

An Investigation into the Facilities Management Service Industry of Sri Lanka: A Preliminary Study

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Abstract—Facilities Management (FM) has been widely recognised as an organisational function which enables the organisation to create an optimum functional environment that supports its business processes and human resources. With the increasing demand in the industry, FM has gained a huge popularity all over the world and made outsourced FM supply inevitable. However, FM is a young and growing profession in Sri Lanka, and the researches into the supply side of the FM service industry in Sri Lanka is limited. Thus, the extant literature does not provide a clear picture about this industry in Sri Lanka. Therefore, this study aims to fill both literature and empirical gaps mentioned above by investigating composition of the FM service industry of Sri Lanka and current practices of the industry. To achieve this aim, semi structured interviews were conducted with FM experts selected from key FM service providing organisations in Sri Lanka. The findings revealed that the supply side of the FM industry of Sri Lanka is composed of single service providers, multiple/bundled service providers and total/integrated FM service providers. There are few total/integrated FM suppliers in the industry compared to single or multiple service providers and most of them are international organisations. In addition, the provision of FM services in the industry are mostly done for commercial and residential properties. Moreover, while the provision of janitorial and security services still dominates among variety of FM services provided by Sri Lankan organizations, the findings identify a considerable increment in hard FM services and other soft FM services provision during the last few years.

Keywords—Facilities Management (FM), FM Outsourcing Services, FM Service Providers, Sri Lanka

I. INTRODUCTION

Facilities Management (FM) is an organisational function which integrates people, places and processes within the built environment with the purpose of improving the quality of life of people and the productivity of the core business [1]. It encompasses a wide range of areas to ensure the functionality of the built environment including real estate, building maintenance, domestic services, utility supplies, health and safety, etc. [2]. Further, FM enables an organisation to meet all requirements, and optimize the costs and performance of its assets and services, by employing a proactive approach [3]. According to Copenhagen Institute for Future Studies [4], FM form the cornerstone of a business by providing strategic support with respect to real estate and support services. Hence, FM is acquiring an increasing popularity all over the globe [5]. both as a profession as well as an important service sector [6]. With this recognition, FM outsourcing has gained a huge popularity all over the world and made outsourced FM supply inevitable. FM is a novel service sector to Sri Lanka and therefore, researches which address the supply side of the FM service industry in Sri Lanka are no or less found. However, the recent developments in FM industry have heightened the need for analysing FM market in Sri Lanka which has not paid attention by the recent researchers yet [7]. Therefore, this study aims to fill the above-mentioned literature and empirical gaps by investigating the nature of the FM service industry of Sri Lanka and the current industry practices.

The rest of the paper is structured as follows. The next section reviews the literature related to FM service provision. Later, research methodology is explained in the next section followed by findings as well as a discussion of findings. The paper concludes with implications of the findings at last.

II. LITERATURE REVIEW

This section presents the literature related to this study under three main sections namely, Overview of FM, FM services and FM service market.

a. Overview of Facilities Management

FM is an integrated approach for operating, maintaining, improving and adapting the buildings and infrastructure of an organisation in order to create an environment that strongly supports the primary objectives of that organisation [6]. FM is based on the grounds that the efficiency of any organisational operation is linked to the physical environment within which it operates, and that environment can be improved through proper management to increase efficiency [8]. Therefore, focusing on consistency, continuous improvement and reliability through time, cost and quality control [9], FM allows organisations to communicate and maintain a quality work environment for human resources and physical needs in a way that effectively accomplish organisations' core business objectives [10].

The discipline of FM first originated in real estate sector and then inflated to the areas like infrastructure and construction. The origins of FM can be traced back to the era of scientific management and the subsequent explosion in office administration [11]. It gradually received more recognition and gained a foothold as a discipline and a profession since late 1980s [12]. This was mainly happened due to the huge competition, globalization, development of information technology taken place within the industry and the associated demand received for well managed facilities [13]. Further, this FM movement gathered pace in a truly international sense due to its links to the scope and success criteria of businesses. Hence, from its North American origins, the profession has now spread to the Europe, Australia and all Eastern countries including Middle Eastern countries to all over the globe becoming one of the most rapidly

emerging disciplines acquiring increasing popularity [5]. Though FM is relatively young profession which is rapidly evolving in developing countries [14], in developed countries, FM sector contributes to 5-10% of their Gross Domestic Product [13].

