How Do Managers Perceive Outsourcing in Differently Structured Star Hotels

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Abstract: The study is conducted to investigate and analyse the factors influencing the patterns of outsourcing in hotels in Mumbai (India). Data was collected through a survey using closed ended questionnaire. Out of the 473 hotels in Mumbai, a response rate of 345 was received. This study illustrates that the findings are tentative in nature as the responses were the manager's views towards outsourcing in the hotel. Further results indicate that higher the star rating lesser is the outsourcing activities. Various budget hotels heavily rely on outsourcing. Outsourcing gives a company the chance to reduce investments in infrastructure and technology. Furthermore, it gives the human resources control flexibility. Outsourcing at hotel largely affects its reputation. This result might be useful for the hotels' and the upcoming entrepreneur and managers in making decisions and strategically plan the operational and financial goals of the organization.

Keywords: Outsourcing, Mumbai, Star Category, Management, Hotels, Patterns

1. INTRODUCTION

Mumbai is the capital of Indian state of Maharashtra. The most crowded city of India and the ninth most crowded agglomeration on the planet with an approximate population of 18.4 million. Alongside the neighboring areas of the Mumbai Metropolitan Region, it stands out amongst the most crowded urban locales on the planet and the second most crowded metropolitan territory in India. Lying on the west bank of India, it has a profound characteristic harbor. Mumbai is frequently called the business and monetary capital of India. It is one of the world's main ten places for business as far as global financial streams. Being the wealthiest city in the nation Mumbai represents 5% of India's GDP, 25% modern yield and furthermore 70% of the capital exchanges in Indian economy. (Seth, 2016). There are about 25 budget, 47 two star, 58

three star, 22 four star and 30 five star hotels in Mumbai alone. Majority of the luxurious hotels in the city of Mumbai have been intended to fulfill a wide range of requests of its advanced guests, giving them all the essentials, from basic comforts to lavish luxuries. Some of the best five star hotels in the city include the ITC Maratha, Taj Lands End, J.W. Marriott etc.

Outsourcing is characterized via the truth that the said provider will be delivered internally inside the client firm, but the other achieves some gain from outsourcing it. Those advantages variety from specializing in what corporations take into account their catering, reservations, laundry and so on. This forces a hotel manager to play many roles, which make it difficult to discover the most essential activities, the 'center business' or the competitive gain derived from it. Outsourcing appears as an option to decrease the problem of complexity (Gonzalez). The growth is unprecedented and is predicted to hold and due to the high rise in business it becomes very important to look after the core operations areas of the hotel. Hence outsourcing could be an alternative way to manage their non-operational such as human resources, information technology accounting, laundry and cleaning etc (Lacity, Khan, & Wilcocks, 2009; Hamzah, Aman, Maelah, Auzair, & Amiruddin, 2010). Outsourcing has assumed a very important role in service sector, most notably in the hotel industry, where a variety of activities, such as cleaning, laundry, spas, security, and food and beverage outlets are now outsourced. Prior researches were conducted on certain types of Outsourcing such as Laundry, security and surveillance, leisure activities, gardening services, training, information systems and cleaning (Lam & Han, 2005). The aim of the research is to analyze and identify the factors influencing the outsourcing decisions in hotels in Mumbai and also to compare the levels of outsourcing among the hotels based on their star categories.

