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Outsourcing the Service Provider of Services in Hotels and its Impact on Hospitality Sector

Priti Kanwar

Research Scholar, Himachal Pradesh University, Shimla, India

Abstract:

Purpose – The current empirical study examines the increase in level of outsourcing hospitality staff and assesses the collision between the staff and hotel belongingness variables that are positively related to emotional exhaustion and work disgruntlement level. Lack of belongingness from both the ends towards each other adversely affects by directly hitting on the major revenue generator i.e. the Guest. Findings show that Work-belongingness conflict negatively associates with job satisfaction. “Cost effectiveness” is just a module of out sourcing of staff that is not noticeably influenced by the work environment. “Staff willingness to serve” has a higher persuade on guest gratification than any other service attitude. This study reveals chief areas where the out sourced hotel workers articulate their discontent.

Design/methodology/approach – The paper opted for the exploratory study using an elaborate questionnaire that was send to the hotels that have opted for outsourcing in Shimla. The close ended questionnaire targeted 200 samples included the employers, employees and guests of the hotels. The collected data was than quantified and each question analyzed through data interpretation and linkages.

Findings – The paper provides empirical insights about how the outsourcing of the service providers in the service industry affects the deliverance of the intangible product in the hospitality sector. It is suggested that Hotel Human Resource specially the ones in the guest contact needs to be treated with a bond of association to manoeuvre the growth of hotel industry with right attitude to serve.

Research limitations/implications – In view of the fact that the study is based on Shimla Hotels; it may not be the same in other parts of the country. Hence it cannot be globalised for all hotel employees across the country. This study also includes the freshers of the Hotels industry who are in the age group of 16- 20 years. Therefore, there is a margin that they would not have considered their profession and career critically at this point in time. The Hotels were disinclined in letting us talk to their guests so only a few hotels allowed the study. It is a possibility that the guests from other hotels may not feel the same.

Practical implications – The paper comprises of the consequences and causes for the emotional and physical fatigue of the hotel employees who lack belongingness at work place of a specific region of the country. However the infrastructure and the lifestyle of the workforce may differ in other hotels. Thus researchers are expected to branch out the analysis by executing the methodology in dissimilar market section.

Originality/value – This paper recognizes how the Outsourcing of the hotel employees affects the customer satisfaction level and classifies the weak points of the outsourcing vendor and the user hotel from the view point of the employee who in reality works.

Keywords: Outsourcing, Temporary Work Agencies (TWAs), Transaction cost economics (TCE), Human asset specificity, job satisfaction, service quality, guest satisfaction, professional approach, productivity and performance standards

1. Introduction

The current empirical study examines the increase in level of outsourcing hospitality staff and assesses the collision between the staff and hotel belongingness variables that are positively related to emotional exhaustion and work disgruntlement level. Lack of belongingness from both the ends towards each other adversely affects by directly hitting on the major revenue generator i.e. the Guest. Findings show that Work-belongingness conflict negatively associates with job satisfaction. “Cost efficacy” is just a component of out-sourcing of staff that is not noticeably influenced by the work surroundings. “Employee’s eagerness to serve” has a higher persuade on guest gratification than any other service attitude. This study reveals chief areas where the out sourced hotel workers articulate their discontent.

Hospitality industry is considered to be the second most glamorous industry after the films and the second most disciplined after the military. But the fact is that this industry requires intensive time and labour and it becomes glamorous only for the people who are enjoying the services and the employees do not consider their work life anywhere near to quality at all. The subsequent belief though about it being regimented like military is true. The hotels are open 24/7, 365 days a year and it’s more occupied during the festival time all over the world. So the time when people from all other professions are relaxing with their families, hoteliers are working to

make their vacation a memorable one. Outsourcing the servers' or service providers is quite a tricky issue to experiment and adopt in terms of hospitality industry. Hospitality is not just a profession, it's a lifestyle. It is challenging and exciting both at the same time as it requires not only skills, but the whole person.

The present era is an era of knowledge workers and the society in which we are living has come, to be known as non ignorant society. The scholarly pursuits have taken precedence over the physical efforts. Some knowledge workers especially in hospitality work for more than 60 hours a week. As a result of this, their personal leisure pursuits and happiness spar with their work. Life is a collection that contains all the strands together and hence the need to put equilibrium to work life with other related issues. One ought to have both love and work in one's life to make it healthy. Gone are the times when the precedence of employees used to be for physical and material needs. With the increasing shift of the financial system towards non ignorant economy, the connotation of Hospitality can no longer be divergent merely for providing food and refuge to gratify essential requirements. Hospitality is a harmonious fusion of tangible and intangible components- food, beverage, beds, ambiance and environment, and behavior of staff. Presently, there are a lot of hotel companies that have diversified and stretched their accommodations and services. But, in order to truly prosper, companies must without fail meet or beat customer's service needs and expectations.

