Journal of Hospitality and Tourism Management 31 (2017) 13–27

Contents lists available at ScienceDirect

Journal of Hospitality and Tourism Management

journal homepage: http://www.journals.elsevier.com/journal-of-hospitality-and-tourism-management

Does outsourcing moderate the effects of asset specificity on performance? An application in Taiwanese hotels

Tomás F. Espino-Rodríguez [a,*], Pei Chun-Lai [b], Antonía Mª Gil-Padilla [a]

[a] University of Las Palmas de Gran Canaria, Edificio Departamental de Ciencias Económicas y Empresariales, C.P. 35017, Las Palmas de Gran Canaria, Spain
[b] National Pingtung University of Science and Technology, Department of Hotel and Restaurant Management, 1 Shueh fu Road, Neipu, Pingtung, 91201, Taiwan

ARTICLE INFO

Article history:
Received 10 April 2016
Received in revised form
27 September 2016
Accepted 18 October 2016

Keywords:
Asset specificity
Outsourcing
Hotel activities
Activity performance
Organizational performance

ABSTRACT

The purpose of this study is to investigate whether the form of governance (outsourcing or insourcing) moderates the relationship between asset specificity and performance. The relationship between asset specificity and performance is analysed, as well as the question of whether the performance determines an increase in outsourcing. The study was carried out in a representative sample of hotels in Taiwan. An analysis was performed of 585 activities pertaining to the main hotel areas. A research model is developed that proposes different hypotheses to test from the perspectives of Transaction Cost Economics (TCE) and the Resource-Based View of the firm (RBV). Moreover, an asset specificity-performance matrix is developed, where the activities are classified by their level of asset specificity and performance. The results indicate that asset specificity has a positive effect on activity performance and non-financial performance. The results confirm that the form of governance moderates the relationship between asset specificity and performance. The findings indicate that an increase in outsourcing is more related to lower activity performance and lower non-financial performance. The results show that these two perspectives complement each other in explaining the moderator effect of outsourcing.

1. Introduction

In an environment where competition is increasingly fierce, firms must consider different strategic options, such as outsourcing, to develop their activities. Outsourcing is a strategic option that few hotels can afford to ignore. Outsourcing is a firm's use of outside companies to perform duties that have typically been performed internally (Leeman & Reynolds, 2012). Lam and Han (2005) point out that outsourcing refers to a management pattern where a hotel combines and utilizes the specialized resources of outsourced agents. The nature of outsourcing is complex, with many organizations focusing on core competences and tapping external parties to fill gaps in strategic resources and capabilities, in order to leverage an overall cost and talent advantage (Sia, Koh, & Tan, 2008). Outsourcing has acquired an increasingly important role in service industries, most notably in the hotel industry (Promsivapallop, Jones, & Roper, 2015), where a wide range of activities, such as laundry, security, room cleaning, etc., are being outsourced (Espino-Rodríguez, Lai & Baum, 2012). However, the research has analysed the characteristics or attributes of the outsourced activities, and their impact on activity and organizational performance has been limited. One of the attributes that has received the most attention in the literature is asset specificity. According to Cruz, Haugan, and Rincon (2014), there are two main approaches to the empirical assessment of the effects of assets specificity on a firm's activity: one approach is dedicated to analysing the influence of asset specificity on the governance selection (outsourcing), and the other approach is focused on the impact of asset specificity on both organizational performance and the governance structure chosen. The first approach, which studies the impact of asset specificity on the degree to which an activity is outsourced, has been tested in the hotel sector (Lamminmaki, 2005, 2007; Espino-Rodríguez & Gil-Padilla, 2005; Espino-Rodríguez, Lai, & Baum, 2008). The second approach, which analyses the influence of asset specificity on performance, has been tested less in both the industrial and hotel sectors. However, some studies have analysed the impact of asset specificity on performance (Cruz et al., 2014; David & Han, 2004; De Vita, Tekaya, & Wang, 2010; Macher &

* Corresponding author.
E-mail addresses: tomasfrancisco.espino@ulpgc.es (T.F. Espino-Rodríguez), pclai@mail.npust.edu.tw (P. Chun-Lai), antoniamaria.gil@ulpgc.es (A.M. Gil-Padilla).

http://dx.doi.org/10.1016/j.jhtm.2016.10.003
1447-6770/

Richman, 2008; Poppo & Zenger, 1998). This study focuses on this second approach, which first analyses the influence of the asset specificity of the activities on performance and, second, analyses to what degree the level of outsourcing moderates the relationship between asset specificity and performance.

Asset specificity should not only be analysed according to the assumptions of the TCE, but also following the resource-based view of the firm (RBV), especially when analysing the activity and/or organizational performance. These two theoretical perspectives are necessary to analyse performance and asset specificity and outsourcing. Over the past 30 years, TCE has emerged as a predominant theory in explaining the performance of activities when they are outsourced. TCE argues and empirically finds that outsourcing decisions are driven largely by the specificity of the assets involved in an exchange (Argyres, 1996; Poppo & Zenger, 1998). According to TCE, high specificity involves a lower degree of outsourcing (Lamminmaki, 2007), although TCE does not categorically exclude the possibility that some companies would choose to outsource under asset specificity conditions (De Vita & Tekaya, 2015). It postulates that, under asset specificity, the governance performance of outsourcing is lower than when a hierarchy is used, that is, developed internally. This study intends to analyse this relationship by testing what happens to performance in the presence of high asset specificity and outsourcing.