2. LITERATURE REVIEW

Outsourcing has turned out to be a common method in hotel industry for the duration of the previous couple of years, which is not strange considering the peculiarities of this zone. On the other hand, given that one distinct function of motels is the complexity springing up from the kind of tasks which might be executed there (rooms, cleaning) (Çiçek & Özer, 2011) states that the conventional outsourcing focuses on calculated benefits like reducing costs (labor cost is cheap in low-cost countries), have all the more as of late been supplanted by adaptability, profitability, speed and advancement in creating access to new aptitudes and business application and technologies. Outsourcing is described by the fact that the services might be delivered internally within the client firm, but the latter achieves benefit from outsourcing it. Those benefits might focus on what firms consider their 'core business' or their distinctive competences (Lacity, Hirschheim, & Willcocks, 1994) to increasing their flexibility (Lacity, Willcocks, & Feeny, 1995), improving quality in their products and processes (Lee & Kim, 1999), getting rid of tasks which are time-consuming, form part of routine and provide no added value (McFarlan, 1995) or gaining access to technologies, capabilities and knowledge. Some of the activities or processes that hotels might outsource are the ones related to laundry, security and surveillance, leisure activities, gardening services, training, information systems and cleaning (Tomás & VíctorPadrón-Robaina, October 2005). Cost plays a major as to why organizations mainly opt for Outsourcing. Cost Saving can be achieved by outsourcing but quality needs to be compromised. (Lamminmaki, December 2011). As the hotel sector is labour-intensive, outsourcing could become an alternative to reduce staffs. Finally, because the hotel industry is cyclical and seasonal, with peak and low season periods, outsourcing can also provide a solution to face this volatility. (Gonzalez & Gasco, Sep 2010). The outsourcing choice of the hotel largely affects its reputation, for e.g. If a hotel decides to

outsource linen from a supplier and the quality of the linen does not meet the standards of the consumer it will directly lead to bad reviews. Letting the experts handle reduces a lot of effort, time and cost. Finance and account handling are also outsourced by various hotels. Salary account management, bills payable and receivable are a part of financial outsourcing. (Song, 2008) Hotels are increasingly outsourcing their spas to specialist firms that undertake the spa's operations and personnel. They are responsible for overlooking the functional relationship between the spa companies and hotels. Outsourcing decisions can be very risky as they result in loss of core competencies and are very costly to reverse. (Hodari & Sturman, 2014) Outsourcing is one of the many strategies applied by the hotels due to the various opportunities it provides. A lot of challenges are also faced by the hotel due to outsourcing such as monopolistic tendencies of certain outsourcers, lack of product knowledge and efficiency. (Hiamey, 2012)

3. METHODOLOGY

After identifying the observe item – "outsourcing in hotels" – in the first phase, we can continue to define the populace beneath study. There are a total number of 8707 hotels in India out of which 165 are 5 stars, 134 four stars, 505 three stars, 495 two stars, 260 one star, 70 heritage and 7078 uncategorized hotels. In Mumbai alone there are 473 hotels. There was an expectation of at least 2 responses from each hotel. Therefore expected responses are 946. The sample responses received was 345. Responses must only be from managers, executives and supervisors as they are the major decision takers regarding outsourcing. Convenience sampling was used for data collection. This questionnaire which developed for a survey was adopted by previous researches. (Ghodeswar & Vaidyanathan, 2008; Lam & Han, 2005).Questionnaires were used for data collection. It was sent through google forms and hard copies were also circulated personally. Telephone calls were also made to confirm certain things. The questionnaire consists of certain demographics, nominal scales and likert scale. The demographics include name of the property, designation of the respondent, and hotel's length of operation. There are 8 questions which use nominal scale and 15 questions which use a likert scale. Out of the 15 questions that are based on the likert scale, 7 are negative questions. A set of dependent and non-dependent variables are a part of this questionnaire.

4. RESULTS AND ANALYSIS

Table 1
Demographics

	Frequency	*Percent*
General Manger/Deputy Manager	2	0.6
Divisional Manager/ Director of Executive	36	10.4
Office/ Assistant to General Manager	100	28.9
Departmental Managers	154	44.5
Others	54	15.6
Total	346	100.0

This graph shows the demographic profile of the respondents, as shown that 0.6% of them being General Managers10.4% were divisional managers, 28.9% were assistant to general managers, 44.5%

Departmental managers and 15.6% of other posts. The questionnaires were filled by the so called the decision makers in the hotels.

