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Outsourcing Of Facilities Management Services In Commercial Banks In Ghana; A Conceptual View On Potential Risks And Threats

Andrews Agbesi Gadzekpo

Daniel Amos

Department of Estate Management,
Kumasi Polytechnic, Kumasi, Ghana

***Abstract:** Ghana's banking sector is currently faced with swift competition due to the increasing number of players in the market. Over the past ten (10) years, the number of commercial banks in the country has doubled. Banks are faced with the challenge of developing innovative products and services, and also expand rapidly. Facilities management support services are critical to this trend of development. Commercial banks need to make a delicate choice between make or buy of these support services (use-in-house expert or outsource). Unarguably, the need for banks to concentrate on their core business of banking and finance and outsource other non-core services to enhance shareholders wealth cannot be over emphasized. Although outsourcing has gained global recognition, the practice is quite new to commercial banks in Ghana. In recent times, commercial banks have outsourced numerous non-core services such as ICT, janitorial services, security, and even part of bank's human resources. Whereas outsourcing might come with some comparative advantages for the banks, there are still fears of some uncertainties. Focusing on literature on outsourcing and authors own perspective from the banking sector in Ghana, this paper present the key risks likely to come with outsourcing and what future directions ought to be if such risk are to be reduced to its barest minimum. The paper presents a theoretical framework for outsourcing, a platform for further research on outsourcing and for improvement of knowledge.*

***Keywords:** Outsourcing, outsourcing risks and threats, Competition, Commercial Banks, Ghana.*

I. INTRODUCTION

Ghana's banking system has experienced interesting developments in the past two decades. Products such as international funds transfer, consumer/hire purchase loan and travelers' cheque, personal computer banking, telephone banking, internet banking, branchless banking, SMS banking have been developed (Abor, 2005). Automated teller machines (ATMs) have become common, giving clients the freedom to transact business at their own convenience (Abor, 2005; Hinson, Amidu and Ensah, 2006). The development of these products has brought fierce competition within the banking industry; as a result, the financial sector has to rethink the way business is carried out, because of this competitive edge. Such competitive edge is driven by business and technological factors especially improvement in telecommunication networks and advancement in computer technology in Ghana (Hinson, Amidu and Ensah, 2006). In business today, the power balance has shifted from supply to demand push. Technological factors; especially developments in information technology are as much a cause as an effect of the transformation to new ways of doing business (Beulen, Ribbers & Roos, 2006). As a result of these developments, traditional value chains are being unbundled (Parker, 1999). One may ask whether such contemporary ways are evident in the Ghanaian banking sector as well? Commercial banks in Ghana are no exception to these changing business trends. Consequently, outsourcing of services has now become paramount to banks in Ghana. IT outsourcing is a major part of outsourcing decisions in commercial banks in Ghana. In addition, some traditional non-core services like cleaning, catering, security, plant and equipment maintenance are also being outsourced. In recent times, commercial banks in Ghana are even outsourcing part of human resources. Can this observable fact be seen as solely Ghanaian, or it could be extended as a common trait in the African sub region? The case of Nigeria is no different from Ghana. One of the strategies adopted by most of Nigeria's commercial banks is outsourcing. Some of the services outsourced include IT services, janitorial services such as cleaning and security services. Others are maintenance and repair of plants and operational equipment, catering services and property development (Alaofin, 2003; Adewunmi, Omirin & Koleoso, 2012). In east Africa, the trend of outsourcing is no different from the case of Ghana and Nigeria. Nearly 50% of Kenya's commercial banks are involved in outsourcing of certain banking functions, in an environment without a regulatory framework. ATM and card processing are the major activities currently outsourced in the banking industry. Customer account processing is the least outsourced activity. In addition to outsourcing of these core banking activities are outsourcing of non-core services such as janitorial, maintenance, and security (Barako & Gatere, 2008). These are components of facilities management which, according to Edum-Fotwe, Egbu & Gibb (2003), addresses the operations and functions associated and concerned with the management of constructed facilities within the built environment and assets within them with a view towards making an impact on people and the workplace. The relevance of Facilities Management (FM) is to place the non-core business at the service of the core business in a manner where protection of an organization's capital investment in real estate is achieved and invariably turn a cost item into one of added value (Atkin & Brooks, 2009). Strategically, FM can add value to the banks by strategically aligning the FM objectives with the corporate objective. There are no hard and fast rules with the decision to outsource or use in-house staff. Irrespective of which approach banks adopt, there are bound to be gains and losses. In as much as the prevailing financial environment is encouraging outsourcing, could this inclination be said to be insulated from possible risks? This paper centering on literature, presents holistically the potential demerits that might come with outsourcing of FM services to the banks and also suggest a possible theoretical framework that will guide commercial banks in their quest of outsourcing facilities management services.

