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# **An examination of factors motivating hotel outsourcing**

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## **Abstract**

The broad range of activities undertaken in a hotel, combined with its high labour intensity and volatile demand, signify a predisposition particularly suited to outsourcing. In this paper, transaction cost economics (TCE) theory, agency theory and the broader outsourcing literature are drawn upon to inform the distillation of 20 outsourcing / insourcing motives. The relative significance of these motives is examined using interview and survey data. While broad support is provided for the TCE model, it is apparent that the model does not constitute a robust framework with the capacity to comprehensively account for outsourcing behaviour.

**Keywords:** Hotel outsourcing, Transaction cost economics, Agency theory

# 1. Introduction

Outsourcing has become common place in recent years across a broad range of organisational types (Domberger, 1998). The nature of hotel operations signifies that hotels are particularly suited to outsourcing activities. Particular characteristics predisposing hotels to outsourcing include the broad range of activities undertaken, the high labour content associated with many hotel activities, and the volatile nature of demand for a hotel's services. High hotel demand volatility is apparent over the course of an economic cycle, during a year, over the course of a week and also within a single day (Guilding, 2009). Indeed, outsourcing has been described as "part of the fabric of hotel operations" (Wood, 1999 p.2).

This paper reports the findings of a study concerned with identifying the range of factors motivating a hotel to outsource particular activities and to gauge the relative strength of these factors. The determination of the range of factors impinging on outsourcing decisions has been informed by a review of transaction cost economics (TCE) theory, agency theory and more generic commentaries on outsourcing. Further insights concerning particular factors motivating a hotel to outsource or insource activities were sought via the conduct of 15 interviews with hotel managers. It is notable that the interview data provided some perspectives that are inconsistent to those espoused by the theories. Following the distillation of 20 outsourcing/insourcing motives, the relative strength of the motives has been investigated using survey data collected from 110 hotel general managers.

The study can be seen to be built on prior research on hotel outsourcing conducted by Bolat and Yilmaz (2009), Chatzoglou and Sarigiannidis (2009), Donada and Nogatchewsky (2009), Espino-Rodríguez and Gil-Padilla (2005), Espino-Rodríguez and Padrón-Robaina (2004, 2005a, 2005b), Lam and Han (2005), Lamminmaki (2005, 2007, 2008, 2009), and Paraskevas and Buhalis (2002). Few empirical studies have provided an investigation of the breadth of activity related factors impinging on a hotel's decision to outsource, however.<sup>1</sup> A key novel dimension of this study concerns its explicit attempt to provide a ranking of factors that motivate a hotel's decision to outsource.

The remainder of the paper is structured as follows. The next section outlines how the literature search and interview observations have informed the distillation of a 20 item listing of factors motivating a hotel to outsource or insource its activities. The subsequent section describes the approach taken in the mailed questionnaire survey of hotel general managers. This is followed by an analysis of the survey findings. The paper's concluding section interprets the study's findings, comments on its limitations and offers some suggestions for further research.

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<sup>1</sup> Notable exceptions to this include Hemmington and King's (2000) investigation of food and beverage outsourcing and Espino-Rodríguez and Gil-Padilla's (2005) hotel activity focused study.

## 2. Distillation of factors impinging on hotel outsourcing decisions

The first phase of the study involved the distillation of a listing of factors that impinge on the decision to outsource. An attempt has been made to enhance the robustness of the listing by taking the two step approach of undertaking an extensive literature search followed by the conduct of exploratory interviews with practicing hotel managers.<sup>2</sup> The literature search involved a review of the TCE and agency theory literatures and also the broader general management and hotel literatures concerned with outsourcing. The interviews were undertaken with 15 hotel managers representing 11 large hotels (smallest hotel contained 134 rooms) in South East Queensland (Australia).

A flexible method of interviewing was adopted so that interviewees could elaborate on their hotel's rationale for outsourcing, without being prompted in any particular theoretical direction or towards a focus on any particular hotel activity. Depending on the course taken in an interview, probes relating to the theories informing the study were introduced by the interviewer in the latter stages of the interview. These probes focused on factors that motivate the outsourcing decision as well as factors that constrain outsourcing. The overall approach taken afforded flexibility, as each interview could be tailored to the knowledge base of the interviewee (the merit of this approach is expounded upon by Patton, 1990). Employing a predominantly non-directive (Fontana and Frey, 1994) approach in interviewing facilitated the development of a broad appreciation of factors impinging on a decision to outsource. This approach also reduces data validity threats emanating from preconceived researcher notions towards the subject under examination (Easterby-Smith, Thorpe, & Lowe, 2002). To promote consistent interpretation of the term "outsourcing", Domberger's (1998) definition was provided to interviewees.<sup>3</sup>

The duration of the interviews ranged between one and 2½ hours. The interviewees comprised three hotel general managers, nine hotel financial controllers, a food and beverage manager and a project engineer. These managers had accumulated significant hotel industry experience, typically having worked in a variety of hotels, and were able to draw on their career experiences to provide insight into factors impinging on the outsourcing issue. Conduct of the interviews proved to be particularly useful in securing a more applied understanding of issues discussed in the literature and also identification of issues not found in the literature search. All of the interviews were transcribed and a

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<sup>2</sup> The conduct of two empirical phases (an interview phase followed by a survey phase) signifies that a sequential mixed methods approach has been adopted (Tashakkori & Teddlie, 1998). The benefit of this approach stems from its capacity to yield a richer understanding of the phenomenon under examination than if either data source was used in isolation (Creswell and Plano Clark, 2007). Data uncovered in the interview phase greatly informed the design of the questionnaire survey.

<sup>3</sup> "Outsourcing refers to the process whereby activities traditionally carried out internally are contracted out to external providers" (Domberger, 1998, p. 12).

thematic approach focusing on factors affecting the decision to outsource or insource was taken in analysing the collected data.

It has been found that some of the factors affecting the outsourcing/insourcing decision make more sense when they are presented from the decision to outsource perspective, while others make more sense when they are presented from the decision to insource (ie, not outsource) perspective. Accordingly, it will be seen that some of the statements developed for examination in the survey phase have been constructed from a “decision to outsource” perspective, while others are constructed from a “decision to insource” perspective.

