

OUTSOURCING PRACTICES IN HOSPITALITY INDUSTRY

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Abstract

Outsourcing is a management strategy that is often preferred by businesses operating in the hospitality industry. Outsourcing can provide the accommodation businesses the chance of giving more attention to their core business activities. In this study, the perceptions of four and five-star hotel managers about the outsourcing strategies of upper grade accommodation facilities operating in Konya and Ankara are going to be investigated. Findings of the research questionnaire which is structured by means of literature review on the previous studies carried out will be analyzed. Valid and reliable responses are going to be analyzed by means of statistical software, SPSS. The relationships between determined factors within the scope of study which are considered as effective on the adoption of outsourcing activities and hotel managers' evaluations on outsourcing activities are examined and interpreted.

Keywords: Hospitality industry, Outsourcing practices, Hotel managers.

INTRODUCTION

Globalization and rapid technological developments further increased competition among businesses. Businesses have to develop new competition strategies in order to be able to sustain their assets and increase their profits. The mainstay of these strategies is to reduce costs and to ensure profit maximization. The way to be followed in reducing the costs is to avoid lowering the quality of services offered in the same direction as costs while reducing costs. Outsourcing in this direction might be evaluated as a strategy to follow the technological developments around the business environment in which the competitiveness is high, to realize the goals of the company, to reduce the costs incurred from the activities.

Although outsourcing has been used in information systems since 1954, it has become popular in the 1990s because of Eastman Kodak's success in this application. Outsourcing offers attractiveness with vital prospects for businesses such as reducing costs to businesses, increasing competition and improving production. In the outsourcing theory developed by Williamson in 1975, it is aimed to reduce the costs of

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enterprises, to provide competitive advantage and to provide quality products or services (Kahraman, Engin, Kabak and Kaya, 2009: 1).

Outsourcing has become a management strategy favored by different sectors, especially in recent years. One of the sectors where outsourcing is preferred intensely is the hotel industry. Outsourcing in hotel operations was first implemented in France in 1980s. The first outsourcing in the hospitality sector in Turkey started with the implementation from outside the enterprise of the accommodation service in Atlantis Holiday Village in Seferihisar in 1997 (Türksoy and Türksoy, 2007: 85; Yurtsever, 2004). Hotel establishments tend to use outsourcing in order to increase their profitability and productivity. Outsourcing in hotel businesses can vary depending on the size, location, market level and ownership of the businesses. Generally, reasons for outsourcing in the hospitality industry can be grouped into five main categories. These are (Hiamey & Amenumey, 2013: 1):

- Reduction of costs,
- Development of quality,
- Flexibility,
- Improving services (improving service)
- To ensure competitive advantage.

The increasing development of the tourism sector in Turkey and its position at the same time is to boost the tourism sector. The increasing demand in tourism industry and the inability to respond to the demand side by accommodation industry have led businesses to employ outsourcing. Outsourcing in hotel business is a widely adopted strategy. Managers are trying to reduce operating costs in a challenging competitive environment. Outsourcing strategy aims to improve the production, increase the revenues, reduce the operating costs and reduce risks (Lam & Han, 2005:1).

Table 1. Departments which are employing outsourcing and main areas of outsourcing activities

Department	Outsourcing activity field
Front Office	Reception / reservation
Housekeeping	Room cleaning, floor cleaning, laundry
Food and Beverage	Purchasing, catering, restaurant, kitchen
Maintenance / repair	Technical services, pool and garden care
Governance	Administration, in-house training, human resources, sales and marketing, information and communication
Recreational Activities	Animation
Security	Security services

Source: Türksoy and Türksoy, 2007; Rodriquez & Robaina, 2004

Departments which are employing outsourcing and main areas of outsourcing activities are demonstrated in Table 1. According to this table; reception and reservation in front desk department; room cleaning, floor cleaning, laundry services in housekeeping department; purchasing and catering in food and beverage department; maintenance-repair, pool and garden care services technical services department; departmental management, in-house training, human resources, sales and marketing and information services in governance; resting arrangements, animation and entertainment services in recreation services; in-house and environmental security services and related equipment used as part of the services dealt here are widely applied areas of outsourcing.

