

## EVALUATING THE CONTRACT SERVICE REQUIREMENT FOR THE SERVICE PROVIDER: PERSPECTIVES FROM THE FACILITIES MANAGERS

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### Abstract

This study aims to evaluate the contract service requirement for the service provider that reflects the facilities management performances from the perspectives of the facilities manager. The practiced document for contractor's service requirement has been translated into a questionnaire form. The questionnaire consists of three main sections namely respondent background information, facilities management general information and contractor service requirement parameters. The service provider's service requirement will be the main focus for the analysis. The indicator of the contract service requirement includes the legislation, control and reports. The purposive sampling was used as a sampling technique. Thirteen facilities managers from the Public Works Department of Malaysia were selected as the respondents. They are responsible for managing the government buildings in mainly in Klang Valley and Putrajaya. Overall, results from the descriptive and frequency analysis give an insight about the importance level of contract indicators in service requirement from the facilities manager's perspectives. This study is limited to evaluate the contract service requirement in facilities performance from the perspectives of facilities managers only. Nonetheless, it is significant for the service providers too. In fact, there is other service requirements indicator to be explored for a comprehensive understanding on the service requirement, its evaluation and management purposes.

**Keywords:** *facilities manager, service provider, service requirement, performance management*

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### 1.0 INTRODUCTION

In general, the government buildings serve for various functions and activities. Most of the government buildings locate offices for the administration activities. Besides that, the buildings serve for public activities and services such as health (clinic, hospital), sports (stadium, aquatic centre), education (schools, polytechnic, university), transportation (airports, railway station, bus terminal), and so on. Although these buildings ranging from historical buildings and modern or green buildings, yet it requires a systematic management ensuring the upmost functionality and performances. In fact, the building performances are usually associated with user satisfaction and productivity of an organization. Consequently, there are several methods that have been implemented to evaluate the building performance which includes the

Post Occupancy Evaluation (POE), building indexes, user's satisfaction and others. Nevertheless, managing and monitoring approach to those buildings may differ in several perspectives. But somehow, the procedure can be standardized.

In Malaysia, the Ministry of Works through Public Works Department (PWD), has introduced the facilities management (FM) to Malaysian industry in 1974 (Nik-Mat, Kamaruzzaman & Pitt, 2011). This government agency is responsible for managing the government's properties and assets which include the Federal Buildings and Federal Roads. However, the upcoming discussions will be focusing on the buildings management. The Federal Buildings were built in every state in Malaysia since the extension of delivery system by the Federal Government's departments to the state and district levels (Ministry of Works,

2016). As for today, there is 68 government building with 132 blocks under the supervision of the Ministry of Works (Table 1).

**Table 1:** The Federal Buildings in Malaysia  
(Ministry of Works, 2016)

Zone	Number of building
North Zone and Sabah	25
South Zone and Sarawak	28
Center Zone	4
East Zone	11
<b>TOTAL</b>	<b>68</b>

Meanwhile, the PWD specifically is responsible for managing the government's building both in the City of Kuala Lumpur and Putrajaya as the core service areas. Outsourcing approach has been practiced by the department for building operations and maintenance. Only in 2008, comprehensive facilities management contract systematically were executed. As for today, 25 service providers have been appointed by the FM department to manage the government's building in Putrajaya Territory, meanwhile 4 in Kuala Lumpur. Looking into the importance of the outsourcing contract by the government officials in facilities management department, therefore this study is initiated.

## 2.0 OBJECTIVES

This study aims to evaluate the service requirement for the service provider that reflects the facilities management performances from the perspectives of the facilities manager focusing on the contract as the parameter. Therefore, current practice and the practiced document of facilities management in the Public Works Department Malaysia will be discussed and evaluated.

## 3.0 LITERATURE REVIEW

### 3.1 Building maintenance and management

Buildings are expensive to maintain and adapt regardless the utilization (Lavy & Shohet, 2010). In fact, the management and maintenance works

vary from one building to another, that include the inconsistency of the quality, safety and service of operation and maintenance activities like in Malaysia (Yahya & Ibrahim, 2011). According to Chan (2014), the building maintenance aims to preserve the building in its initial effective state. In fact, a good building should be habitable, secure, durable, energy efficient and adaptive (Lavy & Shohet, 2010). It is contended that maintenance is the work undertaken in order to keep, restore or improve every facility, its services and surrounds to a currently acceptable standard and to sustain the utility and value of the facility (Chan, 2014).