The remainder of this section of the paper is structured under three headings. Firstly, 10 factors impinging on outsourcing that relate to the TCE theoretical perspective are described. Secondly, two factors impinging on outsourcing that relate to the agency theory perspective are described.<sup>4</sup> Thirdly, an overview is provided of other factors impinging on outsourcing that do not relate directly to the TCE or agency theory perspectives. To facilitate identification of each statement with its theoretical origin, and also as an indication of whether it is cast from an outsourcing or insourcing perspective, each statement has been assigned an identifying code. The code for statements relating to an outsourcing perspective begin with the letter “O”; statements relating to an insourcing perspective begin with an “I”. The “O” or the “I” is then followed by a “T” if the statement has a TCE theoretical origin, an “A” if it has an agency theory origin and an “M” if its origin is more miscellaneous.

## **2.1 Transaction cost economics**

Transaction cost economics (TCE) has been widely used to explain boundaries of the firm (Espino-Rodríguez and Gil-Padilla, 2005a; Lamminmaki 2005, 2007, 2009; Monteverde and Teece, 1982; Nickerson, Hamilton and Wada, 2001; Palay, 1984; Widener and Selto, 1999; Walker and Weber, 1984) and represents a valuable framework in any examination of factors relating to outsourcing. TCE proposes that a business will organise itself in a way that minimises transaction costs. A significant facet of the outsourcing decision can be seen to be concerned with the trade-off between lower production costs (assuming economies of scale and specialisation can be achieved by suppliers) and

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<sup>4</sup> It should be noted that many theories are not 100% mutually exclusive, and one cannot expect all outsourcing or insourcing motives to exhibit exclusive alignment to a single theory in a manner signifying they bear no relationship to any other theories. This factor underscores the fact that the motive/theory connections provided here should be viewed as cast in a relative, and not an absolute, manner.

higher monitoring costs that can arise when outsourcing (Kakabadse and Kakabadse, 2000 refer to Lewis and Sappington, 1991). Cost savings represent one of the four main outsourcing benefits identified by Domberger, 1998 (see Table 1).

**Table 1: A Summary of the benefits of contracting**

Benefit	Definition	Assessment
Specialisation	Concentrating on those activities in which the organisation has established a distinctive capability.	Specialisation yields demonstrable economic benefits. By concentrating on activities in which an organization is relatively more efficient, total value added is maximized.
Market discipline	Identified conditions in which the purchaser is separated from the provider and a formal transaction takes place under contract.	Market discipline provides a range of benefits, namely focus by the purchases on outputs not inputs, competition between suppliers, choices by purchases and innovative work practices
Flexibility	The ability to adjust the scale and scope of production upwards or downwards at low cost and rapid rate.	Networks of small organisations linked to their clients via contract can adjust more quickly and at lower cost to changing demand conditions compared to integrated organisations.
Cost Savings	Lower costs compared to inhouse production.	International studies show that significant cost savings are achieved by contracting. Efficiency gains need not lead to lower quality

Source: Domberger (1998)

The literature provides extensive commentary concerned with outsourcing induced cost savings (Ansley, 2000; Deans, 2001; Domberger, 1998; Harrison and Kelly, 1993; Hayward, 2002; Simke, 2000; Syvret, 2001). It should be noted, however, that outsourcing can also increase costs. Kakabadse and Kakabadse (2000) refer to an international survey of 1,000 managers which revealed that only 5% achieved high levels of outsourcing cost benefits, and 39% reported only mediocre results. One reason for these reported cost saving differences may stem from inadequate assessment of all transaction costs. Internal transaction costs (such as head office costs, support costs, R&D, staff development and investment in infrastructure required to provide a service) can be significant, yet appear to be often overlooked (Chalos, 1995). Outsourcing as a means of minimising labour costs in the hospitality industry has also been noted by Soltani and Wilkinson (2010). Lamminmaki (2006) provides an overview of costs (as well as benefits) of hotel outsourcing.

The extent of literary exposure given to the cost reduction motive apparent in many outsourcing decisions clearly warrants its inclusion in the present study. In addition, a quest for reduced costs was cited as a primary outsourcing motivation by many of the interviewees. The GM of one hotel, claimed his chef was always on the look out for products that he could buy in better and cheaper:

*“There are a whole range of ingredients which we outsource... It really comes down to the chef. If he can pre-make it at a certain price and quality, well it is all economic”.*

The general TCE theorem of cost minimisation can be seen to lie behind statement O-T1:

*Statement O-T1: There are many activities that we do outsource (or would consider outsourcing) because outsourcing can yield significant savings.*

TCE proposes that an organisation's decision to outsource an activity is dependant on three attributes of the activity: frequency, uncertainty and asset specificity (Williamson, 1979, 1985, 1996). According to TCE, the likelihood of an organisational activity being outsourced is reduced if the activity is conducted frequently, is associated with high uncertainty or has high asset specificity.

TCE's theorem in connection with frequency is closely related to the economies of scale notion. If a hotel has a large number of rooms (giving rise to a high frequency of laundry activity), it has a greater likelihood of owning its own laundry facility, because its size can result in full capacity usage of the laundry facility. The notion of frequency has been captured in statement I-T1:

*Statement I-T1: There are many activities that we do not outsource because the activities involve a large amount of work and we can achieve economies of scale in-house.*

Comments made by interviewees suggest that the frequency attribute is pertinent to many of the outsourcing decisions taken by the hotels. The respondent in one hotel, for example, noted that as volume increases, after a certain point it will no longer make sense to outsource. Examples he gave included housekeeping, payroll, and gardening. On banqueting, another respondent commented:

*"We are large enough to be able to do that ourselves"*

Although the bulk of interview observations supported TCE's frequency perspective, this was not always the case. Some interviewees found that large scaled activities made them ripe for outsourcing as the scale provides enhanced purchasing power to a hotel, thereby enabling it to negotiate favourable sub-contracting terms. This alternative perspective is captured in statement O-T2:

*Statement O-T2: There are many activities that we outsource because they are large and we can negotiate favourable outsourcing terms.*

TCE's uncertainty attribute relates to the notion that if an activity is unpredictable it is difficult to control and therefore difficult to contract, resulting in high contracting costs. Further, high uncertainty associated with an activity may result in the contractor or contractee engaging in opportunistic behaviour. In light of the challenges arising if attempting to outsource an uncertain activity, TCE holds that uncertain activities will tend to be managed in-house.