II. FACILITIES MANAGEMENT OUTSOURCING IN PERSPECTIVE

Outsourcing has been variously defined as the "contracting-out" of services that were previously performed in-house to an external service provider for a fee as a means of increasing organizational efficiency and effectiveness (Steane and Walker, 2000; Monczeka *et al.*, 2005; Li and Choi, 2009). This definition, broadly encompasses not only the delivery to the client organization but also value of the services measured by its efficiency and effectiveness. In terms of facilities management, it is the "contracting out" of facilities management services to an external provider (Atkin and Brooks, 2009) for a fee over a given period of time as a means of increasing organizational efficiency and effectiveness (Li and Choi, 2009; Hamzah et al., 2010). According to Atkin and Brooks (2009), an organization can use managing agent, managing contractor, managed budget or total facilities management (TFM) for the management of its outsourced services. The key question here is; what are the key attributes of such FM outsourcing tools being propounded by Atkin and Brooks? In the real practice, the TFM contactor takes full responsibility for the management of the organizations facilities, however this is difficult to achieve due to the reality of sub-contracting within the TFM contract. TFM is usually seen through the development and use of the Private Finance Initiative (PFI). TFM is often seen as definition of FM in general, though it is much more than management of services. The managing agent involves a specialist appointed to act as client representative. This person (or organization) is then responsible for arranging the appointment of service providers. The managing agent usually comes in when the organization lacks the requisite skills to deliver the FM functions. Managing contractor involves the appointment of an organization to manage all service providers as part of one large contracting organization. The contractor is paid a fee for providing this service, usually a percentage of the value of the expenditure managed. From the foregoing, which of the three approaches can be seen as the best approach for the banking sector of Ghana? According to Ikediashi (2014), this is generally dependent on a number of factors such as cost considerations, flexibility and transfer of risks. The best approach should be the one that provides value for money to the client organization and its customers. The government policies on market testing, compulsory tendering and private financial initiative (PFI) have aided the increase use of outsourcing over the years (Lord et al., 2002). The global outsourcing market is reported to have grown from $146 billion in 1996 to a whopping $1.3 trillion in 2007 (International association of outsourcing professionals, 2011). This trend is attributed to cost reduction, efficiency improvement and reduction in headcount (Jain & Natarajan, 2011). The changing nature of the field of facilities management has made outsourcing one of the important decisions as FM is now viewed as a comprehensive discipline other than traditional real estate management and maintenance. The question is; do facilities managers of commercial banks in Ghana recognize this new trends and development of Facilities Management? The choice of the management style of FM be it operational or strategic impacts on FM delivery and subsequently influence risk. This therefore calls for FM managers to use the appropriate decision support system for managing this new era of choices and flexibilities (Ancarani & Capaldo, 2005).

III. POTENTIAL RISKS AND THREATS OF OUTSOURCING

Outsourcing in commercial banks may be restricted to the banks non-core services, such as Information Technology (IT) system, cleaning, security and reception, or it may encompass the entire business processes (Currie & Willcocks, 1998). In the case of Ghana, the growing business maturity of FM outsourcing is still at a basic stage which primarily involves IT and some non-core services. Business Process Outsourcing (BPO) is still relatively younger. Despite the fact that the area of outsourcing is heavily researched, most commercial banks still outsource without regards to the implications of the risks involved (Lonsdale & Cox, 1997; Adeleye, Annansingh & Nunes , 2004; Hoecht & Trott, 2006) . Some of such potential risk which keeps evolving may be but not limited to.

