

EVALUATING THE IMPACT OF OUTSOURCING OF NON-CORE FUNCTIONS IN THE HOTEL INDUSTRY: A CASE STUDY OF ANITA, NODA AND GOLDEN GATE HOTELS

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ABSTRACT: *The researcher's interest was to find out the strategies of the outsourcing process, the challenges associated with outsourcing in the hotel industry and what benefits are derived from outsourcing of non-core functions. A descriptive approach was used to analyze and evaluate the impact of outsourcing in the hotel industry in Ghana. Primary data was obtained using questionnaire and personal observation of Anita hotel, Noda hotel and Golden Gate hotels in Kumasi. The secondary data was obtained from relevant published reports written on evaluating the impact of outsourcing in the hotel industry. These included information from library, articles, news papers (dailies), internet and journals which provided relevant background information for the actual research study. The outcome from the research study indicated that the hotels have been concentrating on their core functions in the areas of accommodation, food and bar services and housekeeping and have outsourced most of their non-core functions.*

KEYWORDS: *Competition, Hoteliers, Outsource, Specialization, Competitive, Advantage, Service*

BACKGROUND OF THE STUDY

Outsourcing is one of the growth industries of our time (Winterton 2000). Today, the outsourcing of selected organisational activities is an integral part of corporate strategy

(Lankford and Parsa 1999). Outsourcing has become a significant facet of modern hotel management (Sieburg 1992). The concept of outsourcing may be dated as early as 1776, when in '*The wealth of Nations*', Adam Smith wrote; "If a foreign country can supply us with a commodity or service cheaper than we can ourselves make or provide it"(Smith,2007). David Ricardo, a British economist, building on Smith's idea, in his principle of competitive advantage, emphasized that each nation should specialize in what it does best and trade with others in order to best meet their needs (Ricardo, 2004). The intensified competition in the emerging global economy has cause the hotel industry to outsource most of its in-house non-core service functions to service providers. Outsourcing activities is an arrangement whereby a firm asked another firm to perform its non- core activities such as cleaning, security, training, car rental, information technology, maintenance etc. The concept of outsourcing non-core activities has been embraced by many as performance improvement strategy for organizational efficiency. The philosophy is that businesses must redirect attention to core activities (Leblanc et al., 2004). Business organizations and institutions both private and public seeks to outsource non-core activities believing that better value could be provided at lower cost for the firm's competitiveness. Outsourcing has become a serious and complex business management process of increasing importance to mission accomplishment (White et al., 2002).

Outsourcing has increasingly become an important strategy that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness. It is therefore, a fast growing aspect of the world economy (Quinn et al., 1994). Outsourcing has been an important part of every economy and every business entity. The world wide trend in globalization has led many companies to outsource their non-core activities to service providers and focus on their core competence.

Problem Statement

How does the adoption of outsourcing in the hotel industry ensure cost reduction, improve performance and enhance efficient service delivery in the hotel industry.

Research Questions

- What are the strategies of the outsourcing practice in the hotel sector?
- What are the challenges associated with the outsourcing of non-core functions in the hotel industry?
- What benefits are derived from outsourcing?

Purpose of the Study

The general objective of the study is to evaluate the impact of outsourcing non-core functions in the hotel industry.

The specific objectives are:

To identify the strategic outsourcing practice in the hotel industry

To assess the challenges associated with the outsourcing of non-core functions in the hotel sector.

To examine the benefits derived from outsourcing by the hotels.

The research will enhance and improve the operational performance of the hotels. It will also serve as a source of information for other researchers and will serve as a platform for potential investors in the hotel industry.

RESEARCH METHODOLOGY

The choice of research approach is based on the research problems and questions of a study. To assess and evaluate the impact of outsourcing non-core functions in the hotel industry in Ghana, the study used both primary and secondary data. Sekaran (2003) presents different techniques on how to collect data. The chosen alternative depends on which method best answers the question of the study. Data collection is done via primary and secondary sources in soliciting information from respondents. A simple purposive sampling technique was used in selecting the respondents for data collection. The questionnaires were administered to top level, middle level and lower level management staff of these hotels. The questionnaires were administered to fifty (50) respondents comprising core management staff and other key heads of the various departments and the main crew mainly because they are involved in the decision and implementation of the outsourcing process. The data collected from both primary and secondary sources have been presented in tables, bar charts and pie charts to show a quick visual and numeric view about the study. Data were coded and analysed by the use of Statistical Package for the Social Sciences (SPSS) and Microsoft excel. The case study organizations (Anita Hotel, Noda Hotel and Golden Gate Hotel) are situated in Kumasi. Out of the fifty (50) questionnaires administered, forty-eight (48) of the questionnaires were received representing ninety-six percent (96%).

Research Limitations

The main limitations of the research study were the lack of consent and approval of some of the major hotels in accepting the proposal of using and soliciting information from them for the research work. The reluctance from some of these major hotels made the researchers center on the three afore mentioned hotels for the research study.

LITERATURE REVIEW

The Concept of Outsourcing

The basic premise of the concept of outsourcing, according to Jennings (1997); Smith (2007); Quinn (2000), is that a specialist organization can perform a particular service more efficiently than what internal operation can achieve because a specialist organization has an inherent advantage in producing and delivering a service. Superior technology, management skills, or economic of scale may contribute this perception.

In reference to the work of Gottschalk et al., (2005); McIvor (2005) and Tompkins (2005), the concept of outsourcing non-core business functions is a complex issue, consisting of numerous activities and sub-activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage their outsource services. The next section examines the various definitions of outsourcing.

Definitions of Outsourcing

There is much debate in management literature defining outsourcing (Gilley and Rasheed, 2000). Some definitions relate to sourcing activities that were previously conducted in-house. Momme, (2001), defined outsourcing as the process of establishing and managing a contractual relationship with an external supplier or service provider for the provision of capacity that has previously been provided in-house.