Since the maintenance requirements are comparatively demanding, therefore it requires a well-developed maintenance practice to support the business operation (Lee & Scott, 2009). One of the keys for providing better-built environment to building customers and users is the management of building maintenance operation processes (Chan, 2014). Maintenance management is a medium provider and operator that oversee the components related to building condition and services installation to ensure it can perform at the optimum level (Zulkarnain et al., 2011).

In general, Lee and Scott (2008) have identified four main aspects of building maintenance management: (1) building maintenance policy and strategy, (2) strategic management, (3) facility management and (4) performance management. On the other hand, Zulkarnain et al., (2011) have identified four critical success factors in building maintenance management practice specifically for university sectors which include (1) customer (2) internal processes (3) financial and (4) learning and growth perspective. Looking into the complexity of building maintenance and management, therefore many organizations prefer to outsource the works.

### 3.2 Outsourcing services

According to Levy (1996), "many public officials are looking for assistance from the private sector in an attempt to achieve maximum efficiency at the least cost to their agencies". Instead of pay ever larger salaries for building operation and maintenance, specifically to

highly trained and specialized staff, many companies prefer to outsource the FM services (Vischer, 1996). According to Vischer (1996), outsourcing the facilities management services can be elaborated as buying the services from outside purveyors, or they are structuring and preparing their facilities management team to compete on the open market in providing services to other companies. Therefore, facility managers are expected to attain lower operational costs and risks through effective and efficient management of facilities, without compromising their performance (Lavy & Shohet, 2010).

The Federal Deposit Insurance Corporation, United States of America (2014) has outlined three issues to be focusing on, in managing multiple service outsourcing relationships. Although the highlighted issues are specifically for technology outsourcing such as internet related services, security monitoring, system development and maintenance, aggregation services, digital certification services and call centers, yet it is relevant for FM industry too. The issues are:

- i. Adopt an appropriate outsourcing strategy given the particular objectives sought by the bank (e.g., lead-subcontract approach or multiple single contract relationships).
- ii. Use a contract that comprehensively addresses and outlines the roles and responsibilities of all parties involved. The contract should include provisions for approving subcontractors as well as defining the expected levels of service to be provided to the bank.
- iii. Ensure that effective communication channels are maintained between all relevant parties. Ultimately, the key to successful management of a multiple service provider environment is contract oversight. Regularly scheduled reviews can help point out problems early enough to effect resolution before matters get out of control. Institutions may wish to develop guidelines in the contract that define the regular interaction between the service provider(s) and bank managers.

The second issue is seems relatively relevant in any FM related industry. As the

maintenance procedures allow for an oversight of common performance indicators, which usually represent the operational view of maintenance (Myeda et al., 2011), therefore the building maintenance must be started at organizational strategic level (Chan, 2014). Not only that, it is an obligation for the facility managers in general, to consider a large variety of factors in their decision-making processes (Lavy & Shohet, 2010). Nonetheless, the existing methods for supporting these processes are limited, particularly at the strategic level of facility management (Lavy & Shohet, 2010). The strategic level encompasses the facilities management, organization management, facilities management skills and facilities management practices (Wiggins, 2014).

### **3.3 Performance measurement for the outsourced services**

The performance measurement has become one of the identified solutions for the client to evaluate the service delivery. It helps the clients' decision making for continuing, renewing or terminating the contract. In fact, The Ministry of Works has blacklisted companies too due to several reasons inclusive the lower rated performance level, especially in the construction field. Meanwhile, the Ascertained Performance Deduction (APD) is the only approach to deal with unsatisfactory performance of FM service provider. Nevertheless, to what extent this exercise can be upheld in facilities management sector? A holistic performance measurement in facilities management should not only evaluate the criteria that caused the lower rated performance level by the service contractor but manage the performance with strategic solutions and actions. Surprisingly, the government of Malaysia is yet to implement any guidelines for maintenance management and also the performance measurement of the system applied, as discovered until 2010 (Myeda et al., 2011). Besides, the current form of FM performance measurement in the Ministry of Works also does not address the service providers' performance issues holistically.