A. OUTSOURCING MIGHT BE EXPENSIVE / FORECASTED OR ANTICPATED COST SAVINGS NOT ALWAYS REALIZED

There is wealth of literature which suggests that most outsourcing deals are driven by a desire to reduce cost (Corbett, 1996; Fan, 2000; Kakabadse & Kakabadse, 2000; Zhu, Hsu & Lillie, 2001; Lynch, 2004; Atkin & Brooks, 2009; Barret & Baldry, 2003; Ikediashia & Okwuashi, 2015; Wagenberg, 2003;Quelin & Duhamel, 2003; Jiang , Frazier & Prater, 2006; Bustinza et al., 2005; Ghodeswarand & Vaidyanathan, 2008; Kroes & Ghosh, 2010; Hsiao et al., 2010). Barret and Baldry (2003) list cost reduction as the most user perceived merits for outsourcing by most organizations. This notwithstanding, outsourcing might not always lead to the anticipated cost savings. This is evidenced from studies by Kakabadse and Kakabadse (2002) and; Cotts, Roper and Payant (2010) which revealed that some firms have not experienced reduced costs due to outsourcing, and therefore potential cost savings should not be the sole reason for undertaking such outsourcing decisions. According to Gartner (2008), it is possible to save between 25 and 30 per cent if outsourcing is carried out carefully. Outsourcing in some instances might tend to be expensive than when services are kept in-house (Akin & Brooks, 2009; Cigolini et al., 2009; Kakabadse & Kakabadse, 2002). Outsourcing also comes with hidden cost which may make outsourcing further expensive. According to Bartolwome (2008) transaction cost could come in two main types. These include outsourcing vendor search and contracting costs. Whereas the latter deals with costs of negotiating and writing the outsourcing contract, the former deals with the costs of gathering information to identify and assess suitable vendors. The question is do commercial banks in Ghana consider such hidden costs in their quest of taking outsourcing decisions? Failure to systematically consider all such cost will erode potential cost savings that might come with outsourcing.

B. OVERRELIANCE ON VENDOR / OUTSOURCED SERVICE PROVIDER

Bustinza et al. (2005), argues that outsourcing allows an organization to concentrate on their core businesses which has the potential to increase performance and shareholders wealth. Expectedly, outsourcing non-core services, banks will have more time to concentrate on their core business of banking and finance and develop more competitive financial products as non-core services will be delivered as a package to them. Without a backup of an in-house standby team, this creates an overreliance on the service provider which might be extremely dangerous for the primary business of banking. The pertinent issue is who provides those services in the event of a critical service failure by the vendor? On this premise, Atkin and Brooks (2003) argues that the choice of the procurement root for FM service delivery to a large extent will lead to some level of control by the in-house team. Lacity and Hirschheim (1995), report mainly on increased dependence on the outsourced service provider and also loss of knowledge and know-how. The consequence is that, the banks primary business will collapse should the service provider fail. A hypothetical example is the impact of a service failure by visa or Vodafone Ghana which is the main internet service provider for commercial banks in Ghana.

C. SELECTING THE WRONG VENDOR & CONTRACT WRITING

According to Atkin and Brooks (2009), the process of selecting the vendor to provide the outsourced service requires thorough investigation. Further, they argued that support services should represent best value on the grounds of affordability for the organization in the implementation of the objectives of its strategic plan, irrespective of the cost of those services. Can the desire for affordability prevent the selection of the best vendor? Expectedly, banks should take best option that gives value for money. Uttermost due diligence should be given to the vendor selection process and the contract writing. A typical instance of poor contract writing is the case of Eastman Kodak and IBM digital in 1989, where Eastman Kodak outsourced a large part of its IT operations to IBM, Digital Equipment, and Business land (Barthelemy, 2003). A good contract is essential to outsourcing success because the contract helps establish a balance of power between the client and the vendor. Selecting a wrong vendor could result in problems of service quality, reliability and commitment. The situation is worsening when long term inflexible contracts are engaged with poor service providers.