Hotel is an Industry of the people, for the people and run by people. Facilities and services are produced and executed by people (service providers) for people (Guests). What makes service incomparable and remarkable is sequence of events shared by a range of passionately concerned and competent workers. Service must be guest-obsessed and guest- concentrated so that total Guest Satisfaction can be attained but outsourcing of hotel staff has come out as a curse on this. Outsourcing can provide prospects for an organization to become aggressive by admittance of the comprehension, ability, and wealth management and knowledge of expert firms. These remunerations notwithstanding, numerous organizations have failed to accomplish the preferred benefits predicted in the decision to outsource and have consequently faced the penalty of outsourcing malfunction or have plunged into confronts or challenges that were not visualized. This is as a result of industry practitioners adopting and embracing outsourcing policies without inevitably taking the time to evaluate whether the notion is pertinent to their businesses or not (Lam & Han, 2005)¹.

McIvor (2005)² is of the view that many outsourced tasks are weakening because of the misapplication of the concept by practitioners. In addition, a lot of the organizations that have experienced outsourcing disappointments or poor results often had partial knowledge or skill in outsourcing and were actually outsourcing the activities or areas that they were finding problems with, not including the matters within to see what was internally erroneous. This evidently illustrates that outsourcing is not all that glowing as it does have challenges that organizations will have to gaze at no matter how well-crafted their outsourcing approaches are. This study wanted to investigate challenges of outsourcing in hotels within Shimla.

1.1. Development of Hospitality Sector in Shimla

History of Shimla is closely allied to the Indian history. The British revealed Shimla in the shape of a petite township in 1819 and transformed it to the summer capital of the Indian empire; constructing in a fashion that reminded them of Victorian abode. Year 1903 saw the achievement of the narrow gauge 'toy train' railway coming to the city to support this progression. It was during Lord William Bentinck's time that Shimla was actually acquired by the Government of India. Though Shimla was discovered in 1819 by the British but gained popularity in 1864 after it was announced as the summer British capital of India. Prior to that Shimla was under the rule of the Gurkhas. It was after the Gurkha war that the British armed forces found a dense forest near the temple of Goddess Shyamala and named it Shimla. But a few historian challenges the saying that Shimla is derivative from the word 'Shyamala', meaning the blue house based on a house built by blue slates by a fakir which is another name of goddess Kali. It would not be wrong to say that there would not have been a tale of Shimla if the British had not discovered it. Most European products, ranging from superior fabrics to French sauces, Scottish sardines, English sweets and even excellent horses were all available in Shimla.

In 1876 Peter Hoff which was a government house for the first time got occupied by the fashionable viceroy couple known as the Lyttons. Peter Hoff formed a reputation for hospitality, predominantly for the excellence and quantity of exotic drinks served there. In November 1903, Shimla was connected by the railways. It was an epic event that changed Shimla forever. In a year, Shimla constructed 1400 new cottages and hotels like Cecil, Grand, Metro pole, Marina etc to cater to the increasing popularity of the land of the celestial beauty. Within 5 years of the coming of the railways, the summer time populace of Shimla had averaged to 38,000 of whom 7000 were Europeans.

The British realm may have come to an end to exist, but its reverberation remains on in Shimla. As the Summer Capital of the British in India, Shimla was the country's heart as the superior limb to visit every year, and now is the state capital of Himachal Pradesh. Today, it has sound urbanized amenities, effortless accessibility and abundant attractions making it one of India's most admired hill resorts. Located in the lower ranges of the Himalayan Mountains, it is bordered by pine deodar, oak and rhododendron forests. Towards the northern end sprawl the snow-covered high-ranges, whereas the valleys have breathe sigh streams and captivating fields. Within the town are multitude of marvelous royally structures, old-worldly cottages and charismatic walks. Shimla offers an assortment of shopping, activity and amusement actions. This place caters to a big chunk of national and international tourist inflow every year.

Over the years, the Shimla hotel industry has accomplished a noteworthy elevation of maturity, and the majority of the chief hotel chains have realised the potential of the place. For example, East India Hotels (The Oberoi Group) had three properties in total here, Radisson, Mahindra Quality Inn, Honeymoon Inn have adopted the strategy in Shimla that they follow globally for entering the budget business segment.

2. Objectives of the Study

- i. To recognize how the Outsourcing of the Hotel Employees affects the customer satisfaction level.
- ii. To classify the weak points of the outsourcing from the view point of an employee.
- iii. To highlight the adversity of outsourcing in hospitality and its damages on a long run.

