

Article category: GENERAL



FACILITIES MANAGEMENT

from a project management perspective (Part 2)

Outsourcing means change in an organisation

*By Heather Burden & Morgan Haylett**

In the May 2000 issue of ProjectPro (Vol 10 No 3), the first part of this article by Burden and Haylett mentioned that in today's global business arena, change is the only constant. To grow and maintain a competitive advantage in such an environment, organisations need to constantly adapt while remaining cost-effective and efficient. A way of achieving this is, according to the authors, through outsourcing.

As specified in the previous article, outsourcing has been embraced as a business strategy through which organisations are able to exploit core business expertise by being flexible and capable of rapid change. Outsourcing also enables organisations to overcome the inherent shortcomings and inefficiencies associated with performing peripheral activities in-house, which often result in poor economies of scale and a lack of flexibility. Facilities maintenance and management are examples of services that can be outsourced for improved competence, cost-effectiveness and lower overall costs.

Typically, senior management makes the decision on what should be outsourced in the organisation. When it comes to the implementation, however, senior management often delegates this task to the rest of the organisation. This is an implementation doomed for failure! Outsourcing is a transformation or change process that needs to be managed as a project, having the full support and involvement of senior management.

In this issue, the authors explore how to overcome resistance and how to obtain the positive involvement of all stakeholders.

Outsourcing

"There is nothing permanent except change". (Heraclitus, Greek Philosopher, 6th Century BC).

Outsourcing affects all stakeholders within an organisation. It is manifested in how and where employees work, organisational structures, the use of technology, relationships with customers/users and relationships with the suppliers of services. New organisations, offering changed roles for participants, will therefore evolve from the outsourcing process.

Suppliers who have developed good relationships with the organisation may become formal partners of the organisation. Workers who have been retrenched during the

outsourcing process may become entrepreneurs and start their own businesses, providing services to the organisations they once belonged to. Retrenched workers are sometimes absorbed into the new company now providing the service for the organisation. These individuals are good candidates because they know what the job entails and they fit in well with the goals and mission of the organisation for whom they used to work. However, to ensure all this, change must be managed correctly.

Job design is one of the first features that will change due to outsourcing. Many individuals, rather than being retrenched, will be re-deployed within the organisation. This means that employees in the organisation will need to learn new skills. Whereas jobs in the past often required individuals to be proficient in a single skill and be controlled by a supervisor, the emerging job design features aspects such as multi-skilling, integrated tasks, teamwork, accountability, alternative remuneration systems and increased job flexibility.

The entire organisation and its design changes when activities are outsourced. A loose, flat networking structure, which is flexible and temporary in nature, has replaced the old pyramid-shaped hierarchical structure that was kept rigid by tight formal bureaucratic control. This change towards a flatter more flexible structure occurred in the interests of becoming more customer-oriented. Change can be introduced in several ways and managers should be knowledgeable in order to make the appropriate choices.

Overcoming resistance to change

"By being able to get the power to act, individuals are helping the organisation stay ahead of change." (Change management expert, Rosabeth Moss Kanter).

Too often project managers in charge of the change process focus on the technical and financial aspects of a transformation process and neglect to take into account the non-technical issues. It is the people however, who can make or break the success of a change project. Without their buy-in and support, change projects are doomed before they even begin.

Project managers must enhance communication wherever and whenever possible. This is the only way resistance – and its roots – will surface. It is not resistance itself that leads to failure; it is how project managers handle it. It is important for the project manager to talk to all employees in an organisation and get their thoughts on the proposed change. Hopefully common fears and anxieties will surface and the project manager can establish what is behind employees' resistance and how strong their opposition is. Knowing the intensity can help the project manager to assess how best to approach resistance – and to transform it into support for change.

Rick Maurer has identified two levels of resistance that can be encountered when changes are being introduced within an organisation:

- ◆ **Level 1: The idea itself** – This is low-grade resistance, without any hidden agenda. Opposition is based on the following: People don't understand what senior management is trying to accomplish and they don't know why it is important for the organisation. They believe in the status quo and are unaware of what impact the change will have on them. They believe that senior management has not considered what the change will cost in money or time and have ideas of their own about where the organisation should go.

There are effective strategies that can be employed to help individuals to move beyond Level 1 resistance. The project manager (change leader) should be sure to talk about his or her ideas clearly and honestly. If the resistance truly is level 1, then a clear and concise presentation with time provided for questions and answers may be enough. If left unattended, level 1 resistance can intensify. To prevent this from happening, the project manager should deal with resistance as soon as it is identified. It is better to talk to people about the proposed changes, giving them the opportunity to make a contribution to the idea or warn of potential pitfalls.

- ◆ **Level 2: Deeper issues** – While level 1 concerns are primarily intellectual, Level 2 concerns stem from the heart and gut and usually involve fear or threat and are therefore harder to get at. Surveys are usually not successful at dealing with it, neither are large meetings.