TCE's uncertainty attribute is commonly sub-divided into two underlying dimensions: environmental uncertainty and behavioural uncertainty (Anderson, 1985; John and Weitz, 1988, Williamson, 1975, 1979; and Widener and Selto, 1999). Contracting is rendered more difficult if an activity's



environment is uncertain or unpredictable, as it is hard to know what amount of service is required. The high degree of sales volatility experienced in the hotel sector (Guilding, 2009) can be seen to negatively impinge on a hotel's capacity to outsource several functions. Consistent with this view, interviewees cited housekeeping and public area cleaning as activities that can be hard to contract out due to high variability in the amount of cleaning required. One general manager noted:

*"How can I write a specification when the amount of use of a particular area varies? And you cannot just do it by the number of guests who come through, because some guests are dirtier than others .... A bunch of accountants are a lot cleaner than the miners. When the miners come in they make a mess".*

TCE's environmental uncertainty has been captured in statement I-T2.

*Statement I-T2: There are many activities that we do not outsource because they are unpredictable and therefore difficult to contract for.*

The interview data uncovered an effect that is contrary to the TCE uncertainty theorem. This concerns the view that a subcontractor's greater size and specialisation with respect to an activity can signify it can better manage volatility and unpredictability. One interviewee noted that his hotel had initially outsourced housekeeping because demand was volatile and unpredictable. As volatility smoothed, however, the activity was brought inhouse. The interviewee claimed that his hotel was, in effect, outsourcing the problem of volatility management to the supplier and provided the supporting rationale that due to its size, the speciality supplier was more capable of managing the volatility problem. The inconsistency of this rationale to the TCE doctrine motivated its operationalisation in the survey phase as statement O-T3.

*Statement O-T3: There are many activities that we do outsource or would consider outsourcing because subcontractors are in a better position to manage volatility and unpredictability.*

Behavioural uncertainty arises when it is difficult to monitor the manner in which an activity is performed (Williamson, 1975, 1979). The presence of behavioural uncertainty raises the possibility of a sub-contractor behaving opportunistically. Several of the interviewees provided comments suggesting reluctance to outsource activities with high behavioural uncertainty, noting that it is easier to get an inhouse employee to change their work conduct than it is to negotiate with a sub-contractor. Behavioural uncertainty has been captured in statement I-T3:

*Statement I-T3: There are many activities that we do not outsource because it would be difficult to appraise the subcontractor's performance.*

The third and most widely researched TCE attribute is asset specificity (Carter and Hodgson, 2006). High asset specificity concerns “an asset, either tangible or intangible, that has little value outside of a particular relationship” (Lohtia, Brooks and Krapfel, 1994, p.261). If an asset has high asset specificity, the TCE theorem holds that the activity will be insourced due to the opportunistic behaviour that may otherwise result. This is because, in the presence of high asset specificity, a subcontractor would lose a significant investment (eg in physical assets or training) if the subcontracting relationship were to cease. In connection with this fundamental notion of asset specificity, statement I-T4 has been worded as follows:

*Statement I-T4: There are many activities that we do not outsource because the subcontractors would feel exposed as they could lose a significant investment in assets or training if the subcontracting relationship ended.*

Asset specificity is a complex construct that has been viewed as comprising six sub-dimensions: brand, temporal, human, physical, site, and dedicated asset specificity (Williamson, 1985). Brand capital refers to reputation investment (Lohtia et al, 1994). TCE holds that if the manner in which an activity is undertaken carries the potential to damage the reputation of an organisation, that activity will tend to be insourced in order to insulate the organisation from the risk of its reputation being damaged.

It was notable that several interviewees indicated a reluctance to lose control of activities where the hotel’s reputation was at stake. The importance of maintaining the guarantee of a quality food and beverage service appeared to result in some hotels outsourcing a restaurant only if they had a second restaurant that they could control. The financial controller of one hotel noted that if an outsourced restaurant were to fail, it could have grave consequences on a hotel’s reputation:

*“A bad reputation tends to stick, and it could also be very difficult for that outlet to become successful when it has a bad tag against it. In our industry it is very unforgiving”.*

In light of the particular importance of reputation in the hotel sector, the following statement was formulated:

*Statement I-T5: There are many activities that we do not outsource because the reputation of the hotel could be damaged by subcontractor actions.*

Temporal specificity relates to timing and coordination associated with an activity. If timing and coordination of an activity is not appropriately managed, significant damage can result for an organisation. A delay can result in lost revenues (eg if hotel rooms are not cleaned on time, rooms cannot be filled by customers), disgruntled customers, and additional costs (eg if alternate suppliers need to be found last minute). Masten, Meehan and Snyder (1991) comment:

*“Even though the skills and assets necessary to perform the task may be fairly common, the difficulty of identifying and arranging to have an alternative supplier in place on short notice introduces the prospect of strategic holdups” (p. 9).*

Statement I-T6 has been formulated to assess the significance of temporal specificity:

*Statement I-T6: There are many activities we do not outsource because timing and coordination of the activity is critical to the hotel’s success.*

From the above discussion, it can be seen that both high asset specificity and high uncertainty can raise the possibility of opportunistic behaviour occurring if an activity is outsourced. Statement I-T7 broadly addresses the issue of opportunistic behaviour on the part of the subcontractor.

*Statement I-T7: There are many activities that we do not outsource because the subcontractor could act in their own interest to the detriment of the hotel.*

## 2.2 Agency Theory

Agency theory has been widely-drawn upon in management research. The breadth of the theory's applications are evident from Eisenhardt's (1985) following observation:

*"Agency theory makes contributions to organisation theory, is testable, and has empirical support. Overall, it seems reasonable to urge the adoption of an agency theory perspective when investigating the many problems that have a principal agent structure. .... Agency theory is most relevant in situations in which contracting problems are difficult. These include situations in which there is .... substantial goal conflict between principals and agents, such that agent opportunism is likely (eg., owners and managers, managers and professionals, suppliers and buyers)" (p. 70).*

Agency theory overlaps considerably with TCE. The two theories are similar with respect to the assumptions of self-interest, goal conflict, bounded rationality, information asymmetry, and pre-eminence of efficiency (see Eisenhardt, 1989). One distinction between the theories is that TCE focuses on the boundary of the organisation, whereas agency theory focuses on the relationship between agent and principal, regardless of boundary. In this study, an attempt has been made to draw on those aspects of agency theory that are pertinent to outsourcing, but fall outside the TCE framework.