3. Research Methodology

The study adopts a qualitative exploratory research design to observe outsourcing approach among the hotels. This was done with the intend that after examination variables that could be calculated will be recognized. This was obligatory due to the scarcity of literature on hotel outsourcing in Shimla. At the time of conducting the study a total of fifteen (15) hotels could be identified within the budget to 3 Star categories of hotels in the nearby vicinity of Shimla. The Primary source of information would be from an intricate questionnaire which would cover the employer, employees and guests of the hotels in Shimla. General Managers (GMs) or senior managers who run the hotels on a daily basis are also involved in answering in absence of the employer as these people are directly associated in [outsourcing] strategy formulation. The first stage of this research would target approximately 200 employees and 100 Guests. The collected data would be quantified and each question would be analyzed through data interpretation and linkages.

4. Study Area

The profile of Shimla as the capital and chair of government of Himachal Pradesh and in addition to the fact that it hosts all the headquarters of many offices, organizations and enterprises operating in the state other than being the most scenic tourist place, makes it a magnet that attract the establishment of high quality commercial hotel lodging business. Profitable hotel lodging distribution in Himachal is spatially tilted with Shimla enjoying the lion's share. It has the premier concentration of all the classes of hotels that can be found in the state. In recent times, Shimla has seen the explosion of firms providing services such as safekeeping management, catering, Information Technology and laundry to the majority of service sector businesses such as hospitals, banks and hotels. Outsourcing of services in an area or locality depends to a greater extent on the availability of such services in that area (Ono 2007³; Corbett 2004⁴). Therefore, Shimla offered the setting for hauling out the study.

5. Limitations of the Study

1. The fact that the study is based on Shimla Hotels, it may not be the identical to other parts of the country. Hence it cannot be globalised for all hotel employees transversely in the country.
2. This study also includes the fresher's of the Hotels industry who are in the age group of 16- 20 years. Therefore, there is a margin that they would not have considered their profession and career critically at this point in time.
3. The Hotels were unenthusiastic in letting us talk to their guests so only a few hotels allowed the study. It is a possibility that the guests from other hotels may not feel the same.

6. Review of Literature

Outsourcing means contracting with a different firm or person to do a meticulous task. Roughly every business outsources by some means. Characteristically, outsourcing is measured non-core to the company. Most of the companies used to outsource its janitorial and horticultural operations to firms that concentrate in those types of work since they are not strategic to the business of the firm. The exterior firms that are providing the outsourcing services are third-party providers, or as they are more universally called, service providers. But now the question arise is that as hospitality is itself a full-fledged industry, how fair is it to outsource the service providers of this service industry.

Even though outsourcing has been there about as long as occupation specialization has survived, in recent history, hotels began employing the outsourcing model to carry out tapered functions, such as cleaning staff in kitchens, security and public area attendants specially for parking spa outlets . It was believed that those processes could be done more efficiently and therefore more ecologically, by other companies with ergonomically focused tools and amenities and specially trained personnel.

7. Categories of Outsourcing

- Contracting out activities: Short-term critical way outs where the activities are delegated to another organization.
- Outsourcing services: Engaging specialized external service providers enabling the firm to contribute full focus on its own work.
- In sourcing: A substitute that improves operations of single area within the organization so work from other areas can be undertaken.
- Co-sourcing: The host organization supplies workers or administrators; both supplier and host have dependability over resources to meet the objectives.
- Benefit-based relationships: A long-term relationship based on mutual sharing of benefits and risks by both the parties who are making up-front investments.

8. Transaction Cost Economics Theory on Outsourcing

Transaction cost economics (TCE) theory is the most significant theory on outsourcing (McIvor, 2009 & 2005⁵⁻⁶; Lamminmaki, 2008⁷; Holcomb & Hitt, 2007⁸; Espino-Rodriguez & Padron-Robaina, 2005⁹; Espino-Rodriguez & Gil-Padilla, 2005¹⁰). This theory

was put forward by Williamson in 1985¹¹ although according to Arnold (2000)¹² and Lamminmaki (2005)¹³, Coase had earlier used it in 1937.

The theory unites economic theory and management theory (McIvor, 2009)⁵ to conclude the finest type of association a business should expand in the marketplace. The definitive intend of any organization is to curtail total cost encompassing operation and manufacturing costs. This shapes the basis for organizing an economic activity either within the boundaries of the firm or using the open market (Grune-Yanoff, 2007)¹⁴. In any organization, decisions on how to produce are made more tricky and costly due to the distinctiveness of troupe of employees within the organization's industry and the environment in which they operate (Donada & Nogatchewsky, 2009)¹⁵. The complicatedness includes delimited reasonableness, in sequence unevenness, opportunism and the prevalence of few suppliers (Donada & Nogatchewsky, 2009¹⁵; McIvor, 2009⁵).