b. Facilities Management Services

FM covers a wide range of activities involved in the effective management of built assets. It involves the total management of all services that supports the core business of an organisation [11]. There are different views on the functions coming within the FM scope. As Atkin and Brooks in 2002 mentioned in an article written by Kwok and Warren [9], the discipline deals with more wide area including property management, financial management, change management, human resources management, contract management as well as health and safety in buildings, engineering services, maintenance, domestic services and utilities, etc. However, the management of infrastructure facilities such as estate and property, structure and fabric, water supply, electricity and telecommunication management referred to as hard FM functions while management of support services such as catering, cleaning, waste management, security and laundry services are referred to as soft FM functions by the researchers Liyanage and Egbu in 2008 [15]. Accordingly, FM comprises of two types of services namely hard FM services and soft FM services. However, the most recent classification of FM services can be found from a survey conducted by Frost and Sullivan [16] and it includes range of FM services which have been categorised into five groups namely; building operation and maintenance, property management, support services, IT and telecommunication and environmental services as shown in Figure 1.

Although a generic list of FM functions can be identified, through the available literature, the requirement of FM in an organisation can be vary from one organisation to another depending on the nature of core business, relationship of facilities to the core business the organisation, nature of stakeholder requirements and level of requirement, etc. Therefore, the scope of FM in one organisation can be different and therefore, FM is adopted differently in different organisations [17].



Fig. 1. Five Main Service Spheres of Facilities Management (Source. Adapted from Frost and Sullivan [16])

c. Facilities Management Service Market

An organisation can procure the above-mentioned FM services through either in-house, outsourcing or combination of both approaches [2]. In-house approach involves performance of FM activities by organisation's own staff, while outsourcing of FM involves performing the complete management and decision-making of an operation by an outside organisation [8]. However, among these procurement options, outsourcing procurement approach is considered by a number of researchers and practitioners as an effective and efficient approach for FM [18],[19]. With this recognition, FM outsourcing has gained a huge popularity throughout the world and now, FM has established itself as a key service sector, with a diverse and a highly-competitive market [12].

Different typologies of providers related to service outsourcing can be identified from the literature. As per De Toni and the researchers [20]. FM service providers can be classified as specialised providers and integrated providers. According to their elaboration, specialised providers deliver a single FM service while integrated providers supply different FM services in an integrated manner [20]. The companies concerned with the single service contracting, concentrate on delivery of one type of FM service whereas the provision of variety of types/ range of service is called a packaged service [21]. In addition, when all the FM services are contracted

to one provider, Integrated Facilities Management (IFM) providers who supply different FM services, in an integrated manner are chosen by the client organisations [20]. As Global FM Market Report [22] stated, the IFM provider may either deliver the FM services to the client organisation by its own employees or outsource to sub-contractors/ single service providers and manage them in a way that they fulfil the FM service requirements of the client organisation. Apart from these parties, as Varcoe [23]. mentioned, niche FM consultants and niche suppliers can also be seen in FM market, who provide FM consultancy services and operational services to the client organisations.

A market analysis conducted by Frost and Sullivan [16]. identified that the total worth of global FM market in 2016 was \$780.04 Billion. It composed of single service outsourcing, bundled service outsourcing and integrated service outsourcing markets which were \$565.65 Billion, \$138.73 Billion and \$75.66 Billion of value respectively. Further, as Frost and Sullivan have predicted based on previous market data, the total worth of the global market in 2025 will be \$955.11. Moreover, there will be a higher increment in bundled service outsourcing compared to single services. However, as the survey findings show, there will be a rapid increment in IFM market with compared to both single service and bundled service FM markets.

According to Singh [24], Sri Lankan firms understand that outsourcing FM can assist them in tackling the challenges of operating in Sri Lanka's changing business landscape while mitigating significant risks and improving the company's overall image and credibility. Hence, the concept of outsourcing FM is emerging in Sri Lanka and numbers of local and global FM service providing organisations are evolving in the FM industry [7]. Since most of the organisations historically adopted an in-house FM model while outsourcing single services, such as cleaning, catering or maintenance to external providers, there are only a handful FM and property management companies in the market [24]. However, literature, does not provide a clear idea of the composition of FM market and the services provided by these organisations. Hence, this paper attempts to fill the above gap by investigating the nature of FM service industry of Sri Lanka.