Agency theory addresses two issues of particular interest to the outsourcing decision. The first concerns goal incongruence that may arise between a principal and agent, which is a problem that becomes exacerbated if it is hard to verify that an agent has behaved appropriately. This issue relates closely to the TCE behavioural uncertainty attribute and statement I-T3. The second issue concerns conflicting risk perspectives that may exist between a principal and agent. From an agency theory perspective, one would expect that risk averse principals would be uncomfortable with outcome uncertainty and would attempt to outsource activities with high outcome uncertainty to transfer the risk to the agent; i.e., "agency theory predicts that risk-neutral managers are likely to choose the "make" option ..., whereas risk-averse executives are likely to choose "buy" ... (Eisenhardt, 1989, p.65). This view relates to Barfield, Raiborn and Kinney's (1998) "risk sharing" outsourcing motive. The inconsistency between a desire to 'outsource risk' and TCE's uncertainty theorem (i.e., TCE proposes that where there is high uncertainty, organisations will tend to insource), has motivated a particular examination of the issue in this study. The agency theory perspective has been operationalised in two ways, at the organisational level and also at the level of the manager involved in an outsourcing decision, via the following two statements:

*Statement O-A1: There are many activities that we do outsource (or would consider outsourcing) because they are unpredictable and we like to pass the risk to subcontractors.*

*Statement O-A2: There are many activities that we do outsource (or would consider outsourcing) because managers like to delegate risk to subcontractors.*

### **2.3 Other factors that may motivate the decision to outsource**

Although TCE and agency theory provide valuable frameworks that assist in an appreciation of factors governing organisational form, the broader literature on outsourcing provides a strong case that TCE and agency theory fail to capture all factors impinging on the outsourcing decision. Recognition that it is unlikely that any single theoretical model can provide the basis for a comprehensive understanding of outsourcing behaviour has resulted in the distillation of eight other factors that may impinge on the outsourcing decision. These eight factors derive from a general management literature search on outsourcing and also insights gained from the study's interview phase. These eight factors are structured in the remainder of this section of the paper under the headings: 'core activities', 'flexibility', 'specialisation', 'compatible culture', 'trust', 'capital outlay avoidance', 'fast expansion facilitation', and 'competitor outsourcing emulation'.

#### **2.3.1 Core activities**

One of the most widely-cited factors impinging on the outsourcing decision is the extent to which an activity is perceived to be core to a business (Alexander and Young, 1996; Allmendinger, 1994; Bromage, 2000; Domberger, 1998). Alexander and Young (1996) identify four characteristics that are generally associated with a core activity: 1) the activity is traditionally performed in-house, 2) the activity is critical to business performance, 3) the activity creates current or potential competitive advantage, and 4) the activity will drive further growth innovation and rejuvenation. Non-core activities can be viewed as peripheral to factors driving a company's competitive advantage and therefore prime targets for outsourcing. Quinn and Hilmer (1994) comment:

*"Managers should consciously develop their core competencies to strategically block competitors and avoid outsourcing these or giving suppliers access to the knowledge bases or skills critical to the core competencies" (p. 47).*

The importance of the core motive in outsourcing is widely recognised in the hotel management literature (Bolat and Yilmaz, 2009; Donada and Nogatchewsky, 2009; Espino-Rodríguez and Gil Padilla, 2005; Espino-Rodríguez and Padrón-Robaina, 2005a; Guerrier and Lockwood, 1989; Hemmington and King, 2000; Hottman and Adams, 1996; Johns and Lee-Ross, 1996; Lam and Han, 2005). Hemmington and King (2000) comment on the danger of outsourcing a core hotel activity:

*"The delivery of a core dimension of the hotel product in association with a partner is likely to be more complex and potentially threatening to the hotel's image and brand" (p. 256).*

While it is widely held that core activities should not be outsourced, this view was qualified by some commentators. Domberger (1998), for example, feels that seeking out specialisation opportunities and efficiencies is more important than focussing on core competencies. Allmendinger (1994) expresses surprise at the range of hotel activities outsourced. He comments:

*“Folks are deciding that the darndest things lie outside of their core business these days, and they’re getting out of the business of doing them” (p. 6).*

It is notable that the hotel literature cites instances of outsourcing activities that could be deemed as key to a hotel’s success (eg. food and beverage). This may suggest an evolving view of what can be outsourced, or cross-hotel differences in what constitutes a core activity. Although Guerrier and Lockwood (1989) found that most hotels outsource laundry and pastry production, there was little consistency of practice in other areas, and although core activities tended to be insourced, outsourcing of some key hotel activities was observed. The prominence accorded to the core attribute in the outsourcing literature motivated the development of statement I-M1.

*Statement I-M1: There are many activities we do not outsource because the activities are viewed as core to our hotel’s business.*

The core attribute was one of the most widely referred to issues in the interviews, with interviewees holding a strong conviction that core activities should not be outsourced. Unprompted with respect to the core / non-core issue, the financial controller of one hotel commented:

*“How does (hotel named) deliver it’s competitive advantages? It is through the core activities: gaming and the provision of a style of, and quality of, F&B delivery and entertainment. To outsource the core activities of an organisation is almost to relinquish your ability to control one of the most important processes through which the organisation competes in the market place. .... The outsourcing of core activities has never really been seen as a palatable option to management. It is all about identifying your core activities and being able to make sure that you control the way in which your organisation can compete in the provision of the core competitive activities that you see fit”.*

