming or is out of control
- Insufficient resources are available internally
- Share risks with a partner company

OUTSOURCING METHODOLOGY

Given the benefits of outsourcing, a company that adopts the strategies of outsourcing should look into several criteria such as:

- Financial strength of the provider
- Core competency in the outsourced area
- Access to complementary resources
- Experience within the same capacity
- Performance guarantees
- Lower total cost of operations

Thus, finding the right partner in outsourcing facilities management services is extremely crucial to ensure a successful outsourcing practice.

For more information on the benefits of outsourcing and Facilities Management & Energy Services offered by Cofreth (M) Sdn Bhd, kindly visit <http://www.cofreth.com.my>.