TOWARDS EFFECTIVE FM OUTSOURCING: BARRIERS AND STRATEGIC INTERVENTIONS FROM THE SRI LANKAN SERVICE PROVIDER'S PERSPECTIVE

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Abstract. Facilities management (FM) refers to the management of non-core business activities to support the core activities. FM outsourcing has been established as one of the successful methods for FM procurement because of its benefits. In the FM operation, various challenges have arisen from various perspectives. Referring to that, the aim of this study is to investigate requirements for maintaining an effective FM outsourcing contract by the service provider company. The research scope was limited to challenges to FM service providers and strategies that are used by them to overcome challenges within the Sri Lankan context in a situation where the contract has already been formed. Accordingly, a qualitatively based extensive literature synthesis has been conducted concerning the FM outsourcing concept and challenges in maintaining FM contracts. Following the qualitative approach, data were collected through nine (9) semi-structured interviews with FM service providers. The findings revealed that in the Sri Lankan context, FM service providers are facing various challenges, knowing them and making strategies to overcome them will be the key to the continuity of the contract with the client. Prioritizing clients' needs, defining proper standing operation procedures, having separate service coordinators, frequent meetings with the client and subcontractors, understanding the client's language and nonverbal communication, and forming communication strategies were mainly used as strategies. The framework has been developed based on the above-mentioned key findings, including key determinants to be considered.

Keywords. Facilities Management, Outsourcing, Service Provider, Contracts

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1. Introduction

FM provides business-improving solutions for organizations that are looking for solutions to the problems occurring in their business (Fajrillah et al., 2022). Further, it has been defined as the strategic management of non-core activities (Parry & Collins, 1993). The growing awareness and recognition of FM and the role of FM for business performance in the public sector and the corporate sector have gradually grown with competitive strategies (Riratanaphong et al., 2012). Ikediashi et al. (2014) stated that as organizations increasingly recognize the strategic value of FM, many are re-evaluating how these services are delivered to maximize efficiency and effectiveness. This shift has led to a growing interest in alternative delivery models, among which outsourcing has emerged as a prominent approach (Pratap, 2014). Outsourcing has gained traction as it allows organizations to tap into external expertise and streamline their operations (Ikediashi, 2014). This trend reflects a broader move toward more agile and cost-effective management of non-core functions. Accordingly, three main reasons have been identified for outsourcing to become increasingly popular in organizations that are integrating with the best practices: achieving optimum cost discipline, improving managerial skills for better performance, and enabling a stronger focus on core competencies of the organization (Ikediashi et al., 2014).

Outsourcing the FM functions allows management to spend more time and pay attention to core business activities (Vetr et al., 2013). The new generation debate, however, is that it is not only about outsourcing facilities management but about

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how it should be managed effectively (BOOTY, 2009). Several factors have been identified that influence FM outsourcing decisions, including increasing flexibility and profitability, solving capacity problems, making costs more transparent, and reducing operational expenses (Iqbal, 2013). This highlights a growing need to shift from simply outsourcing FM functions to strategically managing outsourced contracts to ensure value delivery. Although there are various methods of outsourcing, the expected value will be gained or achieved only through effective restructuring of the rigid property portfolio as per the business needs (Soili Nystén-Haarala, 2010). Such contradictions between the expected benefits and actual outcomes suggest a lack of clarity on the conditions under which FM outsourcing becomes successful (Ikediashi et al., 2014).

To address this, there must be proper commitment from top and middle management to understand how business operations flow from strategic to operational levels (Wauters, 2017). When considering the main areas of concern for FM outsourcing companies, customer satisfaction, sustainability, energy management solutions, key performance indicators, and better risk-sharing are seen as key factors (Rimbalová & Vilčeková, 2013).

In Sri Lanka, although demand for FM services is growing, the property market expects teams that are specialized and trained to meet this increasing demand (Research and Professional Development Center, 2016). However, challenges such as shortage of skilled human resources, benchmarking, and the level of quality of FM service providers and suppliers continue to affect service reliability (Dissanayake & Weerasinghe, 2015). Therefore, proper integration between the FM service provider and the client organization is essential (ISS, 2016). Some studies have found some cases related to the failures in outsourcing arrangements because of not having properly administered strategies (Amos & Gadzekpo, 2016).