LITERATURE

Zorlu, Avan and Baytok (2016) have investigated the reasons for avoiding outsourcing activities and strategies. This research was conducted on 42 thermal hotel management enterprises operating in Turkey and not applying outsourcing and surveying technique was used as data collection tool. As a result of the analysis of the data obtained, whereas the risk of losing control of the relevant area among business-driven causes and that outsourcing cause future concern in the operational staff are at the forefront, it was concluded that instability of the suppliers, the adaptation problem of personnel and inappropriate firm image caused by the supplier firm personnel constitute the main reasons resulted from the supplier firms (enterprise providing outsourced services or equipment). On the other hand, it has found out that the thermal units of the hotels are evaluated as core facilities by the managers as being the main constituent of the image of the hotel and thus the application of the outsourcing is not applied.

Yirik, Erdinç and Göçen (2014) investigated the outcome of their outsourcing on the use of accommodation in Antalya and the financial effects on accommodation businesses. In the study, 373 senior managers were interviewed face to face; opinions, suggestions and concerns about the outsourcing of managers have been tried to be revealed. In the study, accommodation business managers preferred the outsourcing because they were less costly than most businesses had to bear; But in the areas with strategic pre-requisites for the enterprise they do certainly not consider leaving as well as not preferring to outsourcing.

Lamminmaki (2011) aimed to explain the factors that encourage outsourcing in hotel business. In the study, transaction cost economics, agency theory and wider literature on external sources were searched. Data obtained from interviews and questionnaires were used in the research. As a result of the research, it is concluded that while for the transaction cost economic and extended support is provided, the model does not provide a robust framework in the capacity of exemplifying the behavior of outsourcing of the model.

The study conducted by Türksoy and Türksoy (2007) aimed to investigate the application areas of outsourcing in hotel enterprises. The survey was conducted on hotel establishments operating in Çe me district (Turkey) and survey technique was used as data collection tool. As a result of the study, they have achieved the result that the hotel enterprises participating in the researches have been applied the outsourcing more in the various activities such as spraying, laundry, cleaning, maintenance and repair.

Hiamey & Amenumey (2013) tried to determine the reasons of managers' for outsourcing, outsourced activities, and how they perceived the difficulties faced by these hotels. The study was carried out on 3-5 star hotels and qualitative research methods were used. As a result of the study it was concluded that hotel managers understood well outsourcing and the reasons of outsourcing and for the hotel business in case outsourcing turns into a strategy state, some difficulties have to be struggled.

The study by Espino-Rodríguez & Padron-Robaina (2004) aimed to determine the impact of outsourcing on operational strategies and how hotel managers perceived the cost-reduction operations, quality improvement, flexibility and better service goals. Questionnaire was used as data collection tool in the study. In the study, it was concluded that hotel managers thought that outsourcing could be effective not only in reducing costs but also in achieving other strategic goals. In addition, in the study, it was arrived the conclusion that outsourcing affects the hotel performance positively.

Karaka (2012) aimed to put forward the situation regarding the applications of hotel management in the Alanya Region (Turkey), which is applied in many sectors. Survey technique was used as the data collection tool of the research conducted in 4 and 5 star hotel companies operating in Alanya. In addition, the questionnaires applied to the participants were assessed by subjecting them to a number of statistical analyzes, and as a result of these evaluations it was concluded that the participants thought that activities related to purchasing, basic kitchen services, sales-marketing and personnel selection were more important than other activities and should not be supplied from outside as outsourcing practices.

