COMPARATIVE ANALYSIS BETWEEN IN-HOUSE AND OUTSOURCED SERVICES THROUGH THE PHASE OF BUILDING MAINTENANCE IN EGYPT

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Abstract

Maintenance Phase is a very important phase through building life cycle which is concerned with emphasizing what was done through all previous stages of a project in addition to preventing the building and all its components and providing solutions for any problem through building's life cycle; maintenance costs are ongoing costs that should be considered through project's life cycle cost. Nowadays, the worldwide trend is to make the best use of time and money to achieve optimum performance by hiring non-core services to an outsource company and working in a partnership with it to manage and provide comprehensive services to all business fields starting from establishing policy, up to, run into business itself. This paper is concerned with comparing between In-House services and Outsourced services and their effect on the maintenance budget of a project. This is achieved through performing a survey and a questionnaire which targeted a number of service providers, project managers, facility managers and administrative managers in addition to users. Finally, a case study "Dar Premises" was analyzed to determine the advantages and disadvantages of both services. The findings of this paper would provide better understanding why outsourced services may add value to a project.

Keywords: Outsourcing; In-House; Maintenance; Non-Core Services; Egypt

1. Introduction

For a long period of time, buildings have been depending on In-House services strategy to manage their non-core services especially through maintenance phase, this includes;

furniture maintenance, finishes maintenance, Preventive maintenance, breakdown maintenance, exterior maintenance, housekeeping and landscape maintenance [1].Nowadays, most buildings depend on outsourcing in order to achieve greater budget flexibility and control and focus their concentration, time and resources to their core services [1].

1.1   Problem Definition

In Egypt, due to the lack of awareness and believing in over-quality, there is a misunderstanding that outsourcing non-core services of a project would add unnecessary costs to the project's budget, so, *in-house services are used instead of outsourcing services* especially through operation and maintenance phases. Depending on In-House services and neglecting the positive effective role of outsourcing may cause an increase in the maintenance budget and the life cycle cost in addition to a decrease in the quality of the non-core services.

1.2   Paper Objective

The three main objectives of the present paper can be summarized as follows:

- Clarifying the difference between in-house and outsourcing.
- Comparing the impacts of applying the two methods on maintenance budget.
- Determining which method may add more value to a project or a building.

2. Method

The objective of this paper is fulfilled by performing a questionnaire that was applied in an interview survey and an open discussion among a group of service providers, projects managers, FM practitioners, administrative managers and users.

The questionnaire consists of two main parts. The first part targets the managers and the FM practitioners and the second part targets the users. This questionnaire aims at evaluating the performance of outsourced service compared to in-house services in terms of budget, quality and satisfaction.

2.1   Questionnaire Form

Part (1) – Managers and Practitioners:

1- **What type of services do you use in your company?**

☐ In-House   ☐ Oustsourced   ☐ Both   ☐ Other

2- How do you assess "In – House" Services in your company?

☐ Neutral ☐ Average ☐ Good ☐ Bad ☐ Excellent

3- How do you assess "Outsourced" Services in your company?

☐ Neutral ☐ Average ☐ Good ☐ Bad ☐ Excellent

4- What services do you outsource in your company and Why?

☐ Housekeeping ☐ Security ☐ Maintenance ☐ Catering ☐ Other

Please state the reason:

5- What problems do you face with "In-House" services?

☐ Bad Quality ☐ Lack of experince ☐ Over Cost ☐ Other ☐ No Problems

6- What problems do you face with "Outsourced" services?

☐ Bad Quality ☐ Lack of experince ☐ Over Cost ☐ Other ☐ No Problems

7- What are the advantages of using "In-House" services?

☐ Good Quality ☐ Saving effort ☐ Low Cost ☐ Other ☐ No Advantages

8- What are the advantages of using "Outsourced" services?

☐ Good Quality ☐ Saving effort ☐ Low Cost ☐ Other ☐ No Advantages

9- What about the cost of Outsourced services (OS) compared to the cost of In-House services (IS)?

☐ (OS) = (IS) ☐ (OS) = 1/2 (IS) ☐ (OS) < 1/2 (IS) ☐ (OS) > 1/2 (IS)

10- What is the effect of "Outsourced" services on the life cycle cost of the building?

☐ Neutral ☐ Average ☐ Good ☐ Bad ☐ Excellent

11- What is the effect of "In - House" services on the life cycle cost of the building?