While several studies have explored FM outsourcing risks and practices in countries like Nigeria (I. Ikediashi et al., 2014; Ikediashi et al., 2012) and Uganda (Natukunda et al., 2013), there is a notable lack of research in the Sri Lankan context. This absence limits the understanding of local challenges and stakeholder dynamics in FM outsourcing. This study, therefore, aims to critically examine the key challenges of successful FM outsourcing in the Sri Lankan context and propose strategies for improving contract performance. By addressing contextual limitations in current literature in Sri Lankan context, this research seeks to bridge the gap between FM outsourcing theory and its practical application in Sri Lanka.

2. Literature Review

2.1 CONCEPT OF FACILITIES MANAGEMENT (FM) OUTSOURCING

The Centre for Facilities Management, Strathclyde Graduate Business School, defined facilities management as “the process by which an organization delivers and sustains a quality working environment and delivers quality support services to meet organization objectives at the best cost” (Kurdia et al., 2011). According to Lok and Baldry (2015), facilities management (FM) outsourcing is the process of delegating facility-related services to external service providers instead of managing them in-house. This practice has evolved as organizations seek to focus on their core competencies while improving efficiency and cost-effectiveness in non-core activities (Wang et al., 2020). FM outsourcing can involve either partial or complete externalization of a process that was previously managed within the organization.

The concept of FM outsourcing gained prominence in the USA during the 1970s when large and medium-sized firms started contracting out their FM services to specialized facilities management companies (Parry & Collins, 1993). This trend later expanded to Britain in the 1990s and has since continued to grow globally (Jensen, 2017). Studies indicate that even during financial crises, the tendency for FM outsourcing has increased, with 63% of organizations opting for outsourced FM services despite a slight reduction in FM turnover (Jensen, 2017). Outsourcing FM functions allows organizations to concentrate on their core business activities while benefiting from specialized service providers' expertise (Lok, So, et al., 2021). By outsourcing, companies can achieve better cost management, enhance service quality, and optimize operational efficiency (Lok, Smith, et al., 2021). Furthermore, FM outsourcing supports business rationalization by optimizing costs, improving flexibility, and ensuring better management of facilities (I. Ikediashi et al., 2014).

2.1.1 Key Strategies in FM Outsourcing

FM outsourcing is guided by two primary strategies: core competency focuses and outsourcing non-core activities (Opoku & Lee, 2022). The first strategy emphasizes leveraging the organization's internal resources and investments for critical business functions. The second strategy involves outsourcing activities where the organization lacks specialized capabilities (Pratap, 2014). Organizations must carefully evaluate their resource base and internal staff capabilities before deciding to internalize or outsource FM services (Pratap, 2014).

In addition to outsourcing non-core activities, organizations must also consider intangible resources such as information technology management and process knowledge (Hoxha et al., 2022). Effective outsourcing requires careful decision-making at every stage, from the tendering process to contract management and long-term service evaluation (Pratap, 2014). Different FM outsourcing models have been identified in the literature. According to Jensen (2017), FM outsourcing can be categorized into four sourcing models:

1. In-house/own production – Organizations manage FM services internally.
2. Single services – Outsourcing specific FM services to external providers.
3. Bundled services – Grouping multiple FM services under one contract with a service provider.
4. Integrated Facilities Management – A comprehensive outsourcing approach where all FM functions are handled by a single provider.

Organizations often adopt a combination of these models depending on their operational requirements and strategic objectives (Lok, Smith, et al., 2021). The selection of the appropriate model depends on factors such as service scope, geographical coverage, relationship management, and decision-making structures (Wang et al., 2020). FM outsourcing contracts generally span three to four years, during which organizations and service providers must maintain strong collaboration to achieve the desired outcomes (Kurdi et al., 2011). Moreover, balancing in-house and outsourced FM services is a critical decision, as organizations need to assess whether outsourcing will provide the expected benefits while maintaining operational control (Opoku & Lee, 2022). The Balanced Scorecard method has been suggested as a tool for evaluating FM performance and procurement decisions (Hoxha et al., 2022). Additionally, maintaining long-term relationships with service providers is essential to ensure service quality and operational efficiency (Jensen, 2017).