Bounded rationality, according to GruneYanoff (2007)¹⁴ and Mansourain and Ford (2007)¹⁶, was first used in 1955 by Herbert Simon and later in 1956 by Herbert Simon and James March (Jones & George, 2006)¹⁷. It is based on the assumption that human decision making is inadequate by the aptitude of the person to progression information and foresees the future. Thus, in factual life there is nothing like complete rationality but rather human beings are only lucid enough or partly coherent (Mansourian & Ford, 2007)¹⁶. This obstructs an individual's aptitude to make finest decisions. Because to this, it turn out to be a complex activity to make unconditional contracts which in turn amplify the expenditure of each transaction.

Information asymmetry is based on the supposition that even if information is obtainable to all parties concerned in a contract one party may have additional information than the other and will try to keep it missing from the other (McIvor, 2005)⁶. Incomplete information comes about due to the incapability of the judgment maker to have full assortment of options available and the consequences of the known option. The reasons for this are peril and vagueness, unclear information and time restriction and costs (Jones & George, 2006)¹⁷.

Opportunism in an agreement is the inclination for the parties concerned in a contractual affiliation to act immorally. This occurs if they have facts and figures that other parties do not have. Opportunism refers to "the incomplete or distorted disclosure of information, especially calculated attempts to mislead, distort, disguise, obfuscate or otherwise confuse" (Vasquez, Iglesias & Rodriguezdel-Bosque, 2007, p. 500)¹⁸. When reserves need explicit assets, an associate may have details or know the flaws of the investing firm and might negotiate "opportunistically" to apt for more rent from the transaction. Also, because precise resources can be used in just one affiliation the collaborator firm may support investment eloquently that at the finish of the contract, they would be in an enhanced position to have control or utility for the asset.

The presence of few suppliers creates market inefficiencies that can create high switching costs and increase opportunistic behaviour (Holcomb & Hitt, 2007)⁸. Since there is restricted number of vendors in the open market, the only ones nearby get turn to have additional negotiation authority which sums up to the worth of a transaction. Also, if transactions are occasional and minute, the expenditure of receiving added information is elevated and this hampers the capability of firms to look for more statistics from purveyors before settling on which one to select. McIvor (2005)² suggests that costs in any transaction come as a result of the type of governance structure which is a major criterion in the decision to outsource. He also interprets that cost and transactional difficulties increase if the transaction is associated with certain characteristics. This distinctiveness is what Williamson (1985)¹¹ submit to as the proportions of business cost: advantage specificity, insecurity and regularity.

8.1. Asset Specificity

Williamson (1985) annotations that asset specificity is the most outstanding and extensively studied dimension of transaction cost economics theory. This dimension differentiates transaction cost economics from other transactions of an organization. In transactions, goods and services that are extremely specialized cannot be outsourced without obtaining high costs. Low specificity transactions require petite scrutinizing and cost and can, therefore, be organized through outside sources (Holcomb & Hitt, 2007)⁸.

An asset is specific when it cannot be relocated to another use without incurring significant costs (Espino-Rodriguez et al., 2008)¹⁰. This means that the asset is merely significant in a particular transaction; hence, there is an elevated possibility of delay if one party decides to renege on its responsibility. Lamminmaki (2005)¹³ using Williamson's (1985) six typologies of asset specificity established that location specificity, chronological asset specificity and brand capital were the most relevant reasons why hotels outsource.

Site specificity or specialty means the capital that is required to be positioned in close propinquity to a supplier, which in this situation is hotel. In the hotel business, Hammington and King (2000)¹⁹ established that hotels outsource their food and beverage functions due to under performance. The restaurants cannot be situated on supplementary premises although some hotel guests fancy outside restaurants (Hammington & King, 2000)¹⁹. But once the hotel has additional F&B services to its operations the restaurant outlets would have to placed on the premise of the hotel.

Because of this, hotels can sometimes become negotiable. They may require custom made fittings for their restaurants which can only be used for that hotel. Another area that Lamminmaki (2005)¹³ has noted is customized laundry equipment. Salvaging it somewhere else becomes complicated and the operator is tied up in the contract. She provides another aspect to the matter by disagreeing that hotels ask service providers to establish on their premise in order to shelter their commitment. In this regard, hotels are enthusiastic to provide subcontractors long term contracts to entrust the hotel and make asset specific promises.

