Gap Analysis on Expectation of Service Quality in the Outsourcing Strategy of Property Maintenance and Management Context

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Abstract - In this paper an investigation and analysis of expectation gaps on service quality for property maintenance and management (PMM) outsourcing strategy are reported. In particular, the proposed OUTQUAL model with 13 identified service quality criteria was put forward and divided into two sub criteria for each to examine the expectation gaps of service providers and clients towards the significance of each sub criteria. Result shows small gaps between the expectations of both service provider and client groups and depict the extent of improvement needed by service provider to fully achieve service quality level expected by the client in PMM outsourcing services delivery.

Keywords – outsourcing procurement strategy; property maintenance and management; outsourcing service quality, agency theory

I. Introduction
Outsourcing has emerged within the facilities management (FM) sector longer than the entire concept of FM (Usher, 2003). In recent years, outsourcing practices have been constantly growing in popularity and diffusion, accomplishing the business trend of focusing on core business and customers (Roberto et al., 2011). The notion of outsourcing in PMM, one of the main core functions in FM, is spreading albeit this trend is not homogeneous amongst organisations.

Though outsourcing has emerged as a popular and widely adopted sourcing strategy in this era (Willcocks, 2010), the average quality of PMM services still left plenty of opportunities for improvement (Oliver, 2000). Outsourcing service quality is constantly being challenged by a great deal of demand and dissatisfied clients. Such sourcing deals often turn sour because of the mismatch of clients’ expectations towards services offered by service providers (Reid-Thomas and Philips, 2004). Services rendered by the providers are regularly criticised by outsourcing clients that they were not at par with their requirements and expectations (Hirschheim and Lacity, 1998; Hirschheim and Lacity, 2000).

II. Research objectives
The effectiveness of outsourcing strategy and practices in PMM sector in Malaysia has yet to be investigated and both service providers and clients are typically short of keenness and intensity on quantifying service quality. In view of this, the objectives of the research are:

i. to identify service quality criteria of PMM outsourcing

ii. to investigate the expectations of service providers and clients on outsourcing service quality

iii. to analyse the gap between mean of expectations in terms of outsourcing service quality for both service providers and clients

III. Research limitations
This study focuses on current practice of PMM services outsourcing only. Data were collected from clients who occupy and service providers who service, office buildings located within 15 kilometres radius from Kuala Lumpur City Centre and are of at least 20 storeys above ground where outsourcing are currently the PMM sourcing strategy for that particular building. The radius is determined with the reason in restricting the research only on buildings within the central business district.

IV. Methodology
To achieve the objectives of this research, literature in respect of outsourcing, PMM and service quality were reviewed to gain an in depth
understanding on the subject area and develop the questionnaire. This research is based on agency theory that originally relates to the relationships between principle and agent, but in this study it is being reflected to explain the differing goals and risk preferences of service providers and clients in PMM services outsourcing. Research method by means of triangulation was selected in collecting data. Phase one was designed to collect quantitative data with survey questionnaire in addressing the gap of expectations between service providers and clients in terms of PMM outsourcing service quality. To achieve this, researchers have proposed a model specifically to assess the PMM services outsourcing quality known as OUTQUAL model with survey items in Likert scaling (five choice response format: 1 - not important up to 5 – very important). Phase two in turn was designed to collect qualitative data with semi-structured interview. The purpose of this second phase qualitative research is to generalise findings from the earlier phase of quantitative research.

V. Literature review

A. Outsourcing

Outsourcing is defined as the reliance on external sources for manufacturing components and other value-added activities (Lei and Hitt, 1995). Sharpe (1997) professes outsourcing as turning over of those activities outside the organisation’s chosen core competencies to a supplier or vendor. Gilley and Rasheed (2000) provide clarification for the definitional confusion by position outsourcing as procuring or acquiring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside.

In PMM context, outsourcing has become a common strategic choice. PMM services that are generally being outsourced involves a number of disciplines comprising the up-keeping of buildings, systems, plants, fittings, cleaning, security, landscaping, waste management, car park management and so on, with the overall aim to provide a comfortable and quality work environment, living environment and facilities while one is within the inside area or boundary of the building.

B. Property maintenance and management

PMM is a combination of activities carried out to retain the building in, or restore it to, an acceptable condition. It is an essential activity which supports lifestyle and livelihood, while maintaining the considerable asset value. Most of the people spend 95% of their time in or next to a building of one kind or another (Fakhruddin et al., 2011), therefore, a quality delivery of PMM services is important and worth for extra emphasis.