Additional analysis illustrates that the level of outsourcing among various star categories of the hotels in Mumbai. In the 5 Star and 4 star hotels it was observed and perceived that majority of the departmental services were least outsourced. Housekeeping, Front Office and Human Resource I.e. 0-25%. While the departments like Security, Maintenance and IT had higher perceptions in outsourcing their services.☐ Whereas maintenance was slightly higher percentage. Similarly under 3 star category it was observed that security, maintenance and IT functions were outsourced between 25-50% and in some hotels about 75-100% housekeeping functions were outsourced. Finally the under the lowest of the category majority of their departments had contracted their services. Among all the star categories Housekeeping functions were least outsourced. Hence it may be concluded that the level of outsourcing among the higher star category is considered to be very low but it is also found that higher priority was given to that of those hotels under lower star category.

Table 2

Variables	Mean
Outsourcing releases resources for other purposes	5.7283
Outsourcing means that a cheaper service can be obtained than if it is performed in-house.	5.7457
Outsourcing helps to reduce the level of investments	5.5780
Outsourcing permits the advanced production technique provided by suppliers	5.5838
Outsourcing enabled the hotel to obtain difficult-to skills and capabilities	5.7283
Companies to which services may be outsourced are able to offer good services	5.7052
Outsourcing facilitates the performance of the hotels in house activities	5.6590
Outsourcing may mean possible loss of control over activities	5.4798
We do not know how the companies that may subcontracted work	5.5491
Outsourcing enables costs to be reduced	5.5838
It is difficult to control operations performed by subcontracted companies	5.6185
Outsourcing decisions may harm the hotels resources and capabilities	5.3988
Outsourcing decision may mean loss of autonomy in decision making	5.0925
Outsourcing decisions are usually irreversible by the hotel	4.1272

In the second part of the questionnaire all the responses were taken through a likert scale. Most of the respondents agreed to the statement that outsourcing releases resources for other purposes. Through the survey respondents agreed that outsourcing provides cheaper service and enables to reduce investments. It was found that many of them disagreed that normally the outsourcing decisions are irreversible. Many of them also felt that outsourcing might sometimes harm the hotel reputation. Through analysis and inferring data from charts it can be proved that 5 star hotels do not prefer outsourcing much even though if it reduces cost. Whereas the lower starred hotels prefer outsourcing as they release resources for other purpose. Hotels do not prefer outsourcing of operational functions much as they are the core competencies of the hotel and the hotels reputation rely on these functions.

In the current study perceptive on outsourcing was analyzed based on position/ designation. The mean score of perceptive on outsourcing was 82.28 ± 8.41 by the Office/Assistant to general manager, 81.94 ± 10.47 by departmental managers, while mean 65.35 ± 2.07 score by General Manager/ deputy manager. This shows that perception on outsourcing was higher among the office/ assistant general managerial designation and other positions as compared to other position managers (p<0.001)

Table 3
Position versus Scale Total

	Mean	Std. Deviation	95% Confidence Interval for Mean		F	Sig.
			Lower Bound	Upper Bound		
General Manger/Deputy Manager	65.3532	2.07465	64.1354	66.0126	4.638	.001
Divisional Manager/ Director of Executive	78.5556	9.08514	75.4816	81.6295		
Office/ Assistant to General Manager	82.2800	8.41365	80.6105	83.9495		
Departmental Managers	81.9481	10.47112	80.2811	83.6150		
Others	85.2222	6.43301	83.4663	86.9781		
Total	82.1040	9.39260	81.1109	83.0972		

5. CONCLUSION

The broad objective of this study was to find a outsourcing decisions across various star hotels in Mumbai. The views of hotel supervisors, executives and managers were taken into consideration. In this study it has identified that outsourcing is a backbone for various hotel functions. It has also been observed that as the star rating of the hotels increases the level of outsourcing decreases. Outsourcing also decreases workload for most of the operating departments. Hotels tend to outsource maintenance, IT and Security functions as it reduces burden from the management. Traditionally the non-core departments of the hotels have been outsourced than the core departments. Examples include outsourcing of security services and general maintenance (Andrew 2002). Outsourcing has become a very important strategic decision among hotels. Further the limitations of this study were; First, as the questionnaire was only distributed to managers, supervisors and executives a major population of the hotel staff was missed. The questionnaire did not cover all the points and facets. The questionnaire was only distributed in English, so there would be chance of error for responses from a few lower starred hotels as language would be a problem.

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