The best way to get people to move beyond resistance and obtain everyone's support is to get employees deeply involved in the change. The project manager should engage in conversation, either one-on-one or in small groups, in order to explore the opposition and to gain insight into its roots. By remaining open to others and curious about what people say, the project manager will begin to understand what people's concerns really are. Top management should therefore be aware of the number and types of resistance as well as the position of the initiators of change versus the resistors and their status in an organisation. According to Dr PS Viljoen, the following conditions are necessary for successful change to take place:

- ◆ Direct and active involvement of senior management
- ◆ Praise and proper remuneration for results
- ◆ Use of individual skills and fostering a culture of innovative thinking. He goes on to say that employees should be made aware of the pressures to change and regular feedback should be given on the performance of the entire organisation. Successful change should be encouraged and where it has occurred, it should be made known to everyone in the organisation (internal publication). Open-door communication should be the norm and the fears and concerns that individuals have should be proactively addressed.

Outsourced FM could fail if the processes, people and culture are not regarded and treated as being as important as the technical aspects that are involved. Any difficulties within the organisation, directly linked to structures, power centres and the culture, should be addressed in order to prevent them from challenging the credibility of change programmes and proposals.

Everyone within the organisation should understand the aims and underlying values of the proposed changes, and the organisational structure should be able to accommodate the changes. Effective teamwork and communication are vital for this new-look organisation. In addition to effective communication and successful teamwork, the organisation should concentrate on its recruitment practices, rewards, training, creativity and motivation.

Pay special attention to personnel matters

"Speak less... No one ever put their foot in their mouth when they were not speaking. Worse, if you are speaking, you can't be listening, and we always learn much more from listening". (Well-known management educator, Mark H. McCormack).

The workers and their families will be the most difficult to convince when it comes to selling the benefits of outsourcing. Workers usually suffer from level 2 resistance – they have something to fear and often their existence within the organisation is threatened. Outsourcing is almost always accompanied by the retrenchment of some staff members. Others who are "fortunate" enough to keep their positions are often given additional duties to perform.

The social impact of outsourcing should therefore not be underestimated, particularly in today's economic climate where unemployment levels are high. Individuals adversely affected by the change should be provided with ample future opportunities by senior management. These future opportunities could be redeployment to chosen service providers, assisting individuals to establish their own businesses and offering them the opportunity to share in the outsourced work or assisting them with training and the development of other skills.

Many outsourcing attempts leave the affected workers with no alternative work opportunities. This, in part, explains the negative attitudes many workers and unions have towards outsourcing. It's imperative that senior management wins the trust of these workers by fully involving them in the outsourcing process.

Viable alternatives such as insourcing should be considered where the parent company makes loans available to individuals enabling them to start their own businesses. The outsourcing agreement could also be structured in such a way that the new outsourcing partner is contracted to employ retrenched workers. Whatever the case, it is important that workers believe that senior management has their best interests as well as those of the organisation at heart.

"You dream things; and you say, 'Why?' But I dream things that never were; and say, 'Why not?' (Famous author and playwright, George Bernard Shaw, Back to Methuselah).

Outsourcing is clearly on the increase in South Africa and worldwide. SA now finds itself in a position where companies across the spectrum are competing head-on with international firms who have already re-engineered and gone through the process of outsourcing. In order to remain competitive, South African companies need to become more flexible and responsive to the needs of their customers. Outsourcing of peripheral activities is one way in which they can do this. The most difficult decision facing the top management team is which services to outsource and which to retain in-house.

In the past, top managers have not had systems and processes in place to determine what should be outsourced. They only established what their core business in the organisation is and outsourced all their non-core activities. Various models have been developed to assist managers in this complex process.

According to the model discussed in this article, the business environment is a complex one and indiscriminately outsourcing all non-core activities could be detrimental to the organisation in the long run. Non-core activities should only be

outsourced when it makes complete sense to do so. It is important to manage the outsourcing or change project like a project in any other field.

** Heather F Burden, BA, MBA is a Project Manager, Development Services and Project Management Division, AFRICON.
Morgan C Haylett, B Eng (Civil) PrEng, PMP is Director, Development Services and Project Management Division, AFRICON. AFRICON's telephone number is (031) 268-4111.*

This article was first published in ProjectPro magazine Vol 10 No 4, July 2000

[Back to the top](#)

© ProjectPro Management Services 2001

Permission: Requests to reprint articles published by ProjectPro must be made in writing to the publisher. No part of the articles contained in the ProjectPro Library, e-Zine or e-Newsletter may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without written permission from the publisher.

Reprints: copies of individual articles published in the ProjectPro Library, e-Zine or e-Newsletter may be purchased. For further information please contact ProjectPro at tel: +27 (0)12 346-6674; fax: +27 (0)12 346 -6675; e-mail: editor@projectpro.co.za.