8.1.1. Sequential Asset Specificity

Synchronization and perfect timing of activities is the trademark of the hospitality industry. The different departments in a hotel work in harmony to deliver worthy stay to the guests. The apt cleaning of rooms by housekeeping staff relies on the well-timed delivery of linen and other products. On time availability of rooms to front office by housekeeping also influences the timely check-in of guests.

All the areas within the hospitality industry require timing and dexterity. Just like this the delivery of food items to the food and beverage department also has repercussions on the timely delivery of food orders. So, in a condition where a colleague or supplier holds up delivery, this will influence the smooth functioning of the hotels. Therefore, hotels are unenthusiastic when it comes down to outsourcing such functions (Lamminmaki, 2005)¹³.

Human asset specificity is knowledge or experience of the outsourcer's staff that is precise to the necessities of dealing with the hotels (De Vita, Tekaya & Wang 2011)²⁰. Hotels are not just looking for any other personnel to engage but people or companies with specific skills that is lacking internally. De Vita et al. (2011)²⁰ are of the opinion that human asset specificity is the most extensively examined measurement of the asset specificity assemble, therefore the most commonly used. The instigators note that human asset specificity can be exemplified as exceptional technical skills and knowledge required in carrying out the activity being performed. This also has to do with using the services of specialized suppliers.

8.1.2. Branding

Brand reputation is exceedingly vital in the hospitality and tourism industry and in all other industries. Many international hotel brands such as Marriott, Radisson, Oberoi, Accor, Holiday Inn, Best Western, Hyatt, ShangriLa, and ITC Hotels have built a reputation which they shield all the time. Lamminmaki (2008)²¹ wraps up that hotels would not go into any contractual relationship with another firm or company if they see that such arrangements would adversely affect their brand reputation. Hotels have a tendency to execute functions that straightforwardly relate to their brand name in house than to outsource them.

8.2. Ambiguity and Uncertainty

Contracts are intrinsically partial all the time due to the restricted rationality concept. As a result, the harder it is to predict what would impinge on an association, the bigger the ambiguity and greater the prospective for unfinished contracting and opportunistic behavior. In order to shun the costs allied with deficient contracts, TCE theory holds that the existence of greater insecurity with a particular transaction, the greater the possibility that it will be completed internally. Environmental uncertainty and behavioral uncertainty can be identified here.

Environmental uncertainty affects the ability of the organization to make predictions about the future concerning a particular activity (Wajatakul, 2005)²². When there is ambiguity surrounding a particular activity, associates may hold back information from each other. They have a propensity to act in an opportunistic way. This uncertainty may vigor organizations need to internally hire resources rather than outsource activities.

Behavioral uncertainty looks at examining the performance of subcontractors. Wajatakul (2005)²² raises the argument that exchange partners may sometimes act with guile to create hidden costs by underperforming. When this happens, the expenditure of checking performance becomes lofty, so, many organizations would rather carry out such activities internally than to outsource.

8.3. Regularity and Reliability

This has to do with how frequently an activity is done or carried out by an organization. When activities are carried out very often, the greater the likelihood it would be done in-house and vice versa (Lamminmaki, 2008)²¹. According to McIvor (2009 & 2005)⁵⁻⁶, the fundamental question associated with TCE theory is when a firm should use market governance, hierarchy governance or intermediate governance. He is of the opinion that by gazing at both the costs of governance and the hazards of opportunism organizations can build the correct decisions with regards to their limitations. In some cases, it becomes essential to invest in transaction specific assets.

8.4. Flaws of Transaction Cost Economics Theory

It is squabbled that TCE relies on solitary transactions as the element of analysis. Manifold transactions with the same seller or supplier are not taken into consideration. Another weakness is the over dependence on market and hierarchical governance. There are other governance mechanisms or structures such as expected transaction, the dynamic evolution of governance and transaction, the role played by trust and equity in inter organizational relationship. These are ignored in TCE theory (McIvor, 2005)⁵.

9. Findings and Discussion

Challenges of outsourcing originate either from within the organization or from the subcontractor. Some of the challenges quoted by the managers incorporated deprived quality of outsourced staff, lack of product knowledge by hoteliers, domination propensity by a few outsourcers, lack of loyalty and dedication on the part of outsourced staff, dissimilarity in the organizational customs of hotels and contractors and the cost involved in outsourcing. Most of the managers involved in the study mentions poor quality of staff from the outsourced companies as the chief concern. Personnel that were brought in by the hotels through the Temporary Work Agencies (TWAs) did not meet the criterion set by the hotels. The hotels, therefore, required to give them additional training upon arrival at the hotels. There were other occasions where some workers had the technical skills desirable to carry out a function but because they did not have practical experience in the hotel industry they had to be given further training just to furnish them for the hotel-specific chore.