### **2.3.2 Flexibility**

From Table 1 it can be seen that Domberger (1998) identifies greater organisational flexibility as one of four fundamental benefits deriving from outsourcing. The nature of flexibility benefits that can result from outsourcing are manyfold. Sub-contractors can provide greater flexibility to an organisation by enabling it to meet unexpected demand or fluctuating seasonal demand (Bromage, 2000). A sub-contractor can also enable the management of incremental demands that lie beyond a core capacity that has been maintained inhouse (Ansley, 2000). Higher degrees of flexibility may be achieved by establishing a network of suppliers as this enables an organisation to rapidly change the

scale and scope of its service delivery as demand changes, or switch source of supply should a problem arise with one supplier (Domberger, 1998). Suppliers can also reduce product/process design cycle time, as each supplier is a specialist with sophisticated knowledge of their area (Kakabadse and Kakabadse, 2000). Associated with this, outsourcing allows the outsourcing party to quickly access rapidly developing technologies or complex systems (Carlson, 1989; Harrison, 1994; Kakabadse and Kakabadse, 2000; Quinn and Hilmer, 1994). The flexibility benefits deriving from outsourcing have been noted in the hotel outsourcing literature (Donada and Nogatchewsky, 2009; Espino-Rodríguez and Gil-Padilla, 2005; Espino-Rodríguez and Padrón-Robaina, 2004). Soltani and Wilkinson (2010) also discussed the flexible benefits of outsourcing in conjunction with other modes of 'flexibilising' the hotel housekeeping workforce. Statement O-M1 is designed to measure the extent to which outsourcing is motivated by a quest for greater flexibility.

*Statement O-M1: There are many activities that we do outsource (or would consider outsourcing) because outsourcing provides greater flexibility (eg ability to service peak demand periods, access to latest technology, etc.)*

### **2.3.3 Specialisation**

Creating the opportunity for greater specialisation is a further widely-cited benefit of outsourcing (Ansley, 2000; Domberger, 1998; Langfield-Smith and Smith, 2003). Specialisation refers to expertise development following the narrowing of organisational focus on a limited activity set. Noting the particular benefit of specialisation, Kakabadse and Kakabadse (2000) comment:

*"Perhaps the greatest advantage of outsourcing is the full utilisation of external suppliers' investments, innovations and specialised professional capabilities than otherwise would have been the case, which for any one organisation would be prohibitively expensive to replicate"* (p. 690).

The benefits of specialisation are also widely recognised in the hotel outsourcing literature (Bolat and Yilmaz, 2009; Calfas, 1994; Donada and Nogatchewsky, 2009; Espino-Rodríguez and Gil Padilla, 2005; Espino-Rodríguez and Padrón-Robaina, 2004, 2005a; Lam and Han, 2005; Lamminmaki, 2007; Lodging-Hospitality, 1994; Sieburgh, 1992). One interviewee commented that the typical subcontractor: "... pride themselves on bringing to the organisation something to the equation that you cannot do all that well yourself". An example of specialisation outsourcing benefits in hotels is the outsourcing of sales and marketing services. Many hotels have discovered that this results in a cost saving and provides greater expertise than what could be achieved inhouse or under ad hoc consultancy arrangements (Lodging-Hospitality, 1994). In connection with a hotel opening, one consultant commented:

*“The pre-opening marketing budget .... is about \$300,000, some \$200,000 less than it might have been in a traditional, in house arrangement .... We’ve been able to allow the general manager to focus on the most important thing: getting the hotel ready. .... (the hotel) could not afford to duplicate the talent we put together with this outsourced team” (Lodging-Hospitality, 1994, p. 9).*

Outsourcing information technology services in hotels can also be especially beneficial given its highly specialised nature, substantial cost, and the rapidly evolving nature of technology (Calfas, 1994; Sieburgh, 1992). Espino-Rodríguez and Gil Padilla (2005) describe specialisation benefits in connection with outsourcing hotel leisure activities. Statement O-M2 has been developed to appraise the extent to which outsourcing is motivated by a desire to release specialism benefits that suppliers can provide.

*Statement O-M2: There are many activities that we do outsource (or would consider outsourcing) because specialist suppliers can provide a better service.*

Interviewee comments frequently linked specialist provider considerations to cost savings and economies of scale. The following two comments were made in connection with the conduct of customer satisfaction research:

*“They (the research company) have the right skills to do it and it would not be cost effective to do it (in house). If we hired one or two bodies we would still not have the appropriate cross section of skills to handle that work”.*

*“Their technical ability to do the job quickly for 70 hotels in Australia. It was not very sophisticated before this. This offered sophistication for little money”.*

#### **2.3.4 Compatible culture**

There is an extensive literature concerning organisational culture (eg, Hemmington and King, 2000; Langfield-Smith and Smith, 2001, 2003). Langfield-Smith et al (2001) describe contrasting organisational cultures as undermining control when outsourcing and note “within a firm shared cultural values are an important source of control” (p. 6). This need to manage differential organisational cultures can therefore constitute an impediment to outsourcing.

There has also been interest shown in the cultural factor in several hotel outsourcing studies (Espino-Rodríguez and Gil-Padilla, 2005; Espino-Rodríguez and Padrón-Robaina, 2004, 2005a; Hemmington and King, 2000; Lam and Han, 2005). The importance of ensuring that the employees of suppliers understand a hotel’s culture is discussed by Espino-Rodríguez and Gil-Padilla (2005). This issue of differing cultures appears particularly pertinent to restaurant outsourcing in a hotel context. Large hotel companies are often characterised as rigid and slow to adapt, whereas restaurant companies,



especially those with celebrity chefs, tend to operate in a flexible and autonomous style. Hemmington and King (2000) cite the following restaurateur comment:

*“It is difficult to change an existing restaurant or food and beverage department to reflect your style. Hoteliers are set in their ways, comfortable and even complacent. We disturbed this environment and their lack of support created more problems.” (p. 259).*

Statement I-M2 has been formulated to assess the extent to which this organisational culture compatibility issue can inhibit hotel outsourcing.