The phenomenon, according to Halvey & Melby (2000) is also defined as a result oriented relationship in which a business organization transfers ownership of a business process to an external service provider rather than perform the activity in house. Lei and Hit (1995) define outsourcing as ‘reliance on external sources for manufacturing components and other value-adding activities’. Some focus on international sourcing of components, sub-systems and completed products (Bettis et al., 1992; Feenstra and Hanson, 1996). Perry (1997) focused on employment, defining outsourcing as: “another firm’s employees carrying out tasks previously performed by one’s own employees”.

Sharpe (1997) defined outsourcing as turning over to a service provider those activities outside the organisation’s defined core competencies. Deaver (1997) says “outsourcing is used to describe many different kinds of corporate action: thus, all sub-contracting relationships between firms, all foreign hiring of workers in non-traditional jobs such as contract workers, and temporary and part-time workers, etc”. The researcher use this broad definitions to treat outsourcing in a more strategic way as a means for improving public administration for effective, vibrant and productive public sector (Gustafsson, 1995). We can now discuss the theories underpinning the concept of outsourcing.

THEORETICAL FRAMEWORK OF OUTSOURCING

The phenomenon can be described by several frameworks that embedded in various theoretical approaches. Many authors have identified significant number of theories that can explain the rationale behind outsourcing. A review of this literature reveals that most of the earlier conceptual work tends to favour the notion that outsourcing can be used favourably to create a competitive advantage and sustain organisation’s performance. To provide a possible explanation for this discussion, we draw on the following theories; the resource-based view, the concept of core competence, the transaction cost economics, rational view, knowledge-based view, neoclassical economic theory, and economy of information theory

Resource-based View

Grounded in evolutionary economics and the work of Penrose (1959), the resource-based view has gained considerable attention during the last decade (Barney et al., 2001).

In the resource-based view, the organization is seen as a bundle of tangible and intangible resources and tacit know-how that must be identified, selected, developed, deployed to generate superior success (Penrose, 1959; Wernerfelt, 1984). Competitive advantage originates from organisation’s heterogeneity in resources and capabilities through barriers to imitation by investing in inimitable idiosyncratic capabilities (Lippman & Rumelt, 1982) and leveraging these organization-core-specific assets for competitive advantage. According to the resource-based view, managerial outsourcing competence per se may not generate a sustainable advantage because it can be replicated.

The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Barney et al., 1996).

Concept of Core Competences

The concept of core competences has been developed on the basis of the resource-based theory. Prahalad et al., (1990), define the core competences as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The application of concept of core competence in outsourcing became very popular among researchers.

The concept has been predominantly used to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in-house. Learning and communication premises of the concept made it also applicable in the Managing relationship and Reconsideration phases. Vendor's competence are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina et al., 2003; Feeney et al., 2005).

Transaction Cost Economics Theory

Perunovic et al., (2006), indicated that the transaction cost economics has been the most applied theory of outsourcing. The author explained that the transaction cost economics is perceived to provide the best decision making tools to help organizations to decide whether to outsource or not, and to prepare themselves well for the task of the outsourcing arrangements.

The governance features of the theory influenced that it has been applied in studying the managing relationship phase, whilst the concept of switching costs made the theory applicable in the reconsideration phase. Another useful issue for outsourcing provided by Transaction Cost Economics is explanation of contractual complexity.

Though Transaction Cost Economics has not been utilized explicitly for studying the vendor selection phase, its sub-theory, thus, the theory of incomplete contracting has been applied in studying the structure and content of outsourcing contract, and related preparation and contract management activities.

Relational View

Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (Melvor), 2005). Its key premise; the concept of relational rent has been explored to explain how firms choose their future outsourcing partners and preferred type of the relationship. It has been also utilized in studying the Transition, Managing relationship and Reconsideration phases. This makes the relational view to be the only theory that has been applied in the research of all the outsourcing processes

Knowledge-based view

The knowledge-based view theory, according to Perunovic,(2006), provides insight in understanding how individuals co-operate to produce goods and services.

The knowledge-based view distinguishes between two ways how knowledge is shared among partners. They are knowledge generation and knowledge application.

The knowledge-based view has been used in utilized in the outsourcing research to prove that knowledge sharing in managing the relationship phase is positively related to the success of an outsourcing arrangement.

The Outsourcing Decision

Traditionally, most non-core activities at a hotel have been carried out by in house-staff employed by the hotel. In recent years some hotels have contracted out some of these services to private service providers. Examples include outsourcing of security services and general maintenance (Andrew 2002). Outsourcing is a strategic management tool, and the decisions vary greatly within the facility management world. Kakabadse and Kakabadse (2000) observed that outsourcing cannot be regarded as a new idea in management. Kakabadse further explained that the externalization of tasks and services initially being performed in-house to outside providers do happen for many different motives and reasons in different arrangements subject to the nature and culture of the organization.

For some organizations, the decision is a matter of costs and benefits, thus whatever saves money is the best decision. However, Watt (1996) argued that outsourcing decision should be considered in light of the prospect of adding value and economic efficiency to government's services. Coase (1937) on the other hand casts doubts on whether outsourcing is economically efficient due to the existence of transaction costs. Williamson also explained that outsourcing management research focusing on core competences sees the outsourcing as being driven by the services' role and position with respect to an organization's core assets, attributes and abilities. Tompkins (2005) describes outsourcing as an organizational transformation process that can create the opportunity for improved performance. It states that while many organizations have had considerable success in outsourcing others have also encountered serious challenges and setbacks. Emphasizes on the success or failure of an outsourced decision was placed on making sure that you outsource the right business function. According Tompkins, all businesses consist of three types of functions:

- ❖ Core Functions,
- ❖ Tactical Non-core Functions and
- ❖ Strategic Non-core Functions.

The core functions he described as the organization's core competency, thus the unique business functions that make the organization successful and the critical activities that give the organization a competitive advantage and allow it to thrive. However, the determination of tactical non-core and strategic non-core are primarily dependent on the core functions of the organization. However, making the right outsourcing decision should come from a basic understanding of an organization's vision, aim, objectives and the availability of resources and capabilities in accomplishing the mission. Whether outsourcing or in-sourcing, the decision should be based on a solid business case analysis of alternatives.