Furthermore, several researchers consider the RBV to be a suitable perspective for explaining outsourcing decisions. This stream of literature focuses on organizational resources, competences and performance, emphasizing that performance gains resulting from assessing the internal capabilities and competencies are important for understanding boundary decisions (Argyres, 1996; Gulbrandsen, Sandvik, & Haugland, 2009) Researchers think the RBV is that a firm with specific assets provides a better result. However, the literature has not analysed the level of managers' satisfaction with operative costs and the quality of the activities, or their relationship with asset specificity. When hotels plan their outsourcing, they are in a better position to seize emerging strategic opportunities and obtain performance benefits (Raff, 2000; Salimath, Cullen, & Umesh, 2008), although these relationships create external dependencies (Pfeffer & Salancik, 2007) and can influence performance positively or negatively. Few studies in the hotel literature have analysed the relationship between specificity and performance moderated by activity outsourcing (Espino-Rodríguez et al., 2008). Therefore, this paper tries to fill this gap in the literature on hotels and support the theoretical assumptions of the Resource-based View of the firm (RBV) and Transaction Cost Economics (TCE). These two perspectives analyse outsourcing based on different assumptions (McIvor, 2009). However, few empirical studies have analysed which perspective best explains outsourcing, or at an empirical level, whether these two perspectives are complementary when analysing the relationship between asset specificity and performance.

This study also classifies hotel operations according to activity performance and designs a specificity-performance matrix, something not previously done from a practical or theoretical point of view in the hotel literature. This matrix can be a tool to help hotels position the activities and make decisions about what strategic option to choose regarding whether or not to outsource. In this regard, different matrixes have been proposed in the literature (McIvor, 2005), but they have not been empirically applied to the hotel sector. Finally, the study analyses the factors related to organizational and activity performance that determine a possible future increase in outsourcing in hotels. This will allow us to verify to what degree a lack of resources and capabilities produces an increase in outsourcing.

The objectives of the paper can be summarized as follows:

1. To analyse the impact of asset specificity on activity and organizational performance and study to what extent the level of outsourcing of the hotels' activities moderates the relationship between asset specificity and activity and organizational performance.
2. To classify hotel activities according to their performance and construct an asset specificity- performance matrix.
3. To study the factors that determine the increase in outsourcing, in terms of existing imbalances in costs, quality and organizational performance.

2. The resource-based view (RBV) and outsourcing

The RBV suggests that a firm's resources and capabilities allow it to achieve a competitive advantage (Barney, 1991; Helfat & Peteraf, 2003). RBV has emerged as a very popular theoretical perspective to explain how firms' resources and capabilities lead to differences in firm performance (Amit & Schoemaker, 1993; Crook, Ketchen, Combs, & Todd, 2008; Newbert, 2007). Resources are heterogeneously distributed across competing firms and have imperfect mobility, which makes this heterogeneity persist over time (Barney, 1991; Wernerfelt, 1984). Basically, resources must be valuable, rare, inimitable and non-substitutable in order to be a source of competitive advantage (Barney, 1991).

RBV is important in the study of outsourcing, as superior performance achieved in organizational activities, compared to competitors, would explain why such activities are performed internally (McIvor, 2009). Therefore, the outsourcing decision is determined by the ability of an organization to invest in developing a capability and sustaining superior performance. Thus, when the activity to be outsourced comprises idiosyncratic resources, it may be costly to rely on external resources. McIvor (2009) considers that firms can access complementary capabilities from external providers when there is no advantage to performing the activities internally. The RBV considers the strategic benefits of outsourcing, while the TCE focuses more on the economic approach (Redondo-Cano & Canet-Giner, 2010). As indicated by Hemmington and King (2000), the benefits of outsourcing go beyond the purely financial and economic aspects.

Hamel and Prahalad (1990) add the concept of core competences, defined as the collective learning in the organization. The firm needs to have unique resources that enable it to achieve competitive advantage. This uniqueness can be seen in terms of specificity. Grant (1996) argue that higher specificity generates specific knowledge, culture and routines that are difficult to imitate, and their accumulation results in core competences. When analysing the RBV literature on outsourcing, the terms "core competence" and asset specificity have been used interchangeably (Cox, 1996; Espino-Rodríguez & Padrón-Robaina, 2006). Cox (1996) argued that high asset specificity refers to the skills and expertise that are the core competences of firms. Based on the RBV's consideration of asset specificity, it is reasonable to point out that asset specificity is internalized in order to improve firm performance, rather than considering that the internalization of asset specificity may have a negative impact on the associated transaction (De Vita, Tekaya, & Wang, 2011).

3. Transaction cost economics (TCE) and outsourcing

Transaction costs are defined as the comparative costs of planning, adapting, and monitoring task completion under alternative structures (Williamson, 1985). TCE proposes that a business will organize itself in a way that minimizes transaction costs (Lamminmaki, 2011). The outsourcing decision is often based on