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## Research

### Outlook on Outsourcing

### *Research Report #20*

The International Facility Management Association (IFMA) constantly conducts research to learn more about facility management issues and to pass that knowledge on to its members. In 1993, the Association completed its first study on outsourcing. IFMA's objectives were to help facility professionals better understand the functions, reasoning, advantages and disadvantages, and trends typically involved in the outsourcing process.

In 1999, another study was conducted to track the data compiled six years earlier and identify how IFMA members manage outsourcing within their organizations. Approximately 4,000 North American members, including 271 members in Canada, were randomly selected to receive a six-page survey with an attached cover letter explaining the survey's importance. Survey participants completed and returned questionnaires in prepaid, self-addressed envelopes to Saurage-Thibodeaux from March 29 through May 12, 1999. To improve the response rate, reminder postcards were mailed one week after the surveys. The 539 responses represent a 15 percent response rate.

### Summary

- Out-tasking (i.e. hiring of individual, specialized vendors) is used more frequently than outsourcing (i.e. hiring of full-service, single source vendors). Although, in the last six years, the percentage of facility managers outsourcing has increased slightly, most workplace professionals continue to choose to out-task facility management functions.
- According to the survey, the 10 services most often outsourced are (in order) architectural design, trash and waste removal, housekeeping, facility systems, landscape maintenance, property appraisals, major moves, hazardous materials removal, major redesigns, furniture moves and food services.
- Despite a trend to consolidate the number of vendors used, the average number of contract vendors is 20. Sixty percent of the respondents report using the same number of vendors in 1999 as they did two years ago; 33 percent rely on more vendors; and 8 percent use fewer vendors than in previous years.
- Most respondents reveal that outsourcing is a part of their company's strategic plan. Almost all facility managers outsource services requiring specialty skills that are unavailable in-house or not cost-efficient to handle the need in-house. Furthermore, they outsource services so that they can focus on their core competencies. Other reasons to outsource include acquiring access to specialty tools and equipment, adding flexibility to work fluctuations, enhancing quality and improving customer satisfaction.
- Service quality generally is monitored through regular or continuous inspections, personal observation and complaint records. Companies that outsource food services are more inclined to use customer evaluations as a means for monitoring complaints.
- For services like architectural design, major moves or furniture moves, the contract length

depends on the completion date of the service. For most services, the contract is based on a defined level of service, and the contract price is usually fixed. Cost savings or overages and complaint records are two ways to determine the size of bonuses or penalties. Facility managers typically serve as the contract managers.

- In outsourcing, new staff is often hired in lieu of retaining existing staff; however, 25 percent of facility managers say their companies use a combination of existing and new staff to handle outsourced services. Contract staff is less likely to integrate with in-house staff. The benefits offered by the outsource provider do not necessarily match those of the organization.
- With reporting requirements, facility managers either identify very detailed measurement requirements or work with the outsource provider to determine mutually acceptable reporting standards. Reporting may not be required for some services like trash and solid waste removal, major moves and furniture moves.
- The initiative to outsource generally originates in the facility management department. Most respondents said that outsourcing has helped to conserve their budgets and has been key in improving the quality of performance.
- Facility professionals often manage the outsource provider's expenditures, such as subcontracts and commodity purchases. Typically, an annual budget is prepared and additional individual expenditures above a certain limit or all expenditures require separate approval.
- Thirty-three percent of those facility managers who responded said they reserve the right to interview and approve candidates for managerial, professional, nonmanagerial and technical positions. Thirty-three percent said they require background checks on the outsource provider's candidates, and another 34 percent reserve the right to ask for background checks.
- According to the survey, 20 percent of facility managers now handle services in-house that were previously outsourced. The reasons for moving them in-house include improving service quality, reducing costs and regaining control.
- With trends, facility managers observe that outsourcing is good for some services but not for others, and outsourcing will be continuously accepted. They also see outsourcing as a means for lowering overhead (via downsizing) and saving money.
- In the next five years, the use of outsourcing is expected to increase.

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