Outsourcing Processes within the Hotel Industry

The hotel industry is one of the formidable businesses in the world but it does not mean that they are strict in incorporating business strategies in their business (<http://www.outsourcing-weblog.com>).

According to Burgess (2007), financial controllers in their turn consider that departmental and general managers do not have enough business skills – and finance skills in particular – to optimize costs and revenues and hence maintain profits.

Thus outsourcing practice might be a very useful and successful way in order to help owners of the hotels nowadays as well as in future.

According to Kakabadse, N. and Kakabadse, A. (2000), outsourcing practice dates back to eighteenth-century and has been in continuous use in numerous industry sectors. Since then this expression is strongly located in a business lexicon of the majority of the world languages. Traditionally, outsourcing has concentrated on activities which are remote from the heart or nerve centre of the company (Brown 1997).

'Out-sourcing' — can be understood as 'use of another's resources'. Moreover, according to Lankford and Parsa (1999) outsourcing is defined as the procurement of products or services from sources that are external to the organisation. In other words outsourcing is a transfer of some functions of the organisation to external highly skilled executors — outsourcers.

Outsourcing leads to growth of some professions for hotel sector. More often, it is either low paid and not enough prestigious jobs (such as tidying and cleaning), or very specialized trades where maintenance of necessary professional level of employees or their work-load for the organisation is problematic.

When the work is outsourced, the overlay traders are immersed in the market (Winterton 2000). Outsourcer is engaged in this sphere, and not only for one company hence, professional

specialization is taking place and as a result expenses' decrease and accordingly, the effect of accumulation begins: the bigger and better specialization – the easier management, – cheaper the whole process. Moreover, Glickman (et al. 2007) noted that outsourcers who provide the same functions to a number of different hotels are able to purchase larger quantities at lower prices. Thus, expenses become lower using outsourcing, than at independent accomplishing of matching function.

Factors for using Outsourcing Processes in the Hotel Industry

The competition growing up every year on the market of services demands from the hotels to increase the production efficiency and to minimize the expenses. The main aim of the owner of a hotel – to make business effective, i.e. generating the maximum profit with an optimum level of expenses. But the resources and equipment economy is not enough, also the large part of expenses is payment of workers of the hotel. To solve this problem is possible with the help of outsourcing, allowing transferring a part of processes of the hotel to the external company. Furthermore, managers know that the job will be done on time and in a predictable fashion and if it isn't, they can get somebody else without going through the hassles of hiring and firing employees. Up till now it is possible to find out four main purposes for outsourcing within hotel sector:

1. Concentration of activity on the core business processes;
2. Refusal of the infrastructures which are not bringing in the income for a hotel;
3. Optimization of number and level of employees of a hotel;
4. Availability to use newest technology.

However, according to Manion et al. (1993), there are some questions to be asked by the managers of a hotel when they decided to outsource and chose the supplier:

- What are the proposed savings measured against?
- Does the outsourcer have economies of scale not available to you?
- Is the guaranteed price a good deal?
- Can the outsourcer buy equipment and hardware cheaper?
- What is it that they do that gives to the hotels competitive or strategic advantage? (Blake 1997).

After all these questions have been answered and decision has been made by owners of hotels to understand that outsourcing according to Winterton (2000), is a pretty scary idea. It feels like giving one's chequebook to a tradesman and letting him write his own cheque. Hence, the fundamental decision is whether or not to outsource a business process or function. This is the most important of a sequence of actions and decisions listed in maintaining the relationship (Beaumont and Sohal 2004).

Currently, it is possible to suggest more specific reasons when hotels outsource:

- There are vacant places for the short period (holidays, business trips of principal employees)
- There is a need of the personnel for seasonal works (New Year, summer period)
- There is a necessity to accomplish the project, but there are no qualified personnel (marketing research, web-site creating)

One of the most important steps for hotel managers is the competent conclusion of the contract with fixing of all necessary points of decreasing of financial, human and other kinds of risks. Nevertheless, every manager has to realize that there are no any outsourcers who exist to provide unique, qualitative and cheap services at the same time.

Reasons for Outsourcing

There are two major reasons for outsourcing. These are to maintain competitive advantage, and to focus on core/noncore activities.

Maintenance of Competitive Advantage

Domberger (1998) sees two strategic issues related to an outsourcing decision: where the organization's boundaries lie, and what sort of contracts should be in place.

Domberger (1998) cites several examples of companies outsourcing to sharpen their focus on their source of competitive advantage. Formidable barriers against competition can be achieved by organisations focusing on what they do best, and outsourcing to suppliers who can in turn focus on developing their own specializations. This enables each activity to be conducted in a "state of the art" manner. To achieve this internally would be difficult to manage. Langfield-Smith et al. (2001) cite a manager who comments: "...You really have to understand what are your core competencies.. what are the things that you are good at, that you do have an edge on. No matter what business you are in, there are some things that you can do better than others. It is a matter of identifying and really understanding those things.

Focus on core activities

Related to the idea of competitive advantage is the issue of core activities. In determining which activities should be outsourced, it is widely suggested that core activities should be insourced and non-core activities outsourced. Non-core activities are peripheral to a company's competitive advantage (Quinn and Himler, 1994). Bromage (200) notes: "The reason for outsourcing becoming so popular may well be the increasing recognition that activities which are not core competencies are often not cost effective" Like strategy and competitive advantage, what is meant by "core" can be ambiguous and confusing. K&K (2000) claim "Defining what core competency is for any one organisation is fraught with many ambiguities". To aid the identification of core activities K&K (2000) refer to Alexander and Young's (1996) four characteristics generally associated with a core activity:

- i. it is traditionally performed in house,
- ii. it is critical to business performance,
- iii. it creates current or potential competitive advantage, and
- iv. it will drive further growth innovation and rejuvenation.

Domberger, citing Prahalad and Hamel (1990) comments:

"Core competence is essentially a bundle of corporate skills that can be put to work in producing different products, both current and future.they (Prahalad and Hamal) urge companies to cultivate the competencies which will be more enduring than the products they currently produce, will not diminish with use, and will be the platform from which they will launch new and successful products in the future" (Domberger, 1998).