III. RESEARCH METHODOLOGY

To achieve the aim, a qualitative approach was selected, and interviews were conducted covering three FM experts selected from key FM service providing organisations in Sri Lanka. In selecting the experts, their field of expertise and the industry experience in FM service providing organisations were considered. Participants had a minimum of ten years' experience in the FM industry and at least five years' experience in service providing organisations. Semi structured interviews were used for data collection and manual content analysis was employed for analysing collected data.

IV. RESEARCH FINDINGS

As all the experts interviewed in this study revealed, the role of FM in achieving business success has been increasingly recognised by Sri Lankan business community during the last decade and therefore, FM can be identified as a fast-growing profession in Sri Lanka. Historically, all the FM operations of organisations had been carried out through traditional in-house method, in which, organisations' all the FM functions are got done through organisations' own employees. Further, with the emergence of FM as a service sector in the country, the awareness among the organisations on outsourcing of FM functions and their benefits have been enhanced and thus, the organisations have largely moved to outsourcing of FM functions from historically adopted in-house FM operations. The interviewees also mentioned the same fact cited by Singh [24] that first, organisations started with individual FM services outsourcing and therefore, the FM industry in Sri Lanka had been initially composed of different service providing organisations whose service provision had been limited to single FM service. However, with the increased demand received for outsourcing, especially for services such as cleaning, catering and security, organisations which provide other FM services too emerged in the industry. Further, this motivated the single service providing organisations also to expand their scope for provision of several FM functions, establishing as bundled service providers. New bundled or packaged FM service providers also entered into the market with the aim of obtaining this business advantage. The interviewees stated that, due to the numerous benefits that they could yield through outsourcing, client organisations started to totally outsource the operation of non-core FM functions so that the

management could fully concentrate on the core business. The outsourcing procurement option provided the client organisations with the opportunity of transferring the FM operations which they considered as a huge burden. The risk also could be transferred with the responsibility so that the client was free of risk of improper management of facilities and associated negative impacts. Further, outsourcing option provided the FM clients with the opportunity to procure expertise knowledge and competencies which were not available within the organisations. In addition, the benefits such as cost savings, improved service quality and increased flexibility supported the achievement of primary objectives of the organisations as discussed by Barrett and Baldry [6], and this further encouraged organisations more towards outsourcing. Thus, once a huge demand for FM outsourcing generated with these benefits, the concept of Total FM (TFM) or IFM started to be practised. Accordingly, the findings revealed that the supply side of the FM industry of Sri Lanka now is composed of single service providers who provide a single FM service, multiple/bundled service providers who provide several FM services together, and TFM/IFM service providers who provide the total FM scope of business organisations to cater the FM demand. Apart from these parties, niche FM consultants and niche suppliers can also be seen in Sri Lankan FM market, who provide FM consultancy services and operational services to the client organisations, complying with the FM industry arrangement in UK in early 1990s, where FM profession was well established by that time [23]. Based on the above discussion, different types of FM service providers that can be identified in relation to FM service provision in Sri Lanka are presented in Figure 2.

While such combination of providers is available in the FM market, as per the findings, there is a smaller number of TFM/IFM suppliers in the industry compared to single or multiple service providers, and most of them are international organisations which are based on countries such as United Kingdom, United States of America, Australia, Singapore and India. Moreover, as per experts' views, emergence of few local IFM companies during last few years is a good implication that there would be more such companies in Sri Lankan industry in near future. Another positive implication for the development of

FM service industry is that rather than just responding to a Request for Proposal (RFP) that is incurred from client's side, the service providing organisations are actively engaged in sole negotiation as well. Sole negotiation is a business effort taken by the service providing organisation in order to enhance their business and establish in the market [25]. In sole negotiations, the service providing organisations in Sri Lanka either through their own staff or through research companies, look for potential clients, visit them, come up with FM solutions/ proposals for clients and finally tries to enter into FM service agreements with client organisations emphasising the benefits that they can gain through outsourcing, after successfully going through the discussions.

