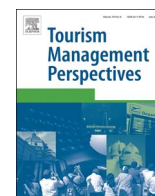




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# Managers' attitudes toward hotel outsourcing in a tourist destination. An approach from the benefits and risks perspective

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### ABSTRACT

This study empirically identifies the role of the outsourcing strategy in the hotel sector. The study determines what strategic benefits and risks determine that an outsourcing strategy is accepted by hotel managers. This paper analyzes perceptions and evaluations of policies related to outsourcing. To do so, it analyzes to what degree the manager's attitude about outsourcing is influenced by tactical and strategic benefits provided by the outsourcing strategy and to what degree the strategic risks determine the manager's attitude toward outsourcing. The results indicate that tactical benefits are perceived the most. The most perceived strategic risks are those related to the loss of differentiation and control over the activities. The findings indicate that the manager's positive perception of the tactical benefits positively influences his/her attitude about outsourcing, and that the greater the perception of strategic risks, the less positive the attitude toward outsourcing will be.

### 1. Introduction

Hotels operate in a competitive marketplace, and outsourcing is a widely recommended technique to improve a company's competitive position (Maiga & Jacobs, 2004). As Özdoğan (2006) points out, it provides an opportunity to improve a company's efficiency, and it is an adequate way to adapt a company's limits by restructuring its activities to stimulate the growth of its main business (Bustinza, Arias-Aranda, & Gutierrez, 2010). In the hotel sector, the most outsourced activities are related to leisure, maintenance, information systems, housekeeping, and food and beverage activities (Espino-Rodríguez and Chun-Lai, 2014). Leeman and Reynolds (2012) define outsourcing as the use of external companies to do tasks that are usually performed internally by the hotel.

In hotel management, outsourcing has frequently been used in recent years (Donada & Nogatchewsky, 2009). Faced with more intense competition, hotels have to survive by improving quality and client satisfaction (Lam & Han, 2005). Outsourcing has clearly acquired an important role in hotels. At the end of 2014, 30% of the almost 260,000 employees who worked in Spanish hotels were outsourced, and the forecasts are for average annual increases of between 10% and 15%, raising the percentage of outsourced hotel workers to 60% by the year 2020 (Hosteltur, 2015). Outsourcing has become a key strategy in hotel management in recent years (Donada & Nogatchewsky, 2009), due to the peculiarities of this sector (Lamminmaki, 2008). Hotels are complex organizations with a large variety of analogous but complementary

tasks that take place in them (cleaning, reservations, laundry, animation, kitchen, etc.). Therefore, management has to develop multiple functions and skills, which makes it difficult to identify the basic competences or competitive advantages stemming from them. Outsourcing is an option that can minimize the problem of hotel complexity (Crichton & Edgar, 1995; González, Gasco, & Llopis, 2011).

Outsourcing strategies are often imposed on hotel managers, especially in a chain or individual hotels where the decisions are made at the corporate or director levels. However, these strategies not always accepted by the managers or employees who manage these hotels. These managers are not in favor of outsourcing if they do not see a benefit from it or if they perceive many risks related to its use by the hotel. Thus, this study analyzes what determines the positive or negative attitude toward outsourcing held by managers of business units (i.e. hotels). This study analyzes the perceptions and evaluations of policies, rather than actual policy making.

A manager's perception of outsourcing is fundamental in explaining his/her attitude toward outsourcing. This perception of the set of advantages and disadvantages of outsourcing conditions how much this strategy is used. Weich (1979) points out that perceptions of the environment and internal characteristics, rather than the objective characteristics themselves, are the variables considered in the strategy formulation process. Thus, a manager or management team cannot capture every aspect of the organization and environment by considering only some of the phenomena included in their field of vision, or by being restricted by certain limitations or perceptions (Espino-Rodríguez & Padrón-Robaina, 2005a).

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This paper proposes that managers' positive perceptions of the advantages of outsourcing could create a positive attitude toward outsourcing, whereas their perceptions of the disadvantages could produce a negative attitude toward it as a strategy. Studies such as the ones by Espino-Rodríguez and Padrón-Robaina (2005a) and Espino-Rodríguez, Chun-Lai, and Baum (2012) analyze the attitudes toward outsourcing, considering the current level of outsourcing. However, the present study will measure the manager's willingness to outsource, but without considering the hotel's actual level of outsourcing. The current level of outsourcing can often be imposed on the manager and, therefore, may not be related to his/her perception of the benefits and risks of this strategy. In this regard, a measure that captures managers' level of acceptance of outsourcing is more appropriate for assessing the relationships between the benefits and risks of outsourcing and the use of this strategy.

The objectives of this paper can be summarized in the following way:

- a) Identify the tactical and strategic benefits of outsourcing and analyze their relationship with the manager's attitude toward outsourcing.
- b) Determine the strategic risks of outsourcing and study their relationship with the manager's attitude toward outsourcing.

## 2. The tactical and strategic benefits of outsourcing

The literature presents various studies on the positive effects of outsourcing in the services sector (Bolat & Yilmaz, 2009; Espino-Rodríguez & Padrón-Robaina, 2005b; Yildiz & Hatun, 2014). This strategy has been recognized as leading to cost reduction (Bengtsson & Dabholkar, 2009; Kroes & Ghosh, 2010), which also implies greater efficiency (Özdoğan, 2006). At the same time, it gives the hotel the capacity to adapt to the demand, converting fixed costs into variable ones (Espino-Rodríguez et al., 2012).