The apprehension articulated by the managers in this study are related to the findings of Knox (2010)²³ regarding the use of transitory workers in hotels in Sydney, Australia where managers complained of low quality standards of outsourced staff. Shortage of experience and incompetence were connected with many provisional workers due to insufficient preparation by TWAs and this poor quality affected standards within the hotels directly linking it to the guest satisfaction level.

Lack of product and operational knowledge by core management of the hotel is another challenge allied with outsourcing. Some suppliers are “in cashing” the restricted knowledge that employers have with regards to standard recipes, equipment delivery and servicing and by not providing sufficient tutoring on how to use the equipment and paraphernalia purchased from them. This actually conveys that the suppliers have information that is not acknowledged by the hotels. Due to this information irregularity and unevenness, opportunistic behaviors are demonstrated by these suppliers on the cost of detriments of the hotels. In TCE theory, Data and facts asymmetry and opportunism boosts the cost of every transaction. Organizations are, therefore, cautious with suppliers who are apparent to be opportunistic.

The biggest challenge faced by the hotels was lack of commitment by outsourced staff due to holdup in disbursement of their wages by their TWAs. Wages are overdue repeatedly and this influences morale of staff as well as their intensity of commitment which perpetually affects their productivity and hence the efficiency of the hotel. This binds into the behavioral ambiguity attribute of the TCE. The behavior of the suppliers cannot be forecasted. Also, because such personnel are from dissimilar organizations with different backgrounds, sometimes clash arise when the outsourced staff finds it difficult to amalgamate into their fresh work surroundings.

Cost of outsourcing is a further challenge faced by the hotels. It is anticipated that outsourcing would direct to cost cutback, but that is not always the scenario. Some firms stipulate the cost what is outside the means of the hotels even if permanent employees are hired.

9.1. The top reasons to outsource according to the employers:

- Decrease and manage operating costs
- Improve company focus in the area it works.
- Gain close access to top-notch capabilities of the service provider. (Quality Improvement)
- Release internal resources for other functions.
- Acquire resources which are not available internally
- Speed up remanufacturing/innovation profits.
- Deal with a task that is tricky to manage/ out of control.
- Put together capital funds.
- Risks are shared.
- Achieve cash infusion

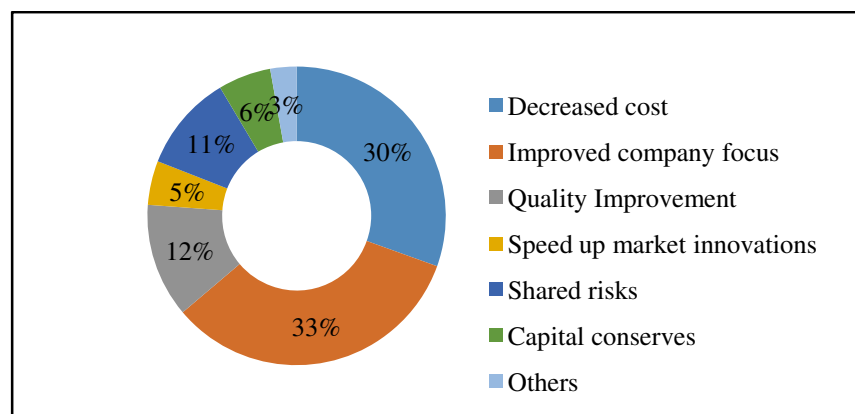


Figure 1: Top reasons for outsourcing

9.2. Top benefits significant from outsourcing:

- Diminution in payroll of the organization
- Diminution in cost of attaining service
- Elasticity in terms of service delivery
- Access to proficiency
- Enhanced service
- Additional management time
- Concentration in core services
- Improved quality
- Reduced need for capital investment
- Cash inflow

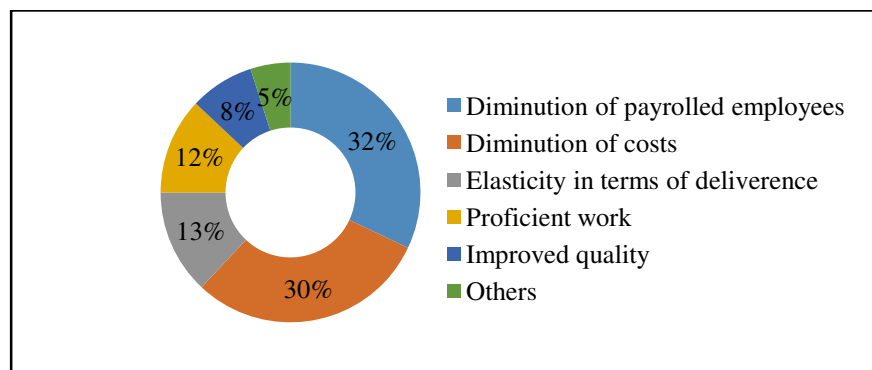


Figure 2: Benefits of outsourcing

10. Challenges Faced by Employees of Outsourced Hotels

Hotels require meticulous work and workers who sketch out the six stigmas for delivering quality services. But, outsourcing the employee has witnessed large turnover in this industry. Even the hospitality alumnae have repugnance towards entering the hospitality industry. The underprivileged working conditions and dissatisfaction have been found openly to have a pessimistic sway on service reputation and is known to be the reason for attrition and turnover intention among employees. In the shaft of light of the aforementioned concerns in the hotel industry, inducing quality and security into the work lives of hospitality employees is indispensable and unavoidable.

10.1. Low Remuneration Packages

The hotel employees working at present with the outsourced properties get wages and salaries that are way low than the salaries given to the regular employees by the hotel. The employers that were questioned during the study agreed to the fact that reduction in the cost of hiring is one of the top benefits of outsourcing that actually works out to be pretty rewarding in terms of saving the big chunk of operational cost. On the other hand the employees are not contented with the level of salary disbursement followed by the outsourced firm. Late and less payment is quite universal and is followed as a measure to keep it as the security amount so that the employee do not leave in the beginning of the month after getting the salary.

10.2. Lack of Job Security

Attenuation in payroll of the organization is bliss to the business due to the reduced amount of liabilities of the staff on the firm. The organization need not to worry about the provident funds and other benefits of the employees as the staff is not on the payrolls. Also the employment life of the staff is not permanent as the staff can be chucked out or transferred to the other outsourced hotel if found not satisfactory to the standards.

10.3. No Unwavering Benefits for Working Hard

All the staff members are measured on the same scale with the same parameters despite of them working with different departments or different zeal to work. It is immaterial if someone works hard or the other one doesn't perform to the standardized level of productivity. This kind of faulty yardstick kills the basic need to perform and staff is merely working mechanically to get the salaries at the end of the day.

10.4. Annoyance for no Escalation in Position

Since there is no growth in the position of the staff members, there is a lot of agitation to vacillation in the performance and the productivity standards of the employees. The employees feel it to be alright not to perform as there will be no gauge to check what they are doing. This leads to the low standard of services given to the guests and hence the outcome is poor guest satisfaction level.

10.5. Lack of Job Satisfaction in all levels of Hierarchy

Satisfied employees provide an elevated echelon of external service quality, the service experience that guests receive and assess, which leads to amplified guest satisfaction (Arnett, Laverie & McLane, 2002)²⁴. Arnett, Laverie and McLane instigated that employee contentment level is simultaneous with buoyant employee behaviour throughout his shift timings with the patrons. Usually the subordinate or grass root level employees articulate their outlook that they are not in fact happy with the kind of job they do. There are moderately a few aspects liable for this paramount rate of disenchantment. Society plays a vital role in this regard. Lack of self-respect, lack of respect from others, unusual working hours, Poor pay packages, over physical strain and desire for enhanced career development contributes to the premier rate of job frustration between the hotel workforces at all the levels of hierarchy.

10.6. Lack of Other Jobs Opportunities in Shimla.

Shimla does not actually have many job opportunities for the hotel staff in spite of many hotels here. Staff is not educated or trained hence has a few options of hopping around as has no skill to actually be picked up. So the employees are left to work with the same

hotel for many years and sometimes decades. There job morale of working for the hotel with any zeal is dead and the staff is least bothered about the guest satisfaction levels.

11. Guest Satisfaction Level

The guest satisfaction has a direct linkage to the work force. The staff attitude towards the guest acts as a deciding factor to assess the happy or dissatisfied guest. The hospitality industry is flourishing on the judicious percentile of the guests who feel that they receive the right value for money. The guests who feel exceptionally contented are not even 50% of the guest who have participated in the study which clearly indicates that the people who served these guests were not doing justice to their jobs.