*Statement I-M2: There are many activities that we do not outsource because it is difficult to find subcontractors with compatible organisational culture.*

### **2.3.5 Trust**

Trust can be an important factor in successful sub-contracting relationships (Ring and van de Ven, 1992; Gietzmann, 1996). Domberger (1998) sees cooperation and trust as key for a successful supplier-buyer relationship. He comments:

*“The role of trust goes beyond individual economic relationship; .... it is a pre-condition for successful economic adjustment and prosperity. .... Since trust is essential to successful economic transactions, where it lies in abundance, business will also flourish” (p. 58).*

Trust is a construct commanding increased attention in studies that focus on inter-firm relationships (Zaheer and Vankatraman, 1995; Gietzmann, 1996, Nooteboom, Berger and Noorderhaven, 1997; Seal and Vincent-Jones, 1997; Domberger, 1998; Das and Teng, 1998, 2001; Van der Meer-Kooistra and Vosselman, 2000, 2006; Tomkins, 2001; Langfield-Smith and Smith, 2003; and Sartorius and Kirsten, 2005). As the development of trust can be difficult, it is a factor that can retard outsourcing. Fukuyama (1995) comments:

*“The ability of companies to move from large hierarchies to flexible networks of smaller firms, will depend .... on the degree of trust and social capital present in the broader society” (p. 7).*

The importance of trust has received some, albeit cursory, attention in the hotel outsourcing literature (Donada and Nogatchewsky 2009; Espino-Rodríguez and Padrón-Robaina, 2004, 2005a; Lam and Han, 2005; Lamminmaki, 2007). The following statement was developed to measure the extent to which trust affects the propensity for outsourcing in hotels:

*Statement I-M3: There are many activities that we do not outsource because it is difficult to find subcontractors that we can trust.*

The importance of trust was very apparent in the interview data collected. One general manager commented:

*“If we find out that their (a subcontractor’s) response time was not good, we bring them in and say we need to talk about this. Forget the contract, we need to talk about it. Is this going to happen again? So the relationship is contractual and there is a trust. Trust is very important. Lots of communication, absolutely critical”.*

### **2.3.6 Capital outlay avoidance**

An organisation with limited access to funds could find outsourcing an easy way to expand the business or replace / upgrade assets or technology, as it avoids the need to raise investment funds. Related to this idea, Hayward (2002) sees outsourcing as freeing up cash for more lucrative investments. Roh and Kwag (1997) note how the franchising of hotel restaurants provides the hotels with an ability to expand quickly while averting the need for significant capital investment. It is notable that Barfield et al. (1998) include “make capital funds available” and “free non capital resources” in their listing of the top ten reasons why businesses outsource. These commentaries in the literature motivated the development of the following statement:

*Statement O-M3: There are many activities that we do outsource (or would consider outsourcing) because outsourcing gets us around the need to raise investment funds.*

### **2.3.7 Fast expansion facilitation**

Outsourcing can represent a quick way of facilitating growth (Hayward, 2002). A new hotel can quickly establish itself by using subcontractors for key activities such as housekeeping, laundry or food and beverage. One of the interviewees noted that his hotel had initially outsourced the housekeeping function for this reason, and then brought it in-house once the hotel had become established. This approach circumvents the challenge of hiring, training and managing a large number of staff.

*Statement O-M4: There are many activities that we do outsource (or would consider outsourcing) because outsourcing facilitates quick expansion.*

### **2.3.8 Competitor outsourcing emulation**

Johnson and Kaplan (1987) note that firms were organised in almost every way imaginable in the 19<sup>th</sup> and 20<sup>th</sup> centuries. This period saw organisations evolve from a single activity focus to vertically integrated businesses and then to multi-divisionalised and diversified businesses. Many firms are now returning to a narrower focus by outsourcing activities. Domberger (1998) notes that more outsourcing is likely to stimulate still more outsourcing as businesses emulate the operations of their competitors. Statement O-M5 is designed to capture this notion:

*Statement O-M5: There are many activities that we outsource (or would consider outsourcing) because other hotels are outsourcing them.*

### **3. Questionnaire survey method**

#### **3.1 Variable measurement**

The paper's previous section has derived twenty statements designed to elicit the relative strength of factors impinging on the outsourcing/insourcing decision. Ten of the statements were constructed from a 'decision to outsource' perspective and ten were constructed from a 'decision to insource' perspective. The following statement was placed on the questionnaire survey immediately prior to the ten 'motivation to outsource' statements: "To what extent do you agree with the following statement: There are many activities we DO outsource (or would CONSIDER outsourcing) because...". Respondents were asked to indicate the degree to which they agreed or disagreed with each statement on a 1-7 Likert scale, where 1 corresponded to "strongly disagree" and 7 corresponded to "strongly agree". To promote consistency of interpretation, Domberger's (1998) following definition of outsourcing was provided in the survey:

*"Outsourcing refers to the process where activities traditionally carried out internally are contracted out to external providers" (p. 12).*

Immediately prior to presentation of the ten 'motivation to insource' statements on the questionnaire, the following statement was presented to respondents: "There are many activities that we do not outsource because:". Respondents indicated their relative concurrence with the ten statements on a 1-7 'strongly disagree – strongly agree' Likert scale.

#### **3.2 Sampling procedure**

The survey questionnaire was mailed to general managers (GMs) in Australian hotels with 100 or more rooms. The Australian RACQ hotel accommodation guide provided the survey sample frame. All Australian hotels appearing in this directory with one hundred rooms or more were included, resulting in a sample size of 356. Two mailouts and follow up phone calls resulted in the return of 110 completed questionnaires, representing a response rate of 31%. Table 2 provides an overview of the survey sample by hotel size.

**Table 2: Overview of Survey Sample by Hotel Size**

Number of rooms	Survey Respondents	Population
	%	%
100-199 rooms	44.5	60
200-299 rooms	31.9	22
300-399 rooms	11.8	11
400-645 rooms	11.8	7
	100.0	100
n	110	356

Three approaches were taken to investigate for non-response bias. Firstly, 35 GMs were randomly contacted to determine why they had not responded. The main reasons cited for non response were “not enough time” or “against company policy”. Three of the GMs indicated that they had not responded because their hotel did not outsource. This signifies that the sample may be biased towards hotels that outsource to a relatively high degree. Such a bias, if present, would likely result in the outsourcing motives being accorded higher scores, relative to the insourcing motives, than if data had been collected from the entire population of interest. This factor should be born in mind when interpreting the summary of data collected. Secondly, a comparison was made of data provided by early and late respondents. No significant differences between these two sub-samples were noted. Thirdly, a comparison was made of the sample and population data. A t-test indicated that the survey population hotels were not as large as the sample data ( $p < 0.05$  on room size). A Chi-square test revealed no significant differences in relation to hotel quality (star rating).

#### **4. Questionnaire survey findings**

A ranking of the survey respondents’ perceived strength of the 10 outsourcing motives and the 10 insourcing motives is provided in Table 3 (ranked according to mean score). The first panel of the table relates to the outsourcing motives and the second panel concerns the insourcing motives. The table’s first column identifies the theoretical derivation of each of the factors (no entry signifies that a factor is not related to TCE or agency theory). The table’s second column provides an abbreviated version of the 20 outsourcing/insourcing motivation statements provided to the respondents. The table’s remaining columns record the mean, standard deviation, actual score range and the number of observations pertaining to each measure.