Benefits that justify the use of outsourcing are summarized in two large groups. The first group includes factors related to cost reduction and other short-term aspects, producing the tactical benefits of outsourcing, that is, the economic approach. The second group of benefits considers strategic aspects of the company, mainly related to obtaining improvements in its resources and capabilities, and in its competitive advantage (Quinn & Hilmer, 1994). As Redondo-Cano and Canet-Giner (2010) indicate, each of these approaches (economic and strategic) is associated with different theoretical perspectives in the study of outsourcing. Whereas the economic approach is related to Transaction Cost Theory (TCT), the strategic approach is linked to a resource-based view (RBV) of the firm. These approaches are complementary in explaining the outsourcing phenomenon (McIvor, 2009).

TCT proposes that firms should have an organization of their activities that minimizes transaction costs. The transaction costs are related to the attributes of the activity (Lamminmaki, 2007). They are related to the service production costs plus the costs associated with drafting, negotiating, and safeguarding an outsourcing contract (Memili, Chrisman, & Chua, 2011). The main factors that affect outsourcing decisions, according to TCT, are related to asset specificity and opportunism (De Vita & Tekaya, 2015; Geyskens, Steenkamp, & Kumar, 2006), although some recent studies include risks (Chiles & McMackin, 1996; Memili et al., 2011). These outsourcing risks are explained in the following section and considered in our study.

The RBV is based on the fact that firms' possession of higher-value resources and capacities allows them to obtain the competitive advantage (Helfat & Peteraf, 2003). The outsourcing strategy complements the organization's resources and capabilities, allowing an improvement in performance. The client company benefits from the supplier's greater specialization and excellence, which can help

it to obtain better service and higher quality, distinguishing it from its competitors (Saorín-Iborra, Redondo-Cano, Revuelto-Taboada, & Vogler, 2015). The way of combining the firm's internal resources and capabilities with those acquired from suppliers will be the key to reaching the competitive advantage.

The main reasons for outsourcing some types of activities have been sufficiently addressed in the specialized literature (Kakabadse & Kakabadse, 2005; Klepper & Jones, 1997; Piachaud, 2002; Poppo & Zenger, 1998; Quinn & Hilmer, 1994). The decision to outsource can be evaluated through a large number of factors (motives) that can be both strategic and tactical, related to the organization's goals and strategies, such as cost reduction, its main business approach, guaranteeing business flexibility, expansion, and obtaining a strategic advantage to support the business objectives (Gonzalez, Gasco, & Llopis, 2010; Kroes & Ghosh, 2010; Varadarajan, 2009).

Economic factors are always the main protagonists in studies on the reasons for outsourcing (Holcomb & Hitt, 2007; Lamminmaki, 2011). Outsourcing improves production costs due to cost advantages or the use of economies of scale stemming from the supplier's production level. Likewise, through outsourcing, companies can achieve a lower break-even point by reducing general expenses because they do not have to invest in certain installations and equipment (Bunyaratavej, Hahn, & Doh, 2007; Farrell, 2005; Lewin, Massini, & Peeters, 2009). These economic factors make it possible to improve the capacity to respond to variability in the demand, access suppliers' economies of scale, and reduce financial investments (Bengtsson & Dabholkar, 2009). Economic or tactical reasons include cost savings and efficiency or short-term capability problems (Redondo-Cano & Canet-Giner, 2010).

Aspects such as seeking flexibility and obtaining strategic advantages are also becoming quite relevant (Redondo-Cano & Canet-Giner, 2010). The decision to outsource can help the company to free up the necessary resources to focus on more important aspects and invest in new projects with a greater return or new opportunities (Powell, Tatikonda, & Liao, 2006). Quality, flexibility, or the implementation of new technologies play a fundamental role in maintaining the company's competitiveness, while providing quality services and paying special attention to the clients' needs and satisfaction (Santoro, 2015). The strategic benefits of outsourcing are related to acquiring resources, capabilities, and skills that the supplier has, including greater knowledge, experience, and organizational skills in providing the service. Outsourcing allows access to specialized companies that can add quality to the product or service, make companies more flexible, reduce their size, and eliminate unnecessary bureaucratic costs (Redondo-Cano & Canet-Giner, 2010). It influences knowledge improvement and innovation by taking advantage of suppliers' resources and capabilities (Tallman & Chacar, 2011). According to Redondo-Cano and Canet-Giner (2010), a strategic outsourcing decision contemplates all the ways an organization supports its competitive advantage and consolidates its position in the market. Our study analyzes various strategic benefits of outsourcing, such as the hotel's ability to focus on its basic activities, increased service quality, performance improvements, or the hotel personnel's ability to spend more time on the hotel's basic activities.

The existing literature shows that the majority of the outsourcing decisions combine strategic and tactical motives. According to Redondo-Cano and Canet-Giner (2010), the outsourcing of some activities combines both approaches, as in the case of selection and recruitment activities in the study by Ordini and Silvestri (2008) or hotel services in the study by Espino-Rodríguez and Padrón-Robaina (2005b). Kakabadse and Kakabadse (2005) suggest that hotels should pay attention to both tactical and strategic aspects of outsourcing in order to achieve a greater competitive advantage.

Table 1 presents the main benefits of outsourcing, with some examples from the hotel sector.

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