Risks in Outsourcing

Outsourcing can provide many benefits and that some managers are sometimes tempted to think that it is risk-free exercise (Lonsdale & Cox, 1997). Unfortunately, this is not the case. There is always the other side of the coin and this generates a lot of concerns as there are as many outsourcing-related risks. Hypothetically, the ideal world situation paints a picture of perfectionism; therefore, markets would operate effectively without any friction or unnecessary transaction costs (Quinn & Hilmar, 1995). However, in real life or world situations, most supply markets are imperfect and encompass great deal of risks. Among those risks include

- Short-term cost-cutting objectives. Leavy (2004); Lonsdale & Cox (1998) cautioned that if the primary target or objective for outsourcing is short-term cost-cutting or headcount reduction (downsizing), managers can be blinded and misguided to the real consequences of outsourcing, especially when supplier's offer come with overoptimistic cost savings.

- Service quality management risks (technical competence to ensure service quality). Another risk area is emphasized, (Lonsdale, C and Cox, 1997); that, lack of required skills and technical competence to ensure service quality can result in compromised service quality standards and may lead to failure of the outsourcing to deliver its expected benefits. The literature indicated that issues of service quality gaps, differences in perception, variability, heterogeneity, and the difficulty of precision in specifications are inevitable in services outsourcing. Therefore, the absence of measurable key performance indicators and service level agreements predisposes the outsourced service to a lot of risks and the exercise become more vulnerable to unintended consequences.
- A fall in employee morale. Belcourt et al (2006) consider the effect on employee morale as one of the primary risks of outsourcing. Outsourcing always results in displaced employees (Belcourt et al, 2006; power et al 2004).
- Unexpected costs. In most cases saving is the main reason for outsourcing. Ironically, unexpected costs are one of the most common drawbacks of outsourcing (Deloitte, 2005).

Advantages and Disadvantages of Outsourcing in the Hotel Industry

According to Beaumont and Sohal (2004), outsourcing is used because it supposedly advantages to the organisation. The advantages and disadvantages can be categorized as strategic or tactical, long-term or short-term, and tangible or intangible. The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities (Lankford and Parsa 1999). When services are outsourced, it may become easier to handle problem situations because it is possible to go straight to the provider and have them work out the problem instead of having to figure out what went wrong internally (Glickman et al. 2007). For hotels, benefits are substantial: reduced costs, expanded services and expertise, improved employee productivity and morale, and a more positive corporate image (Lankford and Parsa 1999). Thus, it is possible to draw a conclusion that outsourcing has a number of advantages which are attractive to hotels using it:

- Allows to receive better quality services and/or cheaper;
- Improves innovative possibilities of hotels due to interaction and partnership with the suppliers of high level who have the big intellectual potential and rich innovative experience;
- Provides the big flexibility of the company in case of sudden change of a market situation or consumer preferences: to find new suppliers with necessary possibilities and resources easier and cheaper, than to reconstruct internal activity of the hotel, liquidating one resources and creating the new;
- Accelerates achievement of resources and skills;
- Allows to concentrate business on those processes which are effectively carried out by staff of the hotel, and those which are strategically expedient for keeping under its control.

For small hotels advantage of outsourcing will be expressed in economy of expenses and office (working, useful) areas. Furthermore, the search of the employee possessing qualification and a practical operational experience in all demanded areas can be quite long, and cost of hiring of such employee will be rather big. Furthermore, Beaumont and Sohal (2004) selected five the most common minuses: ascertaining relevant costs, maintaining the relationship, loss of distinctive competencies, change problems and loss of flexibility. Moreover, outsourcing can generate new risks, such as the loss of critical skills or developing the wrong skills, the loss of cross-functional skills, and the loss of control over suppliers (Quinn and Hilmer 1994, Domberger 1998 in Kakabadse, N. and Kakabadse, A. 2000).

As a result, it is possible to conclude that there are some points which every owner of a hotel has to understand before he will decide to outsource.

- Inexpediency of transfer of some functions of the large hotels since it can lead to distribution of the confidential information, fall of level of efficiency in getting of the necessary data for management of the hotel. Confidentiality loss conducts to loss of competitive advantages of the hotel.
- Psychological feature: it is hard to entrust the in-house information to the external company.
- Transfer of a part of functions on outsourcing, can lead to losses of some kind of activities of the hotel which in cooperation with a core business helped to achieve the organisations success and popularity among consumers.
- Also it would be important to notice that having transferred to outsourcing a considerable quantity of duties, the hotel's expenses can essentially increase,
- And also important to remember that the excessive amount of services removed to outsourcing conduct to a complete dependence of the hotel from external executors that is extremely adversely reflected the company as a whole.
- The probability of losses is great in case of the absence of appropriate quality of given services.
- Also it is necessary not to forget that any commercial organisation can be declared bankrupt and outsourcing firms are not an exception. Because of that the hotel may have additional difficulties of search and selection of new outsourcer.
- Furthermore, absence of the appropriate control of the quality of the performance of works which have been outsourced is big disadvantage as well.

Benefits of outsourcing

In addition to the benefit of specialization noted above, Domberger (1998) identifies four other benefits of outsourcing: specialization, market discipline, flexibility and cost savings.

Specialization

A major benefit of outsourcing is specialization (Domberger, 1998; Ansley, 2000; Langfield-Smith and Smith, 2001). Specialization refers to entire organisations focusing on specific activities. K&K (2000) see specialization as the main outsourcing advantage.

Market discipline

The second outsourcing benefit concerns the market discipline that it introduces. As noted by Domberger: "Competition adds powerful incentives to raise productivity, to improve quality, and to innovate. The combination of specialization and market competition is particularly powerful: it ensures that every latent opportunity for efficiency gain is vigorously pursued".

In addition to instilling a sense of competition, maintaining several suppliers facilitates the collection of benchmarking data (Domberger, 1998; Ansley, 2000). K&K (2000) cite examples of organisations that have successfully developed world class competencies in non-core skills by exposing the inhouse service provider to external competition.

It is notable that the Holiday Inn now serves the entire hospitality market with its hotel reservation IT business (K&K, 2000). A further factor supporting the maintenance of several suppliers concerns the opportunity to switch source of supply should a problem arise with one supplier (Domberger, 1998).