**Table 3: Ranking relative strength of factors impinging on decision to outsource or insource**

Theoretical Underpinning	Outsourcing motivating factors	Mean	SD	Actual Range	n
	O-M1: outsourcing provides greater flexibility	4.39	1.83	1-7	109
TCE - In general	O-T1: outsourcing can yield significant savings	4.14	1.74	1-7	109
	O-M3: capital outlay avoidance	4.02	1.68	1-7	109
	O-M4: outsourcing facilitates quick expansion	3.78	1.41	1-7	109
TCE – Frequency (opposite view to TCE)	O-T2: they are large and we can negotiate favourable outsourcing terms	3.78	1.55	1-7	109
	O-M2: specialist subcontractors can provide a better service	3.59	1.64	1-7	109
TCE – Environmental uncertainty (opposite view to TCE)	O-T3: subcontractors are in a better position to manage volatility and unpredictability	3.51	1.54	1-7	108
Agency theory	O-A2: managers like to delegate risk to subcontractors.	3.12	1.57	1-7	108
	O-M5: other hotels are outsourcing them	2.96	1.69	1-7	104
Agency Theory	O-A1: they are unpredictable and we like to pass the risk to subcontractors	2.96	1.47	1-7	109
Theoretical Underpinning	Insourcing motivating factors	Mean	SD	Actual Range	n
TCE - temporal specificity	I-T6: timing & coordination of the activity is critical to the hotel's success	5.75	1.24	1-7	107
TCE - Brand Capital	I-T5: reputation of hotel could be damaged by subcontractor actions	5.50	1.42	1-7	108
	I-M1: the activities are viewed as core to the business	5.24	1.63	1-7	107
	I-M2: difficult to find subcontractors with compatible organisational culture	4.79	1.50	1-7	106
TCE - Asset specificity & uncertainty	I-T7: subcontractor could act in their own interest to the detriment of hotel	4.51	1.63	1-7	108
	I-M3: it is difficult to find subcontractors we can trust	4.48	1.69	1-7	106
TCE - Frequency	I-T1: economies of scale can be achieved inhouse	4.41	1.55	1-7	108
TCE – Environmental uncertainty	I-T2: unpredictable activities are difficult to contract for	4.13	1.51	1-7	107
TCE - Behavioural uncertainty	I-T3: difficulty in appraising subcontractor's performance	3.47	1.71	1-7	108
TCE - Asset specificity	I-T4: subcontractors may feel exposed to potential loss of investment.	3.36	1.50	1-7	106

Statements relating to an outsourcing motive have the coding prefix "O"; statements relating to an insourcing motive have the coding prefix "I".

Statements relating to TCE, have the suffix "T", agency theory motivated statements have the suffix "A", the remainder carry the suffix "M" (miscellaneous).

With respect to the outsourcing motivation factors, three yielded a mean above '4', which is the midpoint of the measurement scale.<sup>5</sup> These three factors concern 'flexibility, 'savings', and 'capital outlay avoidance'. It is notable that two of these factors, ie, 'flexibility' and 'savings' feature in the four primary outsourcing motives cited by Domberger (1998), signifying that some corroboration of Domberger's commentary is apparent from the hotel managers' perspectives secured in this study. The appearance of 'capital outlay avoidance' in the top three factors (and above the mid-point of the measurement scale) provides a suggestion that an advancement could be made in Domberger's model through the inclusion of this factor.

Specialisation, another of the primary outsourcing reasons cited by Domberger, ranked as sixth of the ten factors appraised, with a mean of 3.59. It may well be that this relatively low score is attributable to the industry specific nature of the data collected. It is widely recognised that the hotel industry is labour intensive, suggesting that significant activities, such as housekeeping and laundry, require relatively low degrees of specialisation. The relatively unspecialised nature of this work may lie behind 'specialisation' scoring relatively lowly in the survey.

A review of the mean scores relating to the outsourcing motives relative to the mean scores for the insourcing motives reveals higher values for the latter. The highest mean score for the outsourcing motives is 4.39. Seven of the ten insourcing motives yielded mean scores above this. This suggests a negative predisposition towards outsourcing held by the sample. In the absence of data collected from managers representing other industries, it would be inappropriate to suggest that this predisposition is a particular characteristic of the hotel industry, as the observation may simply be symptomatic of a conservatively based outsourcing reticence that is widely held amongst a large number of managers in all industrial sectors.

For the insourcing motives, it is evident that three factors yield mean scores above "5": 'timing and coordination', 'reputation', and 'whether an activity is core business'. The first two motives constitute dimensions of TCE's asset specificity theorem. It is notable that these two factors were not found to be significant in Lamminmaki's (2007) regression based analysis of factors relating to outsourcing in a hotel context. Lamminmaki's failure in this regard may be attributable to the widely recognised difficulty experienced in operationalising such variables (Widener and Selto, 1999; Langfield-Smith and Smith, 2003). It is notable that trust has been accorded little more than cursory attention in the

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<sup>5</sup> It should be noted that the questionnaire propositional statements referred to "many activities" and not "some activities". It could be that some respondents felt that one or more of the outsourcing and insourcing motivatory factors carry implications for some activities, but not many activities. This factor may have caused them to reduce their recorded scores relative to the scores that they would have recorded had the term "some activities" been used in the place of "many activities".

hotel outsourcing literature. The findings in this study suggest that it may well be worthy of more attention.

#### 4.1 Appraising TCE theory validity

From Table 3's first column, it can be seen that 10 of the 20 factors cited as motivating outsourcing or insourcing relate to TCE theory. Two of these factors (O-T2 and O-T3) have been formulated in a manner that conflicts with TCE theory. With respect to the eight factors that are consistent with TCE theory, with the exception of two (I-T3 and I-T4), all have yielded means above the measurement scale's mid-point. This provides grounds for claiming that broad support has been provided for TCE theory.