METHODOLOGY

In this study, it is aimed to measure the perceptions of hotel managers about outsourcing. The research was carried out in 4 and 5-star hotel enterprises operating in Ankara, the capital of Turkey, and in Konya, the largest province of Turkey in terms of surface area. Survey technique was used as data collection tool. In the questionnaire, Lam and Han (2005) outsourcing scale was adopted and used. The universe of the research constitutes a total of 87 hotels ranked as 4 and 5 stars, located in Konya and Ankara. A simple random sampling method was used in the study and the error margin was taken as $\pm 0,10$. Accordingly, the sampling number to be achieved is determined to

be 46 as a result of the calculation. In this direction, 50 hotels were subjected to survey questionnaire face to face and because 3 of the questionnaires were incorrectly filled, they could not be taken into the evaluation. The analysis of the data obtained from the 47 valid questionnaires was made by means of the statistical package program. According to the reliability analysis results of the scale, Cronbach's alpha value was found as 0,878.

FINDINGS

Table 2: Distribution of participants according to their positions.

Positions	Frequencies	Percent
General Manager	7	14,9
Assistant General Manager	9	19,1
Department Director	27	57,4
Other	4	8,5
Total	47	100

The positions of the managerial positions participating in the survey in hotel establishments are shown in Table 2. According to this table when the positions of the participants of the study in the hotel establishments are taken into consideration, it was determined that 14,9% of the participants consist of general managers, 19,1% consist of general manager assistants, 57,4% consist of department director, 8,5% consist of other managerial personnel.

Table 3. Distribution according to the categories of hotel enterprises

Hotel enterprises categories	Frequencies	Percent
4 star	28	59,6
5 star	19	40,4
Total	47	100

Ratings of the Hotels included in the study are given in table 3. According to this table, it is determined that of the Hotels in the scope of the study; 59,6% are with 4 star, meanwhile 40,4% are with 5 star. In the research universe, because of the fact that 4 star hotels are many more, in the obtained data as well, that the 4 star hotels are more than 5 star hotels has appeared as an expected case.

Table 4. Distribution of hotels according to their ownership.

Statues of the hotel establishments.	Frequencies	Percent
The hotel affiliated to a national or international chain	22	46,8
Independent	25	53,2
Total	47	100

The statuses of the participating hotels are shown in Table 4. While 46,8% of the hotels are connected to a national or an international chain; And 53,2% are independent hotel enterprises. When the statutes of the hotels included in the survey are examined, it is seen that independent hotel enterprises are slightly outweighing.

Table 5. Distributions according to the cities where the hotel enterprises perform activities.

cities where the hotel enterprises perform activities.	Frequencies	Percent
Ankara	33	70,2
Konya	14	29,8
Total	47	100

The figures in which the survey was done are shown in table 5. While 70,2% of the hotels operate in Ankara, 29,8 % operate in Konya. When we look at the hotels that make up the study's universe, the number of 4 and 5 star hotels in Ankara is 72; The number of 4 and 5 star hotels in Konya is 15.

Table 6. Outsourcing purposes of hotel enterprises (n=47)

Variables	Mean	Ranking*	Standard Deviation
Reducing operating costs	4,31	1	,87
Providing vendors with management expertise	4	2	,80
Providing vendors with management expertise for the purpose of competing in the hotel industry.	3,97	3	,98
Ensuring that vendors benefit from brand awareness.	3,94	4	,84
Ensuring that it is benefited from the improved production techniques used by suppliers	3,88	5	,83
Ensuring that the risk of failure of the enterprise decrease	3,82	6	,92
Ensuring that New bazaars are found or the suppliers are benefited for the New bazaars to be found.	3,80	7	,76
Ensuring that the internal sources of the hotel are benefited in better ways.	3,74	8	1,12
Ensuring that more income obtained	3,65	9	1,08

*Rankings were based on mean scores measured on a Likert scale from 1 to 5 (1=strongly disagree and 5=strongly agree)