Despite the numerous benefits of FM outsourcing, organizations frequently face a range of challenges that can compromise the success and continuity of the outsourced delivery service. These challenges are not limited to clients alone but significantly impact service providers, who must navigate issues such as maintaining consistent service quality, adapting to evolving client expectations, managing resource constraints, and aligning their operations with contractual obligations. Identifying and understanding these specific challenges from the service provider's perspective is essential to improving long-term outsourcing relationships and ensuring the sustainability of FM contracts.

2.2 CHALLENGES TO THE FM SERVICE PROVIDER FOR CONTINUING FM OUTSOURCING CONTRACT

Outsourcing in FM has grown significantly as organizations seek to improve operational efficiency and reduce costs. However, several challenges continue to impact the effective implementation of outsourced FM services. These challenges can be grouped into key areas: strategic, operational, and relational challenges, which can hinder the success of outsourcing arrangements.

2.2.1 Strategic Challenges

The alignment of outsourcing strategies with the organization's long-term goals is often a significant hurdle. A study by Lilly et al. (2020) suggests that many organizations struggle to integrate FM outsourcing into their core business strategies. This misalignment can lead to difficulties in ensuring that the outsourced services contribute to the organization's overarching objectives. Furthermore, a lack of clarity in the selection of service providers may result in the wrong choice of partners, compromising the quality and efficiency of services (Amos & Gadzekpo, 2016).

2.2.2 Operational Challenges

On the operational side, managing day-to-day operations becomes complex as FM services are outsourced to third parties. According to Teo et al. (2025), managing the coordination between internal teams and external service providers can lead to communication gaps and inefficiencies. Additionally, issues such as poor contract management, unclear service level agreements (SLAs), and inadequate performance monitoring can lead to operational disruptions (Moseley & Thomann, 2021). These challenges are particularly pronounced in long-term contracts where expectations evolve.

2.2.3 Relational Challenges

The relationship between the client and the service provider is central to successful outsourcing. One of the most significant challenges is building and maintaining trust. A study by Brito et al. (2024) found that a lack of trust and poor communication between stakeholders can create a toxic environment that undermines collaboration. Furthermore, issues related to cultural differences, particularly when the service provider is from a different region or country, can exacerbate misunderstandings and negatively impact service delivery (Lai et al., 2025).

2.2.4 Technology and Innovation Challenges

As technology continues to advance, the incorporation of smart building technologies and integrated FM systems has become increasingly important. However, many organizations face challenges in adopting new technologies due to the high costs, complexity of integration, and resistance to change from internal staff (Koo & Jeong, 2024). Furthermore, service providers may not always have the technical expertise required to implement innovative solutions, thereby hindering the potential benefits of outsourcing in terms of technology adoption.

2.2.5 Financial and Risk Management

One of the primary reasons for outsourcing is the financial savings it offers. However, without proper risk management frameworks in place, organizations may find themselves exposed to financial risks. According to D'Andrea et al. (2023), hidden costs, such as the need for additional monitoring and administrative support, can erode the financial benefits of outsourcing. Furthermore, the reliance on a third-party provider for critical services creates vulnerability in case of service disruptions or non-compliance with contractual obligations.

2.2.6 Quality Control and Performance Management

Maintaining service quality is a perennial issue in outsourcing arrangements. Studies by Ikediashi et al. (2014) emphasize that without effective performance management systems in place, outsourced FM services may fail to meet the required standards. Poor performance in facilities management can lead to dissatisfaction among employees and tenants, affecting the overall organizational environment and productivity.