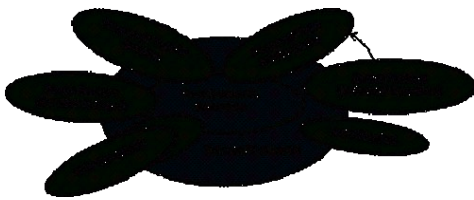


Fig. 2. Different types of service providers in FM market in Sri Lanka (Source. Developed based on Varcoe (1993))

The findings of the expert interviews further revealed that the services provided by the FM service sector of Sri Lanka include operation and maintenance of mechanical, electrical, plumbing and critical systems; maintenance of the building structure, interior and external facades; security, janitorial, cleaning, car park management, pest controlling and other relevant soft services; service strategy design, implementation and service performance management; energy consultancy, green building consultancy, sustainability programmes and other consultancy services; customer relationship management/helpdesk/reception and concierge services; financial and accounting services; supplier contracts management /and supervision of contracted service providers; environment and health and safety management; emergency preparedness/business continuity planning; compliance and regulatory management, etc. Among these variety of individual FM services, the provision of janitorial and security services can be identified as FM services with highest demands. However, the findings indicated a considerable increment in the other FM service provisions as well, especially both soft and hard FM services as well as operational and management FM services

during the last few years. Hence, as per the research evidence, the current FM industry in Sri Lanka provides all the FM services found through a global survey report of Frost and Sullivan [16], which is a good implication of the present FM industry of Sri Lanka. As the experts pointed out, establishment of internationally recognised FM organisations in Sri Lanka can be identified as a major reason for such coverage of FM service requirements. The internationally recognised best practices are adopted by these organisations and as per the experts, this acts as a major factor that enhances the quality of the FM services provided even within Sri Lanka. In order to be competitive in the market, the local companies will also need to reach such standards and indirectly this will enhance the overall quality of the FM services provided in the Sri Lankan market.

Another important finding of the study is that the FM service provision can be seen in almost all the sectors including hotels and hospitality, logistics, commercial, residential, industrial, retail and healthcare, infrastructure etc., while the highest demand for FM services can be seen in commercial and residential properties. Hence, the highest provision of FM services in the Sri Lankan FM industry is mostly done for those two types of facilities.

As Global FM Market Report [22] stated and as per Figure 2, TFM or IFM companies may involve their own employees or sub-contractors to provide FM services. When FM service provision arrangements in Sri Lanka are considered, the experts mentioned that the organisations which provide IFM services and bundled services in Sri Lanka either provide all the FM services of a particular project by their own staff or subcontracting some of the FM functions to third party service providers. Moreover, as the experts mentioned, the services provided by these organisations by their own staff mostly involve professional management services whereas third party providers are hired to provide operational services related to the FM. Therefore, depending on the number of projects in hand and depending on the scale/scope of those projects, the service provision arrangement as well as the number of staff members employed by a FM organisation for a particular project can be different. This proves that though common list of FM functions can be identified in general, in practice, depending on the nature of

business and the scale of the project, there can be differences in FM service requirements and therefore FM services need to be provided differently to different organisations [26].

Hence, according to the experts' views, Sri Lankan FM service industry is at a satisfactory level and it is at a growing state with adequate coverage of FM services to cater the FM demand. However, the biggest challenge faced by service providing organisations is the lack of skilled labour in operationalising the service requirement. Moreover, since there are handful of FM and property management companies in the Sri Lankan market [24], as the experts highlighted, emergence of more such IFM and TFM companies is essential to ensure a faster growth in the industry, eradicating the currently available industry barriers.

V. CONCLUSION

According to the findings, the FM service industry is composed of both local and international organisations which fulfil the FM service requirement in all the sectors. The representation of single, multiple and TFM/IFM service providing organisations can be seen in the market which shows a considerable development in the industry within last few years. However, the major disadvantage is that still there are few IFM and TFM companies in the market. Since the IFM and TFM companies in the market have a higher capacity for the development of the FM service industry compared to single FM service providing organisations, establishment of both TFM and IFM companies need to be more encouraged by identifying the barriers and eliminating them.

This research is a preliminary study conducted as a part of a large study intended to investigate the success and failure of outsourcing projects in Sri Lanka. The research findings provided an insight on the FM service industry in Sri Lanka and its composition. The findings of the study will fill the existing empirical and literature on FM service industry of Sri Lanka and the future researches can be built upon the background understanding provided through the study. This study is a qualitative study and a further research can be suggested to investigate the FM industry using quantitative measures which would strengthen these findings and provide a clearer view of the same context.

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