Further support for TCE theory arises when an examination is made of the mean scores yielded by statements consistent with the theory relative to the TCE conflicting statements that focus on the same motivational construct. I-T1, which concerns the insourcing motive deriving from the TCE frequency construct yielded a mean score of 4.41, while O-T2 which operationalised an outsourcing motive that directly conflicts with the TCE frequency construct yielded a smaller mean score of 3.78. Also, I-T2, which concerns the insourcing motive that derives from the TCE environmental uncertainty construct yielded a mean score of 4.13, while O-T3 which operationalised an outsourcing motive that directly conflicts with the TCE environmental uncertainty construct yielded a smaller mean score of 3.51. The mean score comparisons for the statements that operationalise conflicts in the theories that have informed this study are summarised in Table 4.

**Table 4: Mean Score Analysis of Variables Derived from Conflicting Theoretical perspectives**

	TCE	Conflicting perspective to TCE	Agency Theory
Frequency	4.41 (I-T1)	3.78 (O-T2)	N/A
Environmental Uncertainty	4.13 (I-T2)	3.51 (O-T3)	2.96 (O-A1) 3.12 (O-A2)

#### 4.2 Appraising agency theory validity

The two statements motivated by agency theory scored below the midpoint of the measurement scale. O-A2 yielded a mean of 3.12 and O-A1 yielded the lowest mean score of 2.96. Recall that O-A1 and O-A2's development stemmed from a desire to compare the survey respondents' perspectives on an agency theory informed view of the uncertainty issue with an incompatible view that derives from the TCE theoretical perspective. It can be seen from the final row of Table 4 that I-T2 (the TCE motivated factor) scored much higher (mean of 4.13) relative to the score for the two agency theory motivated statements. This suggests that the TCE perspective represents the more tenable position with respect to the way that environmental uncertainty can affect outsourcing behaviour. Considered

holistically, these findings signify negligible support has been provided for the two agency theory motivated factors examined.

## **5. Conclusion**

The broad objective of this study was to further our appreciation of factors that motivate a hotel to outsource or insource its activities. A key distinguishing facet of the study concerns the fact that it has been informed by several theoretical perspectives and not a single theoretical model. The view has been taken that a more complete appreciation of hotel outsourcing will result from simultaneously viewing the phenomenon through a range of pertinent theoretical lenses and perspectives outlined in the hotel management and outsourcing management literatures. Recognising that no theory is all encompassing and that theories suffer from a variety of limitations, a triangulation approach has been adopted.

The first main contribution of the study concerns the distillation of 20 factors that can bear down on a hotel's decision to outsource its activities. No prior study offering such an extensive listing of causal factors influencing outsourcing decision making has been found in the literature. A second contribution of the study concerns its examination of TCE theory in a hotel management context. TCE theory provided the motivation for 10 of the 20 factors examined. The third contribution of the study relates to insights provided in connection with what factors are most influential in a hotel's outsourcing decision making process.

Carter and Hodgson's (2006) review of TCE based empirical studies concludes that the findings have been mixed and that studies frequently represent only a partial examination of the TCE model, with the primary focus generally directed towards examining only the asset specificity attribute (David and Han, 2004). This study has involved an examination of all three activity attributes generally associated with TCE theory, ie: frequency, uncertainty, and asset specificity. The TCE theory examination has been pursued by not only appraising hotel managers' perspectives of outsourcing factors motivated by the theory, the study has also examined hotel managers' perceived importance of factors that conflict with TCE theory. As noted in the preceding section, broad support for the TCE theory on outsourcing is provided. The only two statements that are consistent with TCE theory and scored below the measurement scale's mid-point concerned asset specificity and behavioural uncertainty. It is notoriously difficult to succinctly capture asset specificity in a single measure and it is notable that the three other statements relating to asset specificity all yielded means above the mid-point of the measure. Behavioural uncertainty was operationalised in terms of the difficulty of appraising a subcontractor's performance. This may well represent the weakest of the outsourcing motivations comprising the TCE theoretical framework and would therefore appear ripe for further consideration.



Domberger's (1998) following comment, made in reference to agency theory, appears pertinent to this view on behavioural uncertainty:

*"... there is nothing in the (agency) theory that would help explain why it is easier to monitor the output of an employee than that of an independent contractor" (p. 67).*

A distinctive characteristic of the TCE dimension of this study concerns its focus on hotel outsourcing in general and not outsourcing considered in the context of specific hotel activities. This has enabled a more holistic view to be taken on TCE factors relating to hotel outsourcing. For more narrowly focused studies that investigate TCE factors in relation to specific hotel outsourcing activities, see for example, Espino-Rodríguez and Gil Padilla (2005) and Lamminmaki (2007). While it can be claimed that the study provides broad support for TCE theory, this claim should be qualified as the findings signify that it would be misguided to view TCE as providing a comprehensive explanation of hotel outsourcing behaviour. Key factors lying outside TCE theory that appear to be significant when deciding whether to outsource a hotel activity include: whether the activity is core to a hotel business, the challenge of finding sub-contractors that have a compatible organisational culture and also can be trusted, the greater flexibility resulting from outsourcing as well as capital outlay avoidance resulting from outsourcing. The fact that all these factors yielded mean scores above the mid-point of the measurement scale underlines the fact that while TCE may provide useful insights into a subset of factors that can induce outsourcing, the theory falls short as a comprehensive theoretical model with full explanatory power over outsourcing behaviour.

As with any research, this study is not without its limitations. It is particularly pertinent to note that it would be inappropriate to generalise the findings to other industrial sectors. The findings may also not be generalisable to lower quality hotels, smaller hotels, or hotels outside Australia. The findings of the interview phase of the study, when compared to commentaries appearing in the literature, suggest some significant cross country differences with respect to what activities may be outsourced. For example, food and beverage was the most widely discussed outsourced activity in the literature, however the Australian-based interviewees exhibited considerable resistance to the idea of outsourcing the food and beverage function. It was also notable that no literature discussing the outsourcing of housekeeping was found, yet this was widely discussed as an activity worthy of outsourcing by the study's interviewees. These observations underscore the inappropriateness of attempting to extrapolate the study's findings beyond Australia. A further shortcoming of the study relates to the fact that the mean scores recorded for the factors impinging on insourcing and outsourcing would likely have changed had different wording been used in the operationalisation of outsourcing/insourcing motives. It is in light of this shortcoming that the interpretation of data collected has been conducted at a relