



# Outsourcing and role stress: An empirical study of hotel spa managers



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## ABSTRACT

Hotel owners and managers are increasingly outsourcing their spas to specialist firms that oversee the spa's operations and personnel. In such spas the assume the role of boundary spanners as they are responsible for overseeing the operational relationship between the hotel and spa companies. In this role, they are responsible for trying to satisfy the hotel and spa companies' often contradictory expectations while also often adhering to two sets of operating guidelines. As a result, they may experience different levels of role conflict and role ambiguity than spa managers who oversee spas managed by the hotel. The results of a questionnaire completed by 166 hotel spa managers from spas managed by hotels and those managed by third parties found greater levels of these role stressors in managers of outsourced hotel spas. Based on these findings, research suggestions and managerial implications are discussed.

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## 1. Introduction

Competitive pressures force organizations to find ways to reduce their costs and/or improve their products and services. One way they do so is by outsourcing those activities which are peripheral to their primary business (Gilley and Rasheed, 2000). This allows them to focus on their core competencies rather than on the non-value-adding activities which a contracted, specialized service provider can likely provide more efficiently and/or effectively (Jones, 1997). Outsourcing can, however, be risky as such decisions can be costly to reverse (Quelin and Duhamel, 2003) and may result in the loss of important competencies (Bettis et al., 1992). It can also have a detrimental impact on management personnel, particularly with regards to higher turnover, lower productivity and poor morale (Benson, 1998; Stamper and Johlke, 2003). This may be because managers of the outsourced department must assume the challenging role of boundary spanners as they coordinate the client and service provider's inter-organizational relationship (Aldrich and Herker, 1977; Nygaard and Dahlstrom, 2002).

Boundary spanners are a distinct and growing proportion of many organizations' labor forces (Singh, 1998). They are a particularly interesting group to study since their job-related experiences often require them to work away from the firm, handle non-routine tasks and encounter conflicting role expectations (Stamper and Johlke, 2003). Boundary-spanning managers may therefore be particularly susceptible to the difficulties associated with increased

task interdependency (Karasek, 1979; Thompson, 1967) since other individuals, organizational unit and/or firms can influence their ability to accomplish their work responsibilities.

The need to interact with a wider set of colleagues and superiors who have divergent demands and expectations often results in boundary spanners experiencing high levels of work-related stress (Kahn et al., 1964; Singh et al., 1996; Solli-Saether, 2011; Stamper and Johlke, 2003). The uncertainty and conflict inherent to boundary spanning (Singh, 1993) are direct antecedents of two important role stressors: role conflict and role ambiguity (Kahn et al., 1964; Singh and Rhoads, 1991). Understanding the prevalence and causes of these stressors is important for organizations since previous research has established that they are correlated with low job satisfaction, high propensity to leave, lower job performance, and decreased service quality and organizational performance (e.g., Brown and Peterson, 1993; Kahn et al., 1964; Walker et al., 1975; Onyemah, 2008). Thus, while outsourcing can at first seem like a prudent strategic move when the task is not a core competency, the negative consequences of such a decision may outweigh the benefits. It is thus important to study the potential negative consequences associated with boundary-spanning roles so that research can help practitioners make evidence-based decisions (e.g., Rousseau, 2006; Rousseau & McCarthy, 2007) regarding outsourcing decisions.

One context where the issues of outsourcing and boundary spanning are highly salient is within the luxury hotel industry, and specifically the decisions many hotels make on whether to manage their own spa or outsource it to a specialist third-party. Hotels frequently consign the operations and management of their spas to specialized companies because hotel spas rarely provide the financial returns that hotel owners and managers require (Mandelbaum

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and Lerner, 2008). For example, one study found that the average hotel spa profit margins are about 25% lower than that of other hotel departments (Mandelbaum and Lerner, 2008). Although this may be because spas have traditionally been seen as a peripheral service rather than a profit center (Anderson, 2011), it has also been linked to the fact that hoteliers have not generally understood the complexity of spa operations and the corresponding management implications (Glover, 2012). At the same time, spa companies are interested in managing hotel spas because they are typically more profitable than other types of spas (ISPA, 2012).

The International Spa Association defines spas as “places devoted to enhancing overall well-being through a variety of professional services that encourage the renewal of mind, body, and spirit” (ISPA, n.d.). Garrow (2008) notes, however, that for benchmarking purposes spa definitions should also include references to water-based therapies and a relaxing environment as doing so helps to ensure that non-spa businesses such as beauty salons, hotel massage services, clinics and other types of businesses that do not offer spa treatments are not confused with ‘true spas.’ As this study focuses on hotel spas it defines them as being located within a resort or hotel, delivering professional spa services, including fitness and wellness components, and possibly offering spa cuisine (see Dusseau and Brennan, 2008; PKF, 2012 Trends Report).