Flexibility

The third outsourcing benefit is flexibility. Large vertically integrated and diversified organisations tend to be bureaucratic, slow to react and senior management are limited in their ability to obtain and process relevant information.

Commenting on the advantage of flexibility within a manufacturing firm, Ansley (2000) notes that a supplier: “can readjust manufacturing capacity far more quickly and effectively than a vertically integrated manufacturing facility”.

Cost savings

The fourth benefit is the cost savings that can be achieved through outsourcing. Cost savings relate to several of the benefits described above (specialization leads to economies of scale, market competition drives efficiencies, and flexibility means businesses react in more efficient ways.

RESULTS AND DISCUSSIONS

Table 3.1: Sample Size of the Survey

HOTEL	STAFF STRENGHT (F)	PERCENTAGE
ANITA	19	40%
NODA	16	33%
GOLDEN GATE	13	27%
TOTAL	48	100

Sample Size of the Survey

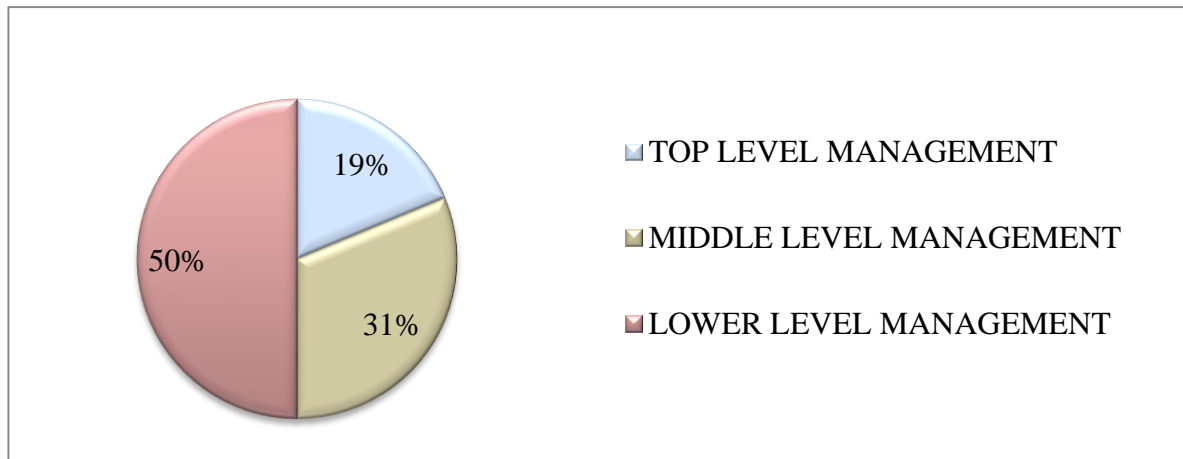
A set of fifty (50) questionnaires was administered out of which forty-eight (48) were received representing ninety-six percent (96%).

Therefore, a sample size of forty-eight (48) questionnaires received, representing hundred percent (100%) respondents from three (3) hotels namely: Anita, Noda and Golden Gate Hotels were used for the study

Level of Personnel

Table 3.2

NAME OF HOTEL	FREQUENCY (F)	PERCENTAGE (%)
TOP LEVEL MANAGEMENT	9	19
MIDDLE LEVEL MANAGEMENT	15	31
LOWER LEVEL MANAGEMENT	24	50
TOTAL	48	100

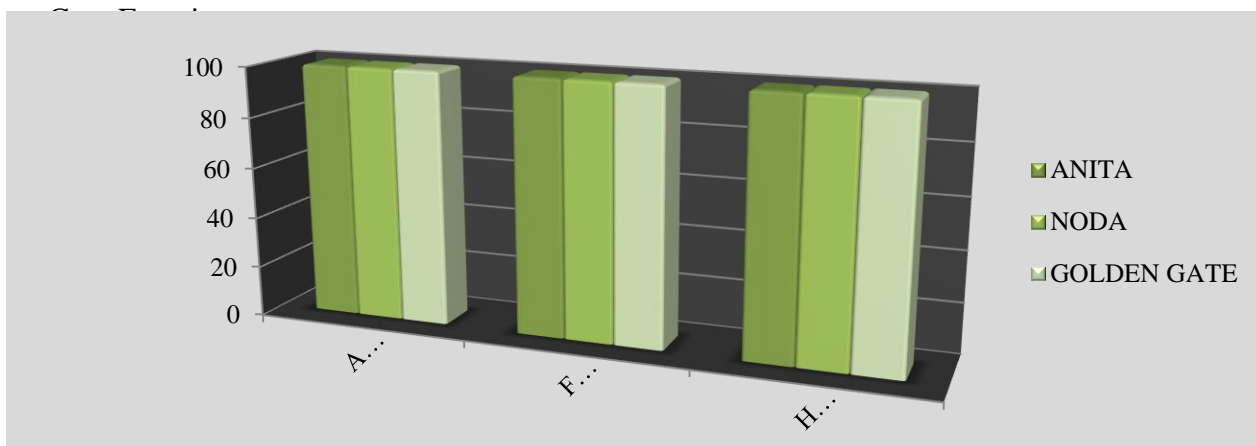


Level of Personnel

The sample of respondents was categorized into top level management, middle level management and lower level management. The top level management with reference to figure 4.3 represents forty percent (40%) of respondents. Middle level management represents thirty-five percent (35%) of respondents. Lower level management represents twenty-five percent (25%) of respondents.

Table 3.3: What are the Cores and Non-Core Functions of the Hotel?

NAME OF HOTEL	ACCOMODATION	FOOD BEVERAGE AND	HOUSE KEEPING
ANITA			
NODA			
GOLDEN GATE			



From the table above, it indicate that, the core functions of the three hotels are these key areas: accommodation, food and beverage and housekeeping.

Hundred percent (100%) of the respondents which represent the entire staff of all the three Hotels said that their core functions are accommodation, food and beverage and housekeeping.