At the moment, the strategic management, facilities management and performance management were obviously available for all

building categories in Malaysia (Yahya & Ibrahim, 2011). However, the maintenance policy is mainly based on the contract agreement for the outsourced consultants and contractors while house rules are implemented for building customers, tenants, users and FM personnel and maintenance management (MM) personnel (Yahya & Ibrahim, 2011). It shows that the contract agreement is important as it becomes the main reference for any outsourcing FM services. Furthermore, a comprehensive interview conducted by Yahya and Ibrahim (2011) with in-house experts included FM personnel, MM personnel, consultants and contractors regarding the building maintenance for high-rise office building in Malaysia, found that the building audit, response time, downtime, up time, request for repairs, workmanship and benchmarks for operational processes improvement were not implemented.

Consequently, the introduction to MySPATA (a Fixed Asset Management System) developed by the Modernization and Management Planning Unit (MAMPU) and the Public Works Department, has contributed to overcome the afore-mentioned issues. Moreover, the Facilities Management Department in the Ministry of Works has developed a systematic documentation for the outsourcing services. Also, several guidance tools have been established for both facilities manager and the service provider to manage the properties efficiently such as Asset management monitoring system, Digital document management system, Guide on inspection of the government movable assets, Guide to make a complaint on office malfunctions, Guide on payment of claims to the concession companies for building maintenance works and Guide on process of inspection of establishment (Ministry of Works, 2016).

Nowadays, the performance management is more challenging not only to the client but to the service providers too, due to the complexity of technology both for buildings and facilities. Besides, the facility management clients are more and more demanding as to the quality and diversity of the services they require. This calls for a revisit to the existing facility management processes for improvement.

### **3.4 Contract as one of the service requirement parameters in performance management**

Breitbarth, Mitchell, and Lawson (2010) have identified the performance measurement as a management philosophy of continuous learning whereby feedback is used for an organization to make ongoing adjustments in the pursuit of its long-term performance vision. Moreover, the Management (2014), has grouped the main reasons for measuring performance into five; i) to learn and improve; ii) to report internally and externally; iii) to demonstrate compliance; iv) to provide information to help managers make better-informed decisions and v) to comply with external reporting regulations and information requests. Meanwhile, a study by Nik-Mat et al., (2011) also have proposed that “measuring the performance of FM services particularly on the maintenance aspect in their study is very important as it enables the FM or maintenance managers to comprehend the strengths, weaknesses and also significance of the service provided and also both tangible and intangible values of the building”.

On the other hand, the performance management has focused on outcome and output instead of financial input for decision making purposes (Buschor, 2013). The transformation from performance measurement to performance management has helped to handle the information becomes attractive and feasible for developing set of good practices (Amaratunga & Baldry, 2002). Therefore, relying on performance measurement is insufficient in managing the performance of service provider. As to ensure an efficient and satisfied service delivery, a proper document or contract should be understood by both client and the service provider at the early stage. It helps to avoid any misleading or misunderstanding of the workload.

According to Harper, (1997), the first step toward the development of a good contract is to ascertain what the current program goals are, follows by a reevaluation of the current program objectives in order to determine if those objectives need for amendment. Therefore the public officials, contract administrators, and managers need to understand the importance of

key provisions in contracts, the necessity of utilizing information technology in contract management and the need to have ongoing training in program development (Harper, 1997).

Wiggins (2014) has determined the contract as one of the parameters in the provision of FM services besides roles, delivery, relationships, improvements, change and closure. Then, the contract itself has six parameters namely assets, reports, control, structure, ownership and legislation. Nonetheless, only three parameters were included in the FM service contract by the PWD.