12. Overall Guest Satisfaction

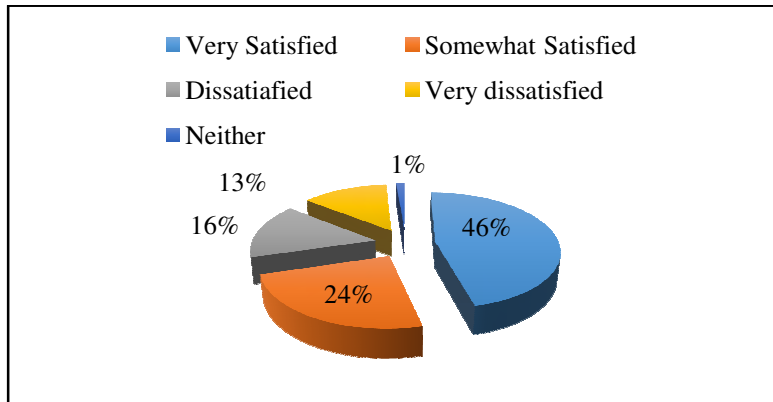


Figure 3

13. Reasons for Not Enjoying the Stay

The percentage of the guests who did not enjoy the stay in the hotels was majorly due to the attitude of the staff. 76% guests were not happy due to the bad attitude of the employees. 9 % were disappointed with the food, 4% did not like the location of the hotel and 11% guests had other reasons.

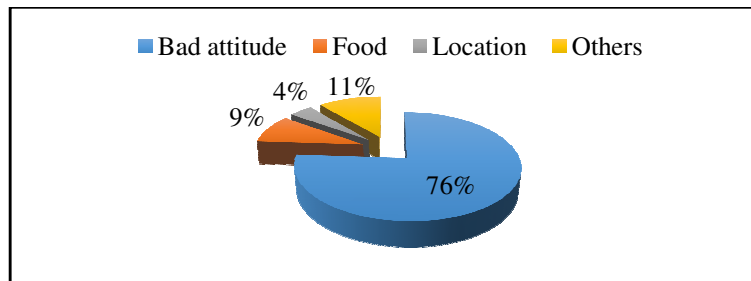


Figure 4

14. Conclusion

This paper discovered the challenges met by hotels that outsource in Shimla from a transaction cost economic perspective. The findings specify that some of the challenges were explicable by the transaction cost economics theory. To start with, the pitiable quality of outsourced staff being supplied by the suppliers is an insinuation that the skill set of those employees are not well specific to meet the needs of the hotels. These are common skills that do not essentially add any significance to the hotels. If the skills were exceedingly unambiguous and according to the human asset specific measurement of the TCE the hotels would have gone in for highly skilled workforce. But as it has coiled out, not all the staff have the definite skills being looked for. Human asset specificity is knowledge or experience of the outsourcer’s personnel that is specific to the requirements of dealing with the hotels (De Vita, Tekaya & Wang 2011)²⁵.

Secondly, expenditure has always been an aspect to consider in outsourcing decision making transversely global; where the cost of outsourcing is squat organizations will go ahead with it and where costs are lofty even the functions that have been outsourced are preferred in-house. The findings illustrate that the cost of outsourcing is high for some of the hotels and this attached with the high cost of reconciliation could bring the majority of the outsourced functions in-house or avert a few of the hotels from auxiliary embarking upon outsourcing all together.

Thirdly, deficiency in of product knowledge on the part of a number of the managers is imputable to the information asymmetry component of TCE. Some hotels calculatingly withhold information that could be advantageous to other business rivals in the operations in order to achieve non vaporized advantage over the other. Various suppliers to the hotels intentionally reject to give information on products or cross train human resources from the hotels.

Fourthly, the lack of dedication on the part of some outsourced personnel is an ingredient of the behavioral ambiguity trait of TCE. Some workers will on purpose act with deviousness just to suffocate the growth of the hotels. This is a concern as the behavior of employees of the outsourced hotel can be dogged by the outsourcing company from the commencement of the transaction. This elevates the cost of contract conciliation and monitoring which harmfully can influence the potential outsourcing by the hotels.

Finally, because there are only limited suppliers in the outsourcing market in Shimla, it is probable for them to behave in domination. Only some suppliers in the outsourcing market make reasonable negotiation impracticable which ultimately will direct to towering cost of transaction.

Notwithstanding the plea of outsourcing some challengers say that there is a possibility of losing control and command. The concern of control can be wrecked down into two categories: operational control and potential control. In order to shun the chances of losing operational control, it's imperative to preserve and retain skilled people both to administer the outsourcing purveyor and also to handle the requirements of hotels within the industry. The extra control of issue relates to disappointment of control over the future. Due to this anxiety, it is vital to pick an out-sourcing merchant who consents to precise results, expenses, duty roster and productivity and performance standards. The solution to conquering the drawbacks of outsourcing is the improvisation of outsourcing contract between the outsourcer and the hotel. The contract should unmistakably define performance and productivity requirements and the task of both parties so that the control will stays with the hotel and it has the upper hand getting the work done.

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