☐ Neutral ☐ Average ☐ Good ☐ Bad ☐ Excellent

Part (2) – Users:

1- **How do you assess the cleanliness in your building?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

2- **How do you assess the attitude of workers?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

3- **How do you assess the cleanliness of the stair?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

4- **How do you assess the cleanliness of toilets?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

5- **How do you assess the cleanliness of floor?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

6- **How do you assess the cleanliness of your desk?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

7- **How do you assess the cleanliness of your PC, cisco, tools, etc. …?**

☐ Neutral   ☐ Bad   ☐ Average   ☐ Good   ☐ Excellent

Comment:

8- **Do any tools, food, money, anything, disappear from your desk?**

☐ Yes   ☐ No

3 Defining Maintenance

Maintenance was defined in many different ways according to its scope and responsibilities from the point of view of different organizations, associations and codes; the maintenance definition was modified through years as follows:

In 1972, the Committee on Building Maintenance commended the definition of maintenance as:

"Work carried out in order to keep, restore or improve every facility, i.e. every part of the building, its services and surrounds to a currently acceptable standard and to sustain the utility and value of the facility" [2].

In 1984, The British Standards - BS 3811: 1984 defines Maintenance as:

"A combination of any actions carried out to retain an item in, or restore it to an acceptable condition" [3].

IN 1986, The Maintenance Code BS 8210: 1986 (BSI, 1986), defined building maintenance as:

"Work other than daily and routine cleaning, necessary to maintain the performance of building fabric and its services" [4].

In 1993, The Maintenance Code BS 3811, defined Maintenance as:

"The combination of all technical and administrative actions, including supervision actions, intended to retain an item in, or restore it to, a state in which it can perform a required function" [5].

All the previous codes were then modified to cover some Housekeeping requirements, Catering requirements, Air Quality requirements, etc. till it then became a "Code of Practice –Facility Management Briefing" as follows:

BS 8536:2010 - Facility Management Briefing – Code of Practice:

"This standard gives recommendations for facility management briefing to ensure that design takes account of the expected performance of the facility in use" [6].

The Code of Practice presented the most comprehensive definition of "Maintenance" since it defined maintenance as an important part of facility management that should be considered through early design stages of a building in order to reduce building life cycle cost, achieve better quality and save time.

3 Non-Core Services

Non-Core Services are Services aspects that are not necessarily required by a firm in fulfilling its value proposition to its customers, such as installation, operation,

or maintenance of a system which can be outsourced to third parties. As shown in table (1), non-core services include: Hard Services, Soft Services and General Services [7].

Table (1): Classification of Non-Core Services

Non – Core Services		
Hard Service	**Soft Services**	**General Services**
- Electrical Power Reticulations - Refrigeration Technology (HVAC) - Light Current Engineering - Domestic and Fire Reticulations - Architectural Maintenance - Mechanical Engineering Reticulations - Building Management Services	- House Keeping - Façade Cleaning - Security and Fire Safety Services - Landscaping - Pest Control - Concierge Program (Guard)	- Consultancy - Integrated Services - Corporate Services - Asset Management - Property Management - Inspection and Repairs - Rent Collection - Accounting Services - Advertising - Utility Payment - Archibus - Timberline - Process Support

Source (1): Official Web Sites of some Egyptian Facility Management Companies

4 In-House vs. Outsourcing in Egypt

In Egypt, most companies prefer the outsourcing strategy in soft services especially housekeeping, security and façade cleaning services, while they prefer in-house strategy in hard and general services.

5.1   In-House Services

"Conducting an activity or operation within a company, instead of relying on outsourcing; a firm uses its own employees and time to keep a division or business activity, such as financing or brokering" [8].

5.2   Outsourced Services

"A practice used by different companies to reduce costs by transferring portions of work to outside suppliers rather than completing it internally"[9].

5.3 Comparison between In-House and Outsourced Services in Egypt

Table (2) compares between In-House and Outsourced Services in Egypt in terms of the reason of choosing each service, the criteria of choice, the scope of services provided by each service and the value added by both types of services in order to reach a clear conclusion why and when to use each service with respect to the advantages and disadvantages of both.

Table (2): Comparison between In-House and Outsourced Services in Egypt

	In-House Services	Outsourced Services
Reason of Choice	- Lower costs - Loyalty of workers to their company and their care to improve the quality - Enhancement of quality of workers through time - Higher percentages of users' satisfaction	- Better quality as the service provider is always specialized through his scope - Reduced risks as facing risks and solving any problems is always the responsibility of the provider - It's the present and future worldwide trend - Lower life cycle cost - Less headache as the owner is never responsible for workers' insurance, salaries, transportation, etc. - Saving time, effort and manpower.
Scope of Services	- Maintenance - Housekeeping - Driving - Security	- Maintenance - Housekeeping - Catering - Driving - Security - Façade Cleaning - Pest Control
	In-House Services	Outsourced Services
Criteria of Choice	- Quality of provided services - Cost of service compared to the quality and the effect on the overall budget	- Reputation compared to other providers - Quality of provided service - Cost of service compared to the quality and the effect on the overall budget
Added Value	- No added value	- There is added value as a result of concentrating all the time, efforts and manpower to the core services to achieve better quality and better market place

6 Case Study: "Dar Old Premises"

Dar Old Premises is a huge company that was totally depending -for a long period of time -on in-house services, this includes: housekeeping, maintenance, driving and pest control.As a new worldwide trend and before operating the "New Premises", Dar old premises decided to outsource housekeeping services for a trial period to compare between the quality and costs of both types of services and to decide if it will deal with outsourced services in the new premises.