#### 4.0 METHODOLOGY

A set of questionnaire consist of three main sections namely background information, facilities management general information and contractor service requirement parameters. The contractor service requirement will be the main focus for the analysis. The indicators for the contract include the legislation, control and reports. These indicators were developed based on the currently practiced document for contract service and FM services framework by Wiggins (2014). The similar parameters in both documents were extracted out into general statements for further analysis.

##### 4.1 Sampling

The purposive sampling was used as a sampling technique, which the respondent was purposely selected to answer the questionnaire. There are thirteen facilities managers in the Public Works Department, Malaysia who were selected as the respondents. They are responsible for managing the facilities management works for the government buildings in the Federal Territory of Kuala Lumpur.

#### 5.0 FINDINGS AND DISCUSSION

##### 5.1 Background of respondent

The following Table 2 shows the frequency analysis result on service duration of the respondent at the organization. There were 12

(92.3%) respondents have more than 3 years of service duration in PWD, meanwhile only 1 (7.7%) respondent with less than 1-year service experience. The result has indicated that the majority of the FM officers are very familiar with the FM organization and functions.

**Table 2:** Service duration at the organization

	<i>f</i>	%	Valid Percent	Cumulative Percent
Less than 1 year	1	7.7	7.7	7.7
More than 3 years	12	92.3	92.3	100
<b>Total</b>	<b>13</b>	<b>100</b>	<b>100</b>	

Followed by Table 3, it has explained the background of the respondents' organization. About 7 (53.8%) of them have been working in the department that applying the FM services. Meanwhile, 9 (69.2%) of them, have been responsible for and monitoring the FM contracts. The result has shown that not every officer are dealing with the FM contract, even though the majority has more than three years of working experience in the FM department. Or else, they are the newly appointed staff to the FM department.

**Table 3:** FM related organization

	Yes		No		TOTAL	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
FM services being applied	7	53.8	6	46.2	13	100
Executing and monitoring FM contracts	9	69.2	4	30.8	13	100

Then, Table 4 shows the number of Facilities Management contracts that have been executed or supervised by the respondents. A total 38.5% of respondents have more than 5 contracts to supervise, followed by 30.8 % for three contracts, whereas 15.4% with no contract.

After that, given a 10 likert scales started from strongly disagree to strongly agree, the respondents were asked to evaluate their understanding about FM function based on the

following statements. Result from the descriptive analysis shows that the first statement on FM functions has the highest mean (8.69), meanwhile statement number four has the lowest mean (7.62) (See Table 5).

**Table 4:** Number of Facilities Management contracts

	<i>f</i>	%	Valid Percent	Cumulative Percent
None	2	15.4	15.4	15.4
1	2	15.4	15.4	30.8
3	4	30.8	30.8	61.5
More than 5	5	38.5	38.5	100.00
Total	13	100.0	100.0	

**Table 5:** Descriptive statistics on general understanding about facility management functions

Parameters	N	Mean	Std. Deviation
The function of the FM is that of managing the building in the best interests of the core business.	13	8.69	1.377
The aim of FM is to optimize running costs of buildings and raise efficiency of the management of space and related assets for people and processes.	13	8.54	1.050
It focuses on post occupancy rather than pre-occupancy issues.	13	8.15	1.144
FM functions provide solutions which directly benefit the core business.	13	7.62	1.387
FM function contribution to the development and delivery of business strategy	13	8.15	1.068

This has indicated that even facilities manager in the government official did not sure firmly that the current FM functions provide solutions that benefit the core business. Otherwise the currently practiced FM document itself did not highlight or incorporate the benefits.

## 5.2 Contract as a service requirement parameter

The reliability test was conducted to measure the consistency of the contract parameters' score. If a test or assessment procedure provides reliable score, the scores will be similar on every occasion (Johnson & Christensen, 2016). As shown in Table 6, the reliability of the Cronbach alpha coefficient was 0.877. Meanwhile the scores of the reliability test for each performance parameters are shown in Table 7.