Demand for space and buildings are rising especially in a developing country like Malaysia. Looking at the increasing demand for PMM, and outsourcing is one of the well-liked sourcing strategy in Malaysian PMM sector, it becomes a good opportunity to examine the quality of such outsourcing service provisions and implementations.

C. Service quality

Service quality has become a major area of attention since the past few decades for practitioners and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability (Lasser et al., 2000; Silvestro and Cross, 2000; Newman, 2001; Sureshchander et al., 2002; Guru, 2003; Nitin et al., 2005). Service provider who delivers quality outsourcing services in PMM sector has many benefits including achieving and sustaining a competitive advantage by aligning with clients’ requirements, for client to assess the service performance and so on. In the service industry such as PMM, expectation of quality is one of the critical aspects that need to be addressed, but every so often not being dealt with.

D. Agency theory

Agency theory is relevant to situations where one party (the principle) delegates authority in terms of control and decision-making about certain tasks to another party (the agent) (Eisenhardt, 1989; Fayezi, 2012; Mitnick, 1973; Ross, 1973). The same situation takes place when client (as principle) outsources PMM function to service provider (as agent) where the latter will be assigned to deliver a service or task that is accompanied by management and decision making function to an agreed extent.

Agency theory has been widely used across a variety of disciplines since the last four decades (Fayezi, 2012). However, after an extensive search of the management literature, there is no study found that applies agency theory to PMM outsourcing. It provides a good opportunity to use this theory as the base theory of this study and
extending its adoption to PMM outsourcing context.

VI. Results and discussion
For phase one quantitative research, surveys were carried out between March to May 2013. Data were collected by means of snowball sampling method where it involved hard to reach populations (Fabiola and Ignasi, 2011) such as building users or tenants due to security control in each building. For overall questions, the Cronbach’s Alpha in the real survey was reported at 0.934, compared to 0.821 generated from the pilot study stage by 30 identified PMM practitioners from different companies.

A. Expectation gaps
Total responses were reduced to 292 for service providers group and 283 for clients group after data cleaning. The balance of 25 responses was omitted as outliers. From the survey, it shows a relatively small gap between expectations of service providers and clients towards PMM outsourcing service quality (shown in Table 1).

Criteria of security, cost and empathetic were reported to have the greatest expectation gaps. Least gaps were found on criteria of proficiency, approachability and substantiality.

B. Comparison of service quality criteria between service providers and clients
The sorted mean from service providers and clients are then compared to rank the highest expectation of service quality criteria from both groups (refer Table 2).

<table>
<thead>
<tr>
<th>No.</th>
<th>Service provider</th>
<th>Client</th>
</tr>
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<tbody>
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<td>1.</td>
<td>Approachability</td>
<td>Quality</td>
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To determine the extension of gap between both groups, effect size is calculated as well. The following formula was used to calculate the effect size:

\[ \hat{p}_{ab} = \frac{U}{n_a n_b} \]

\[ = \frac{3873}{(292*283)} \]

\[ = 3873/82636 \]

\[ = 0.05 \]
(small positive effect size which indicates that both groups have small expectation gap for overall criteria)

Both service providers and clients possess variability of service quality expectations in PMM services outsourcing although result shows a small gap of the expectations between both groups.

VII. Conclusions
In PMM outsourcing services delivery, both service providers and clients are playing different roles and holding different responsibilities. As a result, the expectation towards service quality in such context will not be the same as well. From the result, it depicts that such expectations gap between both groups are small. The identified extent of gap will trigger service providers’ awareness on the importance and necessity to elevate their expectations and be at par with the clients’ expectations. Once the expectations of both groups equal, it is anticipated that the service quality will improve significantly and will subsequently be beneficial to the overall performance of PMM services outsourcing, while demonstrating the maturity and development of the industry in Malaysian context.

VIII. Contribution of the research
This research addresses the expectation gaps of PMM outsourcing service quality between service providers and clients in Malaysian context. The result will provide proof and reliable data in investigating service quality expectations of both groups in PMM outsourcing, where Malaysia is currently lacking of or even no such study being carried out.

Note
This research is on-going and is complete up to analysing phase two qualitative research data during the preparation of this paper.

References