This study thus investigates whether hotel spa managers who work with a third-party management company experience different levels of role conflict and role ambiguity than spa managers who work in spas which are proprietarily managed by the hotel. It addresses several identified research gaps, including the human resource management implications of outsourcing (Fisher et al., 2008) and outsourcing's impact in the hotel industry (Gonzalez et al., 2011; Hemmington and King, 2000). Furthermore, despite the importance of spas to the luxury hotel industry, and the notable mix of outsourced and non-outsourced spas, there is no research on the human resource implications of outsourcing in hotel spas. There is also a real practical need for research within this specific context since the difficulty in attracting and retaining qualified spa managers is one of the spa industry's most pressing concerns (SRI International, 2012). Furthermore, role conflict and role ambiguity may ultimately exacerbate this problem (e.g., Churchill et al., 1976; Onyemah, 2008; Rizzo et al., 1970) and thus lead to higher recruitment and training costs (Walker et al., 1975).

## 2. Outsourcing and hotel spas

### 2.1. The reason for outsourcing

Outsourcing has evolved over the past few decades as the original focus on manufacturing and information technology has given way to a wider array of processes and services that can be run by, or with, a third party (Gilley and Rasheed, 2000). Outsourcing generally refers to a choice companies make about the disintegration of their activities. The term is often used as a synonym for both sub-contracting and externalization and is often explained as a “make or buy” decision (Gilley and Rasheed, 2000). For some, outsourcing refers to the purchase of an item or service that the firm itself is *unable* to produce (e.g., Van Mieghem, 1999). Others consider outsourcing to be the sub-contracting of activities that the firm *no longer wishes* to perform in-house (e.g., Lei and Hitt, 1995; Rothery and Robertson, 1995). Therefore, for the purposes of this paper, we define an outsourcing relationship as when a vendor provides its skills, knowledge, technology, service and/or manpower to a client for an established price and period in order to perform functions that the client cannot, or wishes to not, perform (Adler, 2003).

The decision to outsource may be made for both tactical and strategic reasons (Sanders et al., 2007). Tactical outsourcing is

usually based on the need to reduce costs, which can be achieved through the more efficient service-provision by specialized firms. Strategic outsourcing, meanwhile, implies not only cost savings but also improved operations and can involve peripheral activities as well as those that contribute to the firm's added value (Quelin and Duhamel, 2003). Given the different reasons for outsourcing and the need to align the often divergent interests of the involved parties, numerous outsourcing models have been developed (Lambert et al., 1996).

Some typical outsourcing relationships include franchising, management contracts, leasing and contracting, all of which are prevalent in the hotel industry as well (DeRoos, 2011). While there are important structural and legal differences between these various relationships, and it is beyond the scope of this study to review these, common to all of them is that managers in these situations must often play a boundary spanning role.

### 2.2. Outsourcing in the luxury hotel industry

Upscale and luxury hotel companies are increasingly outsourcing their auxiliary services in order to address the challenges that emanate from the sector's high labor intensity, volatile demand patterns, and need to provide and manage multiple complex services within one establishment (Donada and Nogatchewsky, 2009; Lamminmaki, 2011). While the outsourcing of a property's food and beverage units (Hemmington and King, 2000) and information technology services (Gonzalez et al., 2011) have been relatively common for several decades, current trends indicate that hotels are also more frequently outsourcing their leisure activities (Espino-Rodriguez and Padron-Robaina, 2005).

High quality leisure activities are becoming a priority for guests and a means for improving a hotel's competitiveness (Espino-Rodriguez and Gil-Palida, 2005). Yet despite its growing strategic importance, they are also the third most outsourced area in hotels (Espino-Rodriguez and Padron-Robaina, 2005). This is because leisure activities require specialized personnel which many hotels lack, making it difficult for them to successfully offer these activities in-house even if they have the appropriate physical facilities (Espino-Rodriguez and Gil-Palida, 2005).

Hotels which outsource such activities expect to provide their guests with superior service quality levels since these expert providers should be better able to select, train and manage the worker as this leisure service is their core activity (Espino-Rodriguez and Gil-Palida, 2005). This is particularly relevant for spas as they are among the most labor intensive businesses in the hospitality industry (Tabacchi, 2010), with labor in many cases constituting 70% of a spa's direct operating costs (Mandelbaum and Lerner, 2008). Additionally, a successful spa also often requires managers to have a wellness or therapist background (Bjurstam and Cohen, 2008; ISPA, 2012; SRI International, 2012), which is often a very different skills set than possessed by those in the hotel industry. Hotels are thus expected to continue to increasingly outsourcing spa departments to specialized spa management firms in order to help solve these challenges (Anderson, 2011; Burgess, 2011; Glover, 2012; Singer, 2011).

As noted above, there are many different possible outsourcing relationships, and indeed the spa industry has a wide array of outsourcing arrangements. On the one end, hotels can practice ‘full outsourcing’ by completely outsourcing all aspects of the spa to external firms. Essentially, these hotel owners/companies simply subcontract space in their hotel to the external firm in exchange for a rental fee (Andrews, 2009). In such cases, the hotel here has little-to-no say about the spa's operations or management in this lease arrangement. This can be problematic, however, because hotel guests consider the spas as part of the hotel and tend to blame the latter for poor spa experiences (Glover, 2012). As the person

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