

THE INTENSITY OF HOTEL OUTSOURCING AND ITS PERCEIVED BENEFITS AND RISKS

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Outsourcing is a widely recommended technique to improve a company's competitive position (Maiga & Jacobs, 2004). As Özdoğan (2006) points out, it is an opportunity to improve efficiency in companies, and it is an appropriate way to adapt the company's limits by restructuring its activities in order to stimulate the growth of its main business (Bustinza *et al.*, 2010).

The growth of outsourcing has been exponential, and many companies currently use it (Maiga & Jacobs, 2004; Kakabadse & Kakabadse, 2005; Taylor, 2005). In recent times, we have witnessed the substitution of the traditional business concept by a system where the different activities in the value chain are performed internally through the concepts of the "networked organization" or even the "virtual organization", and the number of activities performed internally is decreasing (Burn & Ash, 2000; Georgantzas, 2001; Tetteh & Burn, 2001). In hotel management, the use of outsourcing has been recurrent in recent years (Donada & Nogatchewsky, 2009). Faced with more intense competition, hotels have to survive by improving quality and client satisfaction (Lam & Han, 2005). The leading role that outsourcing has acquired in hotels is clear. The importance of the outsourcing strategy in hotel management creates a need for more research in this area. Therefore, this study analyzes the current and desired level of outsourcing in the different departments, as well as the main benefits and risks of outsourcing for managers. The relationship between hotel outsourcing and the category, type, and size of the hotel is also studied.

The benefits that justify the use of outsourcing are summarized in two large groups. The first includes factors related to cost reduction and other short-term aspects, giving rise to tactical benefits, that is, the economic approach to outsourcing. The second group of benefits is related to strategic aspects of the company mainly related to obtaining improvements in its resources and capabilities and a greater competitive advantage (Quinn & Hilmer, 1994). Economic or tactical factors are, in many cases, the protagonists of hotel outsourcing, as many of the reasons for a hotel's outsourcing are related to covering urgent personnel needs, reducing costs and investments that are not essential, and transforming fixed costs into variable ones, which is especially useful in services with seasonal demand.

The decision to outsource can help the company to free itself of necessary resources to focus on the most important aspects and invest in new or greater return processes or new opportunities (Powell *et al.*, 2006). Aspects such as quality, flexibility, or the implementation of new technologies play a fundamental role in maintaining the company's competitiveness. At the same time, it is necessary to provide quality services and pay special attention to the client's needs and satisfaction (Santoro, 2015). The strategic benefits of outsourcing are related to the acquisition of resources, capabilities, and skills offered by the supplier, with greater knowledge, experience, and organizational skills in providing the service. Outsourcing allows access to specialized companies that can add quality to the products or services, make them more flexible, and reduce their size and the unnecessary bureaucratic costs (Redondo-Cano & Canet-Giner, 2010). Our study analyzes various strategic benefits of outsourcing that range from the possibility that the hotel can focus on its basic activities to the increase in service quality, and including performance improvement or the possibility that the hotel personnel can have more time to dedicate to the basic activities of the establishment.

The benefits of outsourcing can easily be reduced by various risk factors when outsourcing activities. The risks can appear, for example, when critical activities are outsourced (Quélin & Duhamel, 2003; Hoecht & Trott, 2006) that imply a great risk to the competitive advantage, such as those that involve direct contact with the client or those that can become basic competences, finding ourselves with a possible loss of critical skills or abilities for innovation (McIvor, 2005). In this regard, Espino-Rodríguez and Gil-Padilla (2007) point out that the outsourcing of the information systems in hotel establishments deprives them of the necessary knowledge and capabilities to obtain a competitive advantage. After limiting or ceasing the investment in critical capabilities, their renewal or the generation of others can be difficult (Espino-Rodríguez *et al.*, 2012). Therefore, outsourcing can erode the organization's potential for learning, especially in those activities that are necessary for the development of the main business (Lei & Hitt, 1995).

The spread of industrial secrets or confidential information is also an important risk the company acquires when deciding to outsource an activity (Redondo-Cano & Canet-Giner, 2010). The supplier can use the information against the hotel as pressure or blackmail to modify the established conditions (for example, a price increase), and the appearance of opportunism leads to an increase in transaction costs (Lamminmaki, 2011).

Outsourcing always implies a restructuring of the company that carries out this strategy, and it can produce discomfort in the employees (Belcourt, 2006). Many of the outsourcing decisions can be irreversible because the company will have lost abilities and capabilities, above all if it gives up experienced personnel. Furthermore, the situation of uncertainty that outsourcing produces can lead to lower productivity, lack of motivation, insecurity, etc., in the personnel in the department where the outsourcing strategy is carried out (González *et al.*, 2005). At other times, outsourcing can lead to a series of hidden costs, which are those costs that do not explicitly appear in the outsourcing contract, but that will inevitably occur throughout the lifetime of the contract. Some examples are: the cost of looking for the right supplier, transition costs (the time spent in transferring tasks from the client to the supplier), and coordination and control costs (Barthélemy, 2001).

The research setting chosen was the tourism destination of Canarias, one of the main winter destinations in Europe. To obtain the research data, we addressed the hotels through a personal survey. Of the 71 hotels that made up the population for analysis in this study, 63 hotels participated in the study, with 77 personal surveys filled out by their managers.

With regard to the levels of outsourcing, we compared the results with the outsourcing level applied in the same destination in Gran Canaria carried out 13 years earlier by Espino-Rodríguez (2002), and a considerable increase is observed in the outsourcing levels. In our study, the results indicate that almost 47.5% of the activities analyzed have some part outsourced, whereas in 2002, in the same destination, only 26.7% of the activities had some part outsourced. Regarding the outsourcing of the activities, security and vigilance and laundry were the most outsourced activities in 2002, according to the study by Espino-Rodríguez (2002), whereas our study shows that the most outsourced activities are security and vigilance and laundry, in addition to animation and training. These two latter activities had a low level of outsourcing a decade ago. By contrast, the activities outsourced the least are related to reception, room cleaning, and marketing and sales.

In addition, the results indicate that the desired level of outsourcing is greater than the current level in all the activities, except animation and food and beverages. This result indicates, on the one hand, that the animation activity already has a high level of outsourcing, whereas the department of food and beverages involves a process that is difficult for hotels to take steps to outsource, either due to lack of knowledge or because they do not trust in the outsourcing of this activity. For the rest of the activities, we can highlight the manager's desire to outsource the activities if he/she finds the right supplier. These results guarantee that this strategy will be used in the future and even tend to increase. The results show that while the category is not determinant in the degree of outsourcing, the size of the hotel is. The larger the hotel is, the higher its level of outsourcing. Likewise, international chains have a slightly higher level of outsourcing than national chains.

The main benefits of outsourcing perceived by the managers in our study are: outsourcing helps to meet the most urgent personnel needs; (ii) it allows a reduction in costs and makes it possible to increase the hotel's profitability and efficiency. Outsourcing at sun and beach hotels in Gran Canaria is motivated by more tactical benefits than strategic. Hotel managers are guided more by the reduction in costs than by the benefits from the exploitation of their resources and capabilities. These results are similar to those found by Espino-Rodríguez and Padrón Robaina (2005), who demonstrate that outsourcing is more related to cost reduction or more tactical reasons, although other studies indicate that outsourcing is conditioned by both strategic and tactical motives (Espino-Rodríguez *et al.*, 2012).

With regard to the disadvantages, the results obtained support those from other studies (Espino-Rodríguez & Padrón-Robaina, 2005; Espino-Rodríguez *et al.*, 2012). The main risks perceived by the managers are the loss of differentiation of the products and services, the lack of knowledge about the way the service suppliers work, the possible loss of control over the activities, and outsourcing's possible harm to the hotel's results. However, we find that the hotel managers do not consider outsourcing decisions irreversible if the results are insufficient, and they would even be willing to recover the activity to develop it in-house again.

In addition, if we globally analyze the advantages and perceived risks, we observe that there is a greater tendency of managers to give a higher score to the perceived risks than to the advantages. Therefore, there will only be an increase in outsourcing if they are able to reduce the risks, as they have a greater weight in making decisions about the limits of the company. The study also has professional implications. From a practical point of view, it allows us to identify which activities are outsourced, where there is a gap between desired and current outsourcing, and which activities are outsourced less. With the analysis of the desired outsourcing, this study makes it possible to identify market niches in terms of the activities most demanded by firms for future outsourcing. This information could be used by external suppliers to provide services to hotels that are interested in having a higher level of outsourcing.