D. CONFIDENTIALITY RISK

With the increase use of ICT outsourcing in commercial banks of which Ghana is no exception, information security is becoming of growing concern to banks. Outsourcing might make certain vital bank information available to the service provider. Essential bank information which most often is confidential might be disclosed to the service provider (Buelen et al., 2006; Boehm, 1991; Rao, 2004, Cadwell & Young, 2003). Although, such information are usually encrypted, there is that possibility that the releasing of such information comes with the service being rendered. Such a risk might eventually affect the banks competitive position especially if the leaked information gets to the competitor. Undoubtedly, this will create an undue advantage to a competitor, taking cognisance of the current financial environment.

E. DIFFERNCES IN WORKING CULTURE

It is expected of the service provider to quickly and easily understand and integrate the business culture of the bank so as to appreciate their needs. The question is; how quickly can the service provider re-adjusts to the banks corporate culture? This obviously requires time which can be expensive. Contrary to culture of user's organization/culture rejection to a large extent can affect the success of services to be delivered (Barret and Baldry, 2003). Varied working cultures of service providers and banks, especially with outsourced human resource, security and reception services could affects service delivery. The problem is the difficulty of banks in adapting to service providers work culture, especially with regards to staff attitude, targets, and human relation amongst others.

F. LOSING CONTROL OVER IN-HOUSE ACTIVITIES

The potential danger of losing control over in-house expertise exists for outsourced FM, especially where the total facilities management concept is adopted. Outsourcing ignores in-house solution and the resultant effect is loss of knowledge and know-how of in-house experts. Outsourcing might also transfer banks specialist in-house to companies providing services (Beulen et al., 2006). Ultimately, problem arises when banks want to re-absorb services. It is against this background that Atkin and Brooks (2009) argued that a partnering arrangement may be appropriate to maintain some level of control by the in-house team. The level of control that can be achieved is closely related with the method of procurement and the contractual relationship established between the banks and the service providers.

G. SELECTIVE DESCRIMINATION IN SERVICE DELIVERY

The likelihood of one vendor proving the same service to many competitive commercial banks may arise. Unfair/ bias / preferential treatment by one vendor /service provider, providing the same service to many competitive banks can affect ones competitive position. (Adewunmi, Omirin & Koleoso, 2012; Barret & Baldry, 2003). For instance, in Ghana most of the internet for commercial banks is provided for by Vodafone Ghana. Any bias treatment could easily create an unhealthy advantage.

IV. CONCLUSIVE DISCUSSION

This paper has argued that, in as much as the prevailing financial environment is encouraging outsourcing in the banking sector, there could be some potential risks toward such FM practice. Undoubtedly, outsourcing of FM services has the capacity to improve the overall service delivery and impact positively on banks performances. This notwithstanding, value for money for outsourcing could be derived where there is the assurance of quality, amidst quick response to service delivery at an affordable cost. Empirically, one way to ensure quality of service is the institution of Service Level Agreement (SLAs) and their accompanying Critical Success Factors (CSFs), and Key Performance Indicators (KPIs) to check service performance. This to some extent will resolve the issue of unsatisfactory result from outsourcing FM services (Incognito, 2001; Atkin & Brooks, 2009). It is perceived in the future, a close gab between customer's perception and expectations, especially with banks ICT outsourcing that deals more with security. Possibly, due to the fact that majority of the populace are illiterates; over 75% (Non Formal Education, 2016). Generally, commercial banks in Ghana deal with two set of customers; professional class and the traditional class. The professional class includes all management with a formal training for this purpose as against the traditional class that involves the rich business men and women without any formal training. This class simply makes decisions based on traditional mechanisms. Both classes are highly involved in the banking sector and outsourcing decisions would reflect the class. The professional class is pro outsourcing and forward looking, whereas the traditional class is conservative and fear change. But it is important to differentiate fear and insecurity in cultural perspective here. The traditional class fear outsourcing might shift the power balance, while the forward-looking professionals have some security concerns. Banks must therefore strategically evaluate these reasoning and best option taken to serve the supreme interest of these stakeholders within the financial sector. Figure 1, presents a theoretical framework to guide commercial banks through the process of outsourcing. The overall objective of the framework is geared towards enhancing stakeholder's wealth or improving financial ratios of banks. All the facets of the outsourcing framework should improve bottom line, banks financial position.