Table 6 shows the ranking of the hotel managers participating in the survey according to their importance for outsourcing purposes. Accordingly, outsourcing for participants is to reduce the costs arising from primary-purpose activities (m = 4.31). The latter, which the participants attach importance to, is to use the management expertise of the suppliers (m = 4.00). However, hotel enterprises are successful in increasing competition conditions and want to have a say in the market. Participants therefore want to benefit from the expertise of their suppliers in order to compete in the

hospitality industry (m = 3.97). The use of brand awareness by suppliers is in fourth place according to their importance (m = 3.94). According to managers of participating hotel management, the statement of outsourcing to utilize the advanced production techniques used by suppliers is in the fifth rank (m = 3,88). Participants were found to be more important in terms of reducing the risk of failure (m = 3,82) and ensuring that suppliers are benefiting from the availability of new markets or the development of existing markets by ensuring that the hotel's internal resources are better used (m = 3.74). The view that outsourcing practices are being used to generate revenue is at the bottom of the list (m = 3.65).

Table 7. The handicaps in outsourcing in the hotel establishments

Variables	Mean	Ranking*	Standard Deviation
Insufficiency of the laws about protecting the hotels from failure of the suppliers	4,00	1	,94
That outsourcing is not be able to be understood sufficiently	3,94	2	,99
In the market the difficulty in identifying trustable outsource suppliers	3,85	3	1,09
Risk of redundancy of the employees.	3,71	4	1,07
The worry about the losing control of units which outsourcing is practiced.	3,66	5	1,08
Lack of experience of hotel management in supervising the suppliers	3,63	6	1,30

*Rankings were based on mean scores measured on a Likert scale from 1 to 5 (1=strongly disagree and 5=strongly agree).

In Table 7, the barriers to hotel operations' outsourcing practices are ranked according to their level of importance according to the perceptions of the hotel managers. Participants are most concerned about the inadequacy of the laws protecting the owners if they fail to fulfill their duties (m = 4.00). Outsourcing is not possible in these enterprises due to the fact that managers cannot fully understand the outsourcing of managers (m = 3.94). According to the participants, the problems experienced in determining the outsourcing suppliers in the market are external sources (m = 3.85), which is one of the important obstacles in benefiting outsourcing practices. One of the main reasons why hotel enterprises avoid outsourcing is the risk of dismissing current employees (m = 3.71). As a result of the analysis of the data obtained from the participants, it might be concluded that the loss of control of outsourced units (m = 3.66) is more important than the expression of avoiding outside use (m = 3.63) due to lack of experience of the hotel management under supervision of suppliers.

CONCLUSION

Outsourcing has an important strategic management understanding for reasons such as lowering the cost of hotel operations, focusing on its core activities, taking advantage of the supplier's expertise and brand awareness. In this study, it was aimed to measure the perceptions of outsourcing of hotel managers operating in the provinces of Konya and Ankara. Findings of the study revealed that hotel managers have stated that they prefer outsourcing for mostly the reasons of reducing the costs of the activities, benefiting from the management expertise of the suppliers and utilizing the expertise of the suppliers in order to compete in the hospitality industry more efficiently.

It might be stated based on the findings that for hotel enterprises the most important reason for avoiding outsourcing is the lack of sufficient laws to protect the service demanding parties in case service suppliers fail to fulfill their duties. In a similar study conducted by Lam & Han (2005) on executives of hotels operating in Shanghai-China, the most important obstacle to outsourcing was the inadequacy of laws to protect hotel businesses against suppliers. Besides, it can be said that difficulties in finding a reputable outsourcing supplier and lack of know-how about facilitating outsourcing activities are main obstacles for hotel enterprises and the findings of this research proved the findings of the study applied in Shanghai.

When outsourcing is well used by managers, this can provide the businesses with gaining competitive advantage. Financial development can contribute by reducing the costs of hotel operations with the services provided by outsourcing suppliers. The expertise of management and service provision of outsourcing suppliers can increase the quality of services offered in hotel businesses. On the other hand, a precaution needs to be taken against the adversities such as the risk of redundancy of employees and the loss of control over outsourced units. In addition, on the supervision of outsourcing services suppliers, relevant trainings can be taken in order to overcome the lack of experience and to develop the knowledge of hotel management on outsourcing related employees.

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