Table 1: Challenges to FM service providers

Challenges to the FM Service Provider		
Management Challenges		
1	Not being able to provide the learning and development to the staff	(Capizzi, 2018)
2	Not being able to manage the risks of the operation	(Sillanpää & Junnonen, 2012)
3	Being unable to manage the sub-contractors accordingly to overcome the required qualitative and quantitative outcomes	(Patacas et al., 2020), (Sarshar, 2006)
4	Being unable to ensure a smooth transition	(Sarshar, 2006)
5	Not paying attention to the issues at the right time	(Sillanpää & Junnonen, 2012)
Challenges because of the client's mindset		

6	Restrictions on the sacrifice of short-term cost benefits to achieve long-term cost benefits	(Kurdia et al., 2011)
7	The decision to go with multiple contractors for various hard FM and soft FM functions.	(Pratap, 2014)
8	That outsourcing is an automatic ticket to success	(Campbell, 2006)
Expertise Challenges		
9	Not having sufficient technological expertise to overcome the technological issues	(Ikediashi, 2014), (Kurdia et al., 2011), (Iqbal, 2013)
10	The shortage of experienced and effective managers	(Lok & Baldry, 2015), (Amos & Gadzekpo, 2016), (Ikediashi, 2014)
Challenges due to lack of management in sub-contracting		
11	Being unable to manage the sub-contractors accordingly to overcome required qualitative and quantitative outcomes	(Lok & Baldry, 2015), (Ventovuori & Lehtonen, 2006), (Patacas et al., 2020)
External environmental challenges		
12	Economic demand becomes less due to the economic crises	(Riratanaphong et al., 2012), (Capizzi, 2018)
Challenges in relationship management		
13	Not being able to correctly engage with the co creation process has been led to many issues	(Ikediashi et al., 2012)
14	Situations where the contract value exceeds the risks associated with the business process	(Performance Transparency Drives, 2016)

3. Research Methodology

The research approach can be defined as plans and procedures for conducting research that cover the progression from general hypotheses to specific techniques for data collecting, analysis, and interpretation. The qualitative research approach has been used for this study because it can thoroughly analyse ideas, models, and frameworks with a theoretical foundation (Creswell, 2014). This paper addressed the research problem:

RQ: What are the main challenges in outsourcing facilities management services, and how can they be mitigated for better outcomes?

Exhaustive literature research was conducted by reviewing conference papers, journal articles, e-books, and other publications to access knowledge on evaluating the concept of FM outsourcing, concerns in FM outsourcing, such as importance and key considerations, and challenges in FM outsourcing contracts. Thus, there is a knowledge gap in comprehensively identifying the strategies that have been taken to overcome the challenges faced to get a good platform to fulfill the expected objectives from this study, to develop guidelines for service provider companies to overcome those identified challenges and keep continuing the FM contract. Semi-structured interviews were carried out to collect qualitative data on practitioners lived experiences, observations, and opinions on the contexts of FM contracts.

Although various outsourcing models exist within the industry, the interview guide was intentionally designed to extract views on challenges and strategies that are commonly encountered regardless of the specific outsourcing model adopted. Therefore, the challenges and mitigation strategies identified in this study are intended to reflect universal issues experienced across different FM outsourcing models, making the findings broadly relevant and applicable.

Data analysis is an important activity in the process of the data through the most appropriate information-gathering methodologies to provide the expected results of the research process. Manual content analysis was conducted to identify the strategies to overcome the challenges faced. There are no closely defined rules when selecting a sample size for qualitative research (Baum, 2000; Patton, 2002). However, according to Huberman and Miles (1994), qualitative research generally relies on small numbers to study in-depth and detailed detail. Hence, for this study, the snowball sampling technique was used to select the sample. This method was an easy and fast way to select a suitable sample from the population. Accordingly, as mentioned above, the initial sample was limited to interviews of nine respondents who were saturated after the seventh interview. Table 2 summarizes the profile of the interviewees.

Table 2: Profiles of interviewees

Interviewee code	Profession	Designation	Years of experience
R1	FM function manager	Property Manager	9
R2	Facilities Executive	Facilities Executive	6
R3	FM executive	FM executive	9
R4	Facilities manager	Facilities manager	16
R5	FM Manager	FM Manager	7
R6	FM executive	FM executive	24
R7	Senior Facilities Manager	Senior Facilities Manager	10
R8	Hard FM Manager	Hard FM Manager	26
R9	Soft FM executive	Soft FM executive	7

4. Research Findings

The data collected was the opinions of the experts on the generic factors that were identified as related to outsourcing FM. The data collected was analyzed through manual content analysis. Consequently, the findings from the conducted expert interviews have been discussed as follows.

4.1 CHALLENGES TO THE FM SERVICE PROVIDER FOR CONTINUING FM OUTSOURCING CONTRACT

All the challenges identified in the literature review were checked with the respondents' opinions. All the respondents were asked whether the identified challenges in the literature review are valid for the Sri Lankan context. The respondents were asked to give additional challenges they have experienced or known. Consequently, no additional challenges were identified by the respondents. Further, their experience with each challenge was analyzed. Table 3 illustrates the findings through expert interviews.

Table 3: Challenges to the FM Service Provider

Challenges to the FM Service Provider		**R1**	**R2**	**R3**	**R4**	**R5**	**R6**	**R7**	**R8**	**R9**
Management Challenges										
1	Not being able to provide the learning and development to the staff.	✓	✓	×	✓	✓	×	✓	✓	✓
2	Not being able to manage the risks of the operation.	×	✓	✓	✓	×	✓	✓	✓	✓
3	Being unable to manage the sub-contractors accordingly to overcome required qualitative and quantitative outcomes	✓	✓	×	✓	✓	✓	✓	✓	×
4	Being unable to ensure a smooth transition	×	✓	×	✓	×	✓	✓	✓	✓
5	Not paying attention to the issues at the right time.	✓	✓	✓	✓	✓	✓	✓	×	✓
Challenges because of the client's mindset										
6	Restrictions on the sacrifice of short-term cost benefits to achieve long-term cost benefits	✓	✓	✓	✓	✓	×	✓	✓	×
7	The decision to go with multiple contractors for various hard FM and soft FM functions.	✓	×	✓	✓	✓	✓	✓	✓	✓
8	That outsourcing is an automatic ticket to success	✓	✓	✓	✓	×	✓	✓	✓	✓
Expertise Challenges										
9	Not having sufficient technological expertise to overcome technological issues.	✓	✓	×	✓	✓	✓	✓	✓	✓
10	The shortage of experienced and effective managers	×	✓	✓	✓	✓	✓	✓	✓	✓
Challenges due to a lack of management in sub-contracting										
11	Being unable to manage the sub-contractors accordingly to overcome the required qualitative and quantitative outcomes	×	✓	✓	✓	✓	✓	✓	✓	✓
External environmental challenges										
12	Economic demand becomes less due to the economic crisis.	×	✓	✓	✓	✓	✓	✓	✓	✓
Challenges in relationship management										
13	Not being able to correctly engage with the co-creation process has led to many issues	✓	✓	✓	✓	✓	✓	✓	×	✓
14	In situations where the contract value exceeds, the risks associated with the business process	✓	✓	✓	✓	✓	✓	×	✓	×

The **management challenges** identified by respondents highlight several key issues affecting service delivery. One major concern is the lack of learning and development for staff, where R1 mentioned, "There is no proper staff training and upskill within the organization, which leads to inefficiencies in service delivery." Similarly, risk management deficiencies were raised by R3, who noted, "Most service providers do not conduct risk assessments properly, which causes issues in service quality and safety." Additionally, subcontractor management remains a significant hurdle, as R5 explained, "The biggest challenge we face is managing subcontractors effectively. Sometimes, they do not meet the required quality standards". Another critical issue is ensuring a smooth transition when new contracts begin, with R7 stating, "When a new contract begins, there is no proper transition plan, and it affects service continuity." Furthermore, delayed attention to operational issues creates unnecessary disruptions, as R8 pointed out, "Sometimes, the response time for addressing operational issues is too slow, creating unnecessary disruptions."

Challenges also arise due to the **client's mindset**, particularly regarding cost considerations and expectations. Many clients tend to prioritize **short-term cost savings over long-term benefits**, which affects the overall efficiency and quality of service. R9 explained this by stating, "Clients mainly look at short-term cost reductions rather than investing in sustainable solutions that could provide long-term benefits." This approach often results in lower service quality and increased long-term operational costs.