3.4 Non-Core Functions

Table 3.4

Name Of Hotel	Security	Training	ICT	Laundry	Car Rental	General Maintenance	Waste Disposal
ANITA				-			-
NODA			-				-
GOLDEN GATE							

Non-Core Functions

From the table, the researcher deduced that, all the three hotels have in common services like service: security, training, car rental and general maintenance.

Noda and Golden Gate Hotels have laundry services as a common non-core activity.

Anita and Golden Gate have ICT services as a common non-core function.

Golden Gate has a unique non-core activity in the area of waste disposal.

For how long has the Hotel been Outsourcing Its Non-Core Functions?

The table below answers how long the hotels have been outsourcing its non-core functions to service providers.

Table 3.5

Name Of Hotel	1 – 2 Years	3 – 4 Years	5 Years/More	Total
ANITA	3	2	14	19
NODA	4	6	6	16
GOLDEN GATE	3	-	10	13
TOTAL	10	8	30	48

For how long has the Hotel been Outsourcing Its Non-Core Functions?

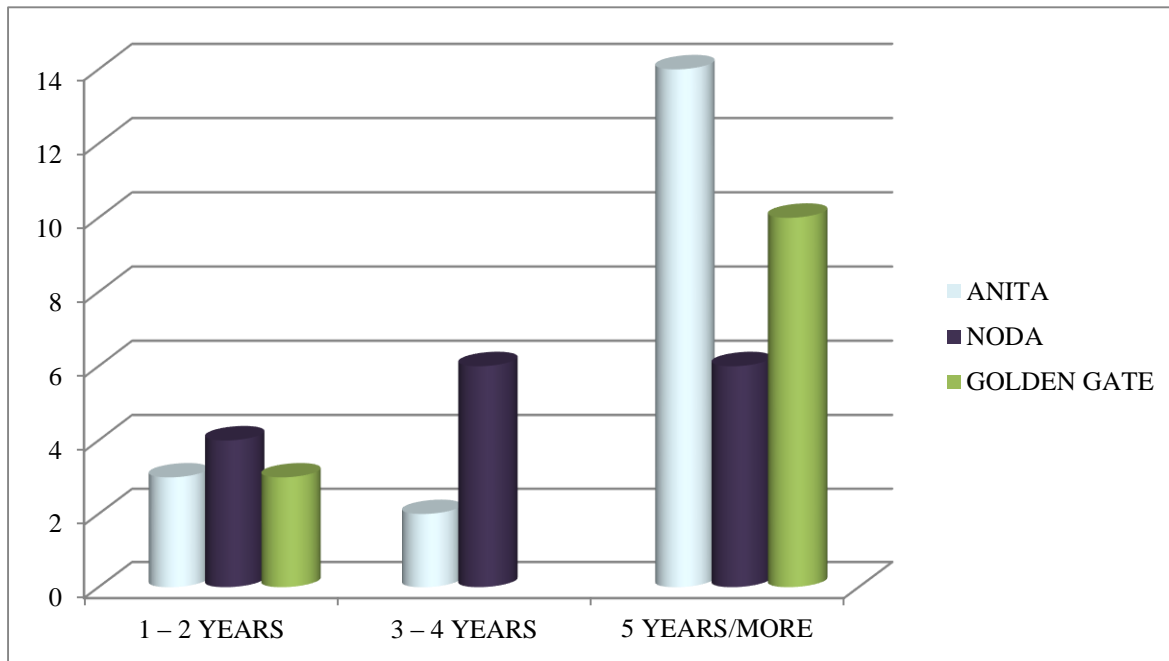
From table 4.3, I deduced that all the three hotels respondents have different perception and ideas about the years of its operations.

Twenty percent (20%) said the hotel have been in outsourcing for 1-2years.

Sixteen percent (16%) also said the hotels have been in outsourcing for 3-4years.

Sixty-four percent (64%) of the respondents also said, the hotels have been in outsourcing business for more than five (5) years.

Figure 3.5



Rationale behind Outsourcing of Non-Core Functions.

Most hotel establishments have different rationale behind the outsourcing of non-core functions. Anita, Noda and Golden Gate hotels indicate their rationale for outsourcing of non-core functions.

Table 3.6

Table 5.13						
NAME	OF	BUSINESS	COST	OPERATIONAL	EFFICIENT	TOTAL
HOTEL		FOCUS	AND	FLEXIBILITY	UTILIZATION	
			REVENUE		OF ASSET	
ANITA		6	3	8	2	19
NODA		4	3	6	3	16
GOLDEN GATE		3	4	3	3	13
TOTAL		13	10	17	8	48

Rationale behind Outsourcing of Non-Core Functions

The questionnaire administered had the following responses:

27% of the respondents said that business focus was their rationale behind outsourcing of non-core functions.

21% respondents also said cost and revenue was the rationale behind outsourcing of the non-core function.

35% respondents said that operational flexibility was the rationale behind outsourcing of the non core functions.

17 % of the respondents said efficient utilization of assets was the rationale behind outsourcing of the non-core functions.

From the above indications, I deduced that such varied rationales had a positive impact in hotel operations and in the hospitality industry in general.