The questionnaire below is a part of survey that was conducted by the author to compare between"Outsourced Services" and "In-House Services" from the point of view of the Administration, the Facility Management Department and the Users.

6.1   Findings

Through the previous survey and an open interview with Dar's O & M Manager, Administrative Manager and users, we found that:

- The managers prefer outsourced services although its cost exceeds in-house cost by 40 to 50 %, but, from the managers point of view, outsourcing can decrease the life cycle cost of the building in addition to saving time and helping in enhancing the company's core services.

- The users prefer in-house services as they trust their company's workers and found it easier to deal with them.

- The previous can be illustrated in the below figure (1) which is a comparison between in-house and outsourced services in terms of Added Value, Initial Costs, Life Cycle Costs, Quality and Time; although the initial costs of outsourced services is 40% to 50 % lower than that of in-house, we found that outsourcing may add 60% value to a project as it provides better quality, lower life cycle costs and saves time and effort. 2014.
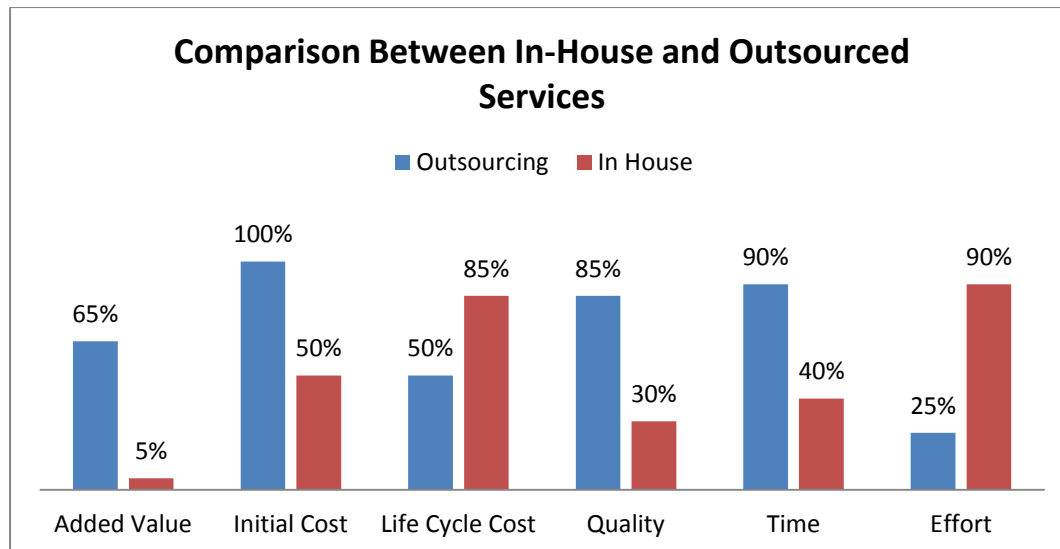
Figure (1): Comparison between In-House and Outsourced Services

- There is a lack in understanding the exact role and advantages of outsourced services.
- No specific standards can be found to compare between outsourcing service providers and that's a clear reason why most companies still prefer in-house services.
- There is a lack in understanding the meaning of life cycle costs, so, the owner is always searching for lower initial costs "Contract budget".
- Despite the headache and responsibility of in-house services, the training of workers, their salaries and insurance, the owner still finds risks in outsourcing so he prefers in-house service to have strict control on the attitude of workers and their quality of work.
- The previous study was an important reason why to choose outsourced services in the new premises for many services such as, "Security, Catering, Pest management, maintenance and façade cleaning", with a direct supervision from Dar FM Unit.

7 References

[1] Kindly find below the references "Official Web Sites" of most Egyptian FM Companies, some of them don't have official web sites, but I found the addresses.

* Last access date: 08-06-2014.

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- EFS Facilities Services http://www.efsme.com/
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- Total FM "Amer Group" http://www.amer-group.com/business-segments/total-fm
- Royal Alliance Services http://www.royallianceservices.com/
- Masoun Facility Management http://www.yellowpages.com.eg/en/profile/masoun-facility-management/140167
- Integrated Facility Management Co. - IFMC, 7A, Dala Tower Kornish El Nil, El Maadi, Cairo, Telephone: 25287442
- Raya Facility Management: http://careers.rayacorp.com/ShowPage.aspx?PID=1080
- Bright House Facility Management, 3 El Sharqawy St. Off Faisal St., Faisal, Giza, Landmark: Beside Call Phone Shop
- Mountain View http://www.mountainviewegypt.com/services/facility-management/
- Misr For Services & Maintenance, 8 El Sad El Aaly St. Off Zaker Hussein St., Nasr City, Cairo, Landmark: Near To Cars Market
- Elofoq Facility Management: https://www.facebook.com/pages/Elofoq-Facility-Management/359058120871716
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