Another major category of challenges relates to **contractual and compliance issues**, which affect the smooth execution of service agreements. Several respondents highlighted difficulties in contract enforcement and the rigidity of contractual terms. R4 emphasized, "Some contract terms are too rigid, leaving little room for flexibility when unexpected issues arise." Similarly, R2 pointed out issues in defining the scope of work, stating, "Ambiguities in the contract lead to disputes because different parties interpret the scope differently." Compliance with regulatory requirements also poses a challenge, as R6 noted, "Meeting all the compliance and regulatory requirements adds extra workload and sometimes causes delays in service execution."

Additionally, **financial constraints and budget limitations** create significant barriers to effective service delivery. R5 explained, "Budget cuts often lead to reduced service quality since we have to compromise on materials or resources." The issue of delayed payments further complicates operations, as R3 stated, "Late payments from clients affect cash flow, making it difficult to manage resources efficiently." This problem is compounded by unrealistic pricing structures in tenders, with R7 adding, "Sometimes, contracts are awarded to the lowest bidder, which forces service providers to cut costs, ultimately affecting quality."

In terms of **operational challenges**, many respondents pointed out inefficiencies in resource allocation and workforce management. R1 mentioned, "There is often a mismatch between the workload and the available workforce, leading to delays and inefficiencies." Similarly, R8 highlighted the difficulty in retaining skilled employees, stating, "High staff turnover is a major issue because we constantly have to train new employees, which disrupts workflow." A related concern is the lack of proper technology adoption, as R9 explained, "We are still relying on outdated systems, which reduces efficiency and makes it harder to track progress in real-time."

Communication gaps between stakeholders also contribute to operational inefficiencies. R6 pointed out, "Miscommunication between different parties leads to mistakes and delays in decision-making." This issue is particularly evident in coordination between contractors and clients, as R2 stated, "Sometimes, clients do not provide timely feedback, which affects project timelines and deliverables."

Lastly, challenges related to **external factors and environmental conditions** were also raised by respondents. R4 highlighted unpredictable weather conditions, explaining, "Extreme weather events sometimes disrupt our operations, and there are no proper contingency plans in place." Additionally, supply chain disruptions due to global uncertainties were a concern for R3, who noted, "Material shortages and supply chain disruptions have become more common, making it difficult to maintain schedules."

4.2 STRATEGIES TO MAINTAIN AN EFFECTIVE FM OUTSOURCING CONTRACT

To address the identified challenges in FM outsourcing contracts, a set of strategic approaches has been outlined to ensure smooth operations, better coordination, and overall efficiency. These strategies align with key challenge categories and focus on practical solutions that can enhance service delivery and contract performance.

Management challenges in FM outsourcing arise due to inefficiencies in staff training, risk management, subcontractor coordination, and transition planning. To overcome these issues, FM service providers must prioritize learning and development programs for staff to enhance skills and ensure alignment with client requirements. Proper risk assessment and mitigation strategies should be implemented to manage operational risks effectively. R4 emphasized the importance of structured subcontractor management, stating, "Defining proper SOPs, conducting regular evaluations, and ensuring continuous supervision help subcontractors meet both qualitative and quantitative expectations." Additionally, a smooth transition process can be achieved through thorough site assessments and timely communication between outgoing and incoming contractors. Another key issue is delayed response to problems. As R3 pointed out, "Paying attention to operational challenges at the right time prevents disruptions and ensures service continuity."

Clients often struggle to balance short-term cost savings with long-term benefits, leading to financial constraints in FM operations. To mitigate this, FM service providers should educate clients on the financial advantages of strategic FM outsourcing. R6 suggested, "Demonstrating cost-benefit analysis with real case studies can help clients see the long-term financial and operational advantages." In cases where clients choose multiple contractors for different FM functions, better coordination and integration strategies must be established to prevent inefficiencies. As R2 mentioned, "Standardizing service coordination among multiple contractors ensures seamless integration and minimizes operational conflicts." Clients sometimes assume that outsourcing guarantees success without active involvement. To counter this, FM providers should involve clients in key decision-making processes and ensure clear role distribution.