Figure 3.6

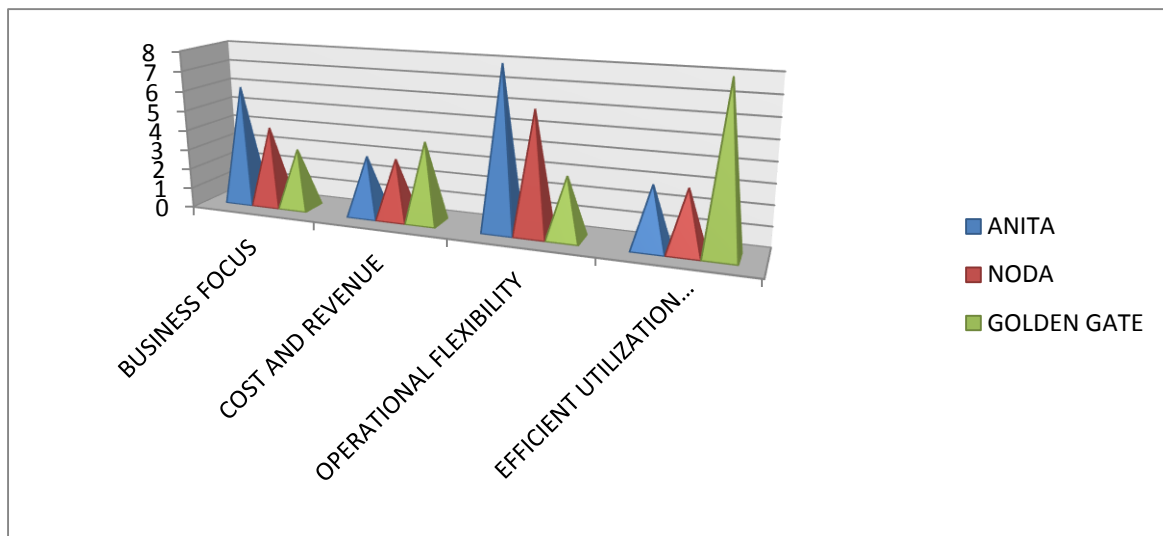


Table 3.7

NAME OF HOTEL	YES	NO	TOTAL
ANITA	19	0	19
NODA	16	0	16
GOLDEN GATE	13	0	13
		TOTAL	48

Has the Hotel Established a Service Level Agreement (SLA) with Its Service Providers?

The above indications shows that 100% respondents said Yes, to prove that all the hotels have a competitive edge in outsourcing.

All the hotels had different impact as far as outsourcing of non-core functions is concern.

From the point of view of Anita hotel, the impact on the operations of the hotel has been efficient operational performance.

Noda hotel has tremendous performance as the impact on its operations as far as outsourcing of non-core functions was concern.

The impact on outsourcing non-core functions on the operations of Golden Gate Hotel has been continuous improvement of service delivery.

Figure 3.7

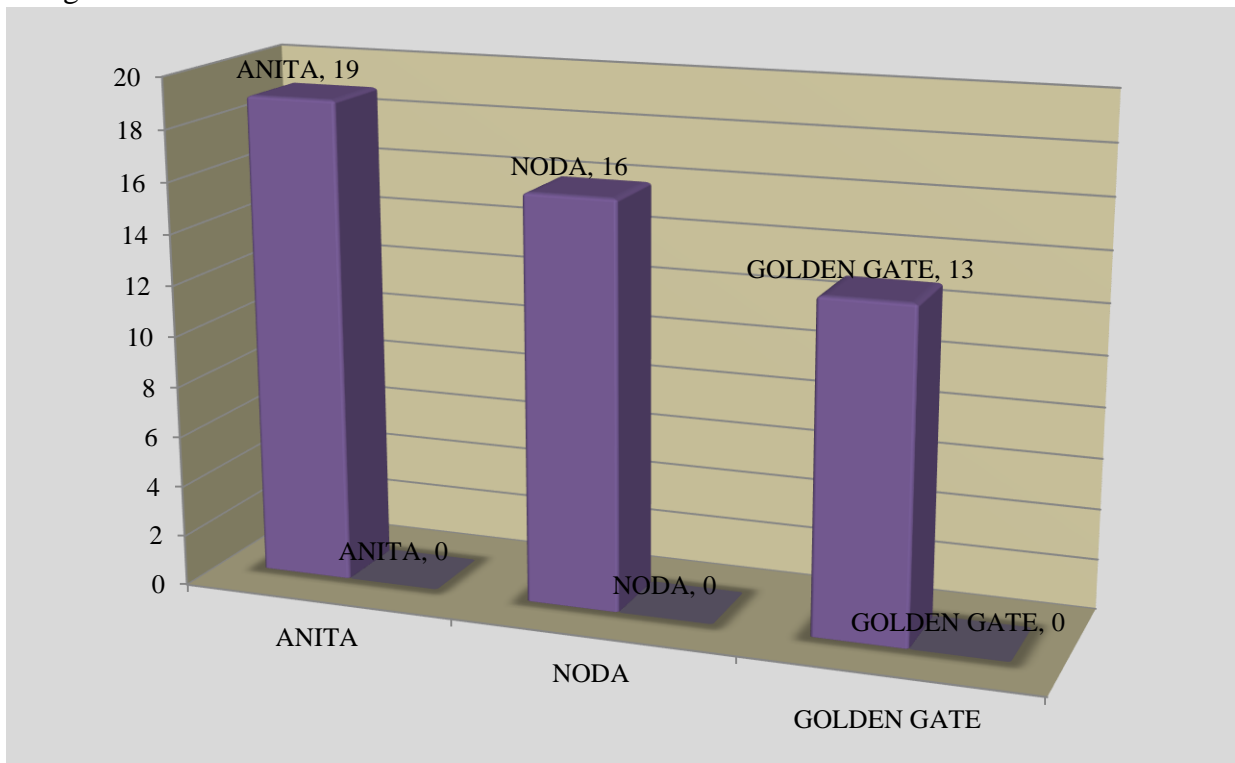


Table 3.8

NAME OF HOTEL	EFFICIENT OPERATIONAL PERFORMANCE	TREMENDOUS IMPROVEMENT	CONTINUOUS IMPROVEMENT OF SERVICE DELIVERY
ANITA			
NODA			
GOLDEN GATE			

Impact of Outsourcing on the Operations of the Hotel.

All the hotels had different impact as far as outsourcing of non-core functions is concern.

From the point of view of Anita hotel, the impact on the operations of the hotel has been efficient operational performance.

Noda hotel has tremendous performance as the impact on its operations as far as outsourcing of non-core functions was concern.

The impact on outsourcing non-core functions on the operations of Golden Gate Hotel has been continuous improvement of service delivery.

What are the Benefits of Outsourcing Non-Core Functions to the Hotel?

The following are the major benefits of outsourcing non-core functions in the hotels.

- Efficient service delivery
- Highly specialized workforce
- Services delivery at a reduced cost
- Promptness of delivery
- Operational flexibility

Does the Hotel Encounter Difficulties in the implementation of Its Outsourcing Practices?