**Table 6:** Reliability statistics

Cronbach's Alpha	N of Items
0.877	12

**Table 7:** The scores of the reliability test for each performance parameters

Parameter	Performance parameter	Cronbach's Alpha if Item Deleted
Legislation	The contractor shall comply and adhere to laws and regulations	0.878
	The contractor needs to submit the written policy	0.875
	The contract shall be mutual explanatory to ensure the contractor perform provision of services properly	0.851
	The contract shall be mutual explanatory to ensure the client understand and fulfill their obligation	0.848
Control	The contractor shall provide the service delivery plans	0.869
	The contractor shall establish the internal audit team	0.864
	The contractor needs to submit detailed information in monitoring performance against KPIs.	0.866
	Provision of corporate quality policy should be part of contractor's	0.870

	objective and goals	
Report	The contractor shall at all times keep full and accurate records of all services provided	0.867
	Reports must be accurate and correct and it is verified by nominated competent person	0.872
	Timely submission of reports by the contractor	0.870
	Contractor shall submit statutory declaration stating that the contractors and reason for non-payment (if any)	0.877

As mentioned before, reliability of the Cronbach alpha coefficient for all performance parameters was 0.877, thus this indicates that all the parameters were statistically reliable. Then, Table 8 compiles the result of the descriptive statistics on contract parameter; legislation, control, and report. The highest mean for legislation goes to statement number 1 (9.46), while statement number 2 and 4 have the lowest mean (8.38). Moreover, the first and the third statement of control indicator indicate the highest mean (9.46); meanwhile the second statement has the lowest mean (8.77). On the other hands, the highest mean for report parameter goes to the second and third statement.

**Table 8:** Descriptive statistics on contract parameters

	N	Mean	Std. Deviation
<b>Legislation</b>			
1. Contractor shall always comply and adhere to laws and regulations governing environment, health and safety when performing the services and its obligation under the contract.	13	9.46	0.877
2. Contractor needs to submit written	13	8.38	2.142

policy that defines its approach to service standards.			
3. Contract shall be mutual explanatory to ensure the contractor perform provision of services properly	13	8.92	1.553
4. Contract shall be mutually explanatory to ensure the client understand and fulfill their obligation.	13	8.38	1.758
<b>Control</b>			
1. The contractor shall provide service delivery plans detailing the manner in which the contractor intends to provide the services.	13	9.46	0.776
2. Establishment of contractor internal audit team to check and balance contractor's performance.	13	8.77	1.691
3. A contractor needs to submit detailed information in monitoring performance against KPIs.	13	9.46	0.877
4. Provision of corporate quality policy should be part of contractor's objective and goals.	13	8.92	1.115
<b>Report</b>			
1. The contractor shall at all times keep full and accurate records	13	9.38	0.961

of all services provided in terms of the contract			
2. Reports must be accurate and correct and it is very verified by nominated competent person.	13	9.69	0.480
3. Timely submission of reports is important to assess contractor's performance	13	9.69	0.480
4. Contractor shall submit statutory declaration stating that the contractors and reason for non-payment (if any)	13	9.31	1.109

## 6.0 CONCLUSION

Managing the government buildings involves wide range of activities. In fact, several studies have mentioned that many government officials and private companies are outsourcing the facilities management services for cost efficiency. In Malaysia, several guidance tools and system have been introduced as to facilitate both parties (FM manager and service provider) to manage the buildings systematically. Although managing the government buildings are differ in several perspectives, yet the work must be done systematically and continuously regardless the challenges. Therefore, the performance of service delivery should be managed systematically. One of the strategies is to understand the contract as a service requirement in facilities performance.

Overall, results from the descriptive and frequency analysis have given an insight about the importance level of contract indicators in service requirement from the facilities manager's perspectives. Principally, the FM manager's evaluation on the contact parameters has helped the researcher to determine the existing performance management practices; the

level of understanding and importance of FM contracts amongst them. This insight might contribute to improve the current practice of FM. Nonetheless, there is another five parameters namely roles, relationship, improvement, change and closure to be discovered and analyzed in the future for a comprehensive discovery on determining the contractors' service requirement. On the other hand, there is one important element that should be integrated into the contract documentation which is Service Level Agreement (SLA).

Last but not least, ensuring the building efficiency and safety, not only consider to the building management and maintenance, but also to the user satisfaction. It is hoped that further research can integrate the needs from three parties; client, service provider and the user for a comprehensive performance management perspective.

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