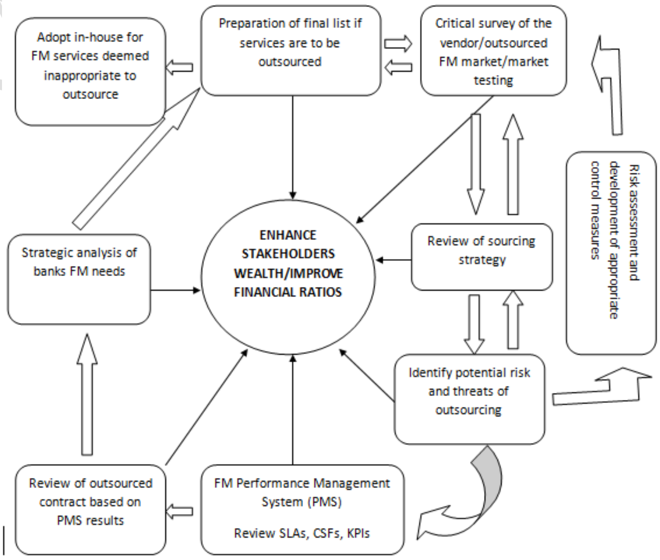

Figure 1: Theoretical Framework for Outsourcing in Commercial Banks in Ghana

The framework begins with strategic analysis of banks FM needs. This should be done by assembling all relevant facts including the organization's objectives, needs and policies, a review of resources, processes, systems and the physical assets, together with their attributes in terms of space, function and utilization (Atkin & Brooks, 2009). The next level involves the preparation of final list of services to be outsourced by the banks. At this point all services that are deemed inappropriate to outsource should be directed to the in- house team. The choice between in-house or outsourcing of the FM services must be made on a like - for - like basis taking cognisance of all direct and indirect cost of the services as well as affordability on grounds of best value (Atkin & Brooks, 2009). All forecasted hopes or saving via outsourcing must be carefully scrutinized at this point. Once the list of the services to be outsourced is ready, an audit or survey of the vendor or outsourced market should be done. There should also be market testing to evaluate the cost of in-house versus outsource. The vendor market survey is expected to give a complete picture of the core players on the vendor market. As costs of FM services are analyzed as part of the survey, it is expected that feedback from the survey can further influence the final list. A comprehensive review of the sourcing strategy is expected to be done. At this point, banks can appoint service providers for the FM services to be outsourced. This it is believed will help eliminate the problem of selecting poor vendor(s). Due to the uncertainties that might come with outsourcing, it is expected for banks to primarily identify all potential threats and risk. An interrelation between market survey, sourcing strategy and perceived threats and risks must be established. Banks are advised to perform risk assessment of the potential dangers from outsourcing and accordingly develop risk control measures.

To achieve optimal benefit and performance for service delivery, facilities assessment and auditing is necessary for banks facilities management. Performance optimization in FM should allow the indoor environment to support organizational business goals in the most effective, efficient and equitable way (Amaratunga & Baldry, 2000; Brackertz & Kenley, 2002). To achieve best value for service delivery, banks have to institute a Performance Management System (PMS). The PMS should make room for an assessment and reviews for the Service Level Agreements (SLAs), Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) (Toro, 1995; Marteinsson, 2003; Atkin and Brooks, 2009). The target of the PMS should be client and customers satisfaction. Finally, based on the PMS evaluation which could be annually or bi-annually, banks can decide to either renew contracts of outsourced service providers or otherwise. This framework we believe to some extent will minimize the potential threats and risks that might come with outsourcing. Ultimately, there is the need for banks to weigh the relative merits against the likely demerits that might come with the decision to outsource and best option taken. This calls for an in-depth understanding of the decision to outsource and its effects on the banks systems and the financial market.

V. ENDNOTES

This paper has presented a theoretical view for decision making in outsourcing. Empirically, further research will be needed to establish outsourcing and how it impact on banks finances. As proposition for further research in outsourcing in commercial banks, it would be of interest to look into outsourcing and its effects on space, outsourcing and growth size of banks, or outsourcing and how it influences location of commercial banks in Ghana.

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