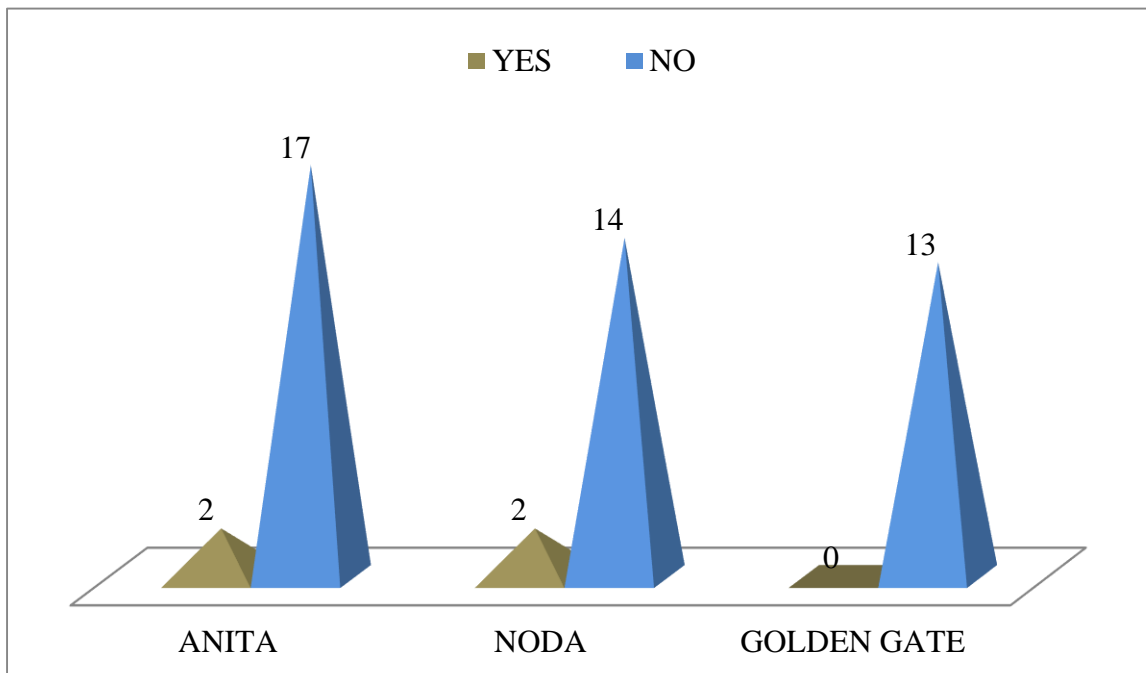
The table below depicts whether the hotel encounter difficulties in the implementation of its outsourcing practices.

Table 3.10

NAME OF HOTEL	YES	NO	TOTAL
ANITA	2	17	19
NODA	2	14	16
GOLDEN GATE	0	13	13
TOTAL	4	45	48

Does the Hotel Encounter Difficulties in the implementation of Its Outsourcing Practices?

Figure 3.10



Does the Hotel Encounter Difficulties in the implementation of Its Outsourcing Practices?

From the figure given, it indicates that 8% respondents said yes and 92% respondents said no indicating a mixed feeling as to whether respondents encounter difficulties with service providers.

According to the Three Hotels these are some of the Major Challenges/Difficulties.

- One of the biggest difficulties of outsourcing non-core functions is the risk of losing sensitive data and the loss of confidentiality.
- Losing management control of business functions mean that the hotels may no longer be able to control operations of activities that have been outsourced.
- Since the outsourcing provider may work with other customers, they might not give 100% time and attention to a single company. This may result in delays and inaccuracies in the work output.
- Hidden costs and legal problems may arise if the outsourcing terms and conditions are not clearly defined.

Difficulties Encountered in Dealing with the Service Providers.

From the information gathered, it was realized that, there are certain major difficulties hoteliers encounter in their dealings with respective service providers. Among the lot are:

- Post-Contract Processes and Decision Rights Not Understood
- Poor Mutual Understanding of the Contract
- Client Retained Team Lacks Required Skills
- Loss of Key Talent
- Culture Clash Between the Client and Service Provider

Measures Put in Place By The Hotel In Addressing Difficulties With Service Providers.

These are the measures put in place by hotels in addressing difficulties mostly encountered with its service providers.

- The hotel must be aware of the need to design new processes, and assign necessary resources and importance to these activities.
- To enhance future effectiveness, continuity and mutual understanding, the negotiation team should include executives from both the hotel and service provider who will be responsible for future delivery.
- Outsourcing necessitates modification to some roles and creation of new ones in the client organization. Strategic hiring/contracting of external staff that have substantial experience with outsourcing will complement and add depth to the team.
- All employees and contractors are important in achieving outsourcing success Specific retention strategies (and sometimes contractual requirements) are created when appropriate, to obtain the service provider's opinion and jointly develop approaches that limit staff turnover.
- Specific education about multicultural awareness helps to improve the team's understanding of the service provider staff's norms and customs.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

In conclusion, it may be said that outsourcing non-core functions in the hotel industry can be a successful and beneficial experience. It appears prudent for the hotel sector to think about outsourcing non-core functions strategically, understanding the situation in which they operate and take a considered approach to the future. The outsourcing of non-core functions means opting out from existing sluggish internal organizational processes in favour of newer approaches

Managing outsourcing of non-core functions requires an understanding of the concept of outsourcing, the assessment and evaluation process, and its impact on the operations of the hotels. This research shows that, the rate of outsourcing non-core functions in the hotel industry will continue to increase in the future. Outsourcing of non-core functions, with the right management approach, should provide the hotel industry with a viable strategy for efficient support services delivery, controlling costs and ensuring customer satisfaction.

Recommendations

The hotel industry should continue to focus on its core business activities with the view that it can no longer assume all its services to be provided and managed internally. Competitive advantage is mostly gained when services are provided more effectively and efficiently by specialist outside suppliers. It is therefore, recommended that a general set of measures be used as a decision-making tool and an aid in prioritizing and developing successful outsourcing in the hotel sector and in the hospitality industry in general.

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