A major issue in FM outsourcing is the lack of technological expertise and experienced managers to handle operations effectively. To overcome this, companies should invest in training programs, workshops, and certifications to enhance the technological capabilities of FM teams. R7 highlighted, "Adopting new technologies and integrating Building Management Systems (BMS) and Computer-Aided Facility Management (CAFM) software can improve efficiency and service delivery." To address the shortage of experienced managers, companies should develop leadership programs and mentorship initiatives to nurture managerial talent internally. R5 emphasized, "Proper supervision and hands-on training can help new managers gain expertise and confidence in handling FM operations."

Subcontractor management is a critical aspect of FM outsourcing, and inefficiencies in this area can lead to poor service delivery. Strategies to enhance subcontractor management include clearly defining SOPs and performance standards, regular performance reviews and site inspections, and assigning a dedicated coordinator to oversee subcontracted services. R1 mentioned, "Continuous evaluation and direct supervision ensure that subcontractors align with FM service quality expectations." By ensuring better accountability and communication, FM providers can enhance the performance of subcontractors.

Economic instability and external market conditions pose significant challenges to FM service providers. To mitigate risks associated with economic downturns, companies should adopt a proactive approach by forecasting financial trends and adjusting contract terms accordingly. R9 emphasized, "Monitoring economic trends and adapting cost structures help FM providers remain competitive even during financial crises." Additionally, FM providers should explore cost optimization strategies such as resource efficiency, energy-saving initiatives, and sustainable practices to reduce operational expenses.

Building strong relationships among FM service providers, clients, and subcontractors is essential for contract success. One major challenge is engaging effectively in co-creation, which involves collaborative problem-solving. R3 pointed out, "Active engagement and open discussions between FM teams and clients improve service innovation and efficiency." Another critical issue is contract value escalation and associated business risks. To address this, FM providers must ensure transparent financial reporting and regular cost assessments. R8 suggested, "Having justifications for cost escalations and maintaining an open dialogue with clients can prevent disputes over contract values."

5. Discussion

The study identifies key challenges in FM outsourcing, categorizing them into management inefficiencies, client-related constraints, expertise limitations, subcontractor management issues, external environmental impacts, and relationship management complexities. Addressing these challenges requires strategic interventions that align with industry best practices and empirical evidence. For instance, proper change management strategies (Jensen, 2017) and continuous staff training (Dixit et al., 2019) are crucial to improving operational efficiency. Additionally, ensuring coordinated subcontractor management enhances service quality, as improper oversight often leads to performance inconsistencies.

Client mindset is another determinant of FM contract success, where short-term cost-saving decisions often undermine long-term benefits (Al-Najjar, 2021). Educating clients on the advantages of integrated FM services can mitigate such challenges. Furthermore, technology adoption in FM operations (Kamarazaly et al., 2013) addresses expertise gaps, enhancing decision-making and resource optimization. External economic and environmental factors, although beyond direct control, necessitate proactive financial and strategic planning (Shohet & Lavy, 2004).

Effective relationship management is critical in mitigating contractual disputes and ensuring co-creation (Grimshaw et al., 2015). Establishing transparent communication channels fosters trust and facilitates adaptive service models. By implementing these strategic responses, FM outsourcing can transition from reactive problem-solving to a proactive, value-driven approach.

6. Conclusion

This study underscores the multifaceted challenges in FM outsourcing and the necessity of structured strategies to ensure contract efficiency. Management inefficiencies, inadequate client engagement, and subcontractor mismanagement are key barriers that hinder service optimization. Addressing these issues requires prioritizing learning and development, enhancing risk management strategies, and adopting advanced technologies to bridge expertise gaps. Economic and environmental uncertainties remain external risks, emphasizing the need for adaptive financial planning and regulatory compliance. Client reluctance to invest in long-term FM benefits further challenges service providers, making awareness-building initiatives essential. Additionally, stronger contractual frameworks and clearer role definitions can minimize ambiguities and improve service delivery. The findings highlight the critical role of co-creation and stakeholder collaboration in achieving sustainable FM outsourcing models. Future research should explore data-driven decision-making tools and AI integration in FM to enhance predictive analytics and operational resilience. By aligning FM strategies with evolving industry standards, outsourcing contracts can deliver sustained value, operational efficiency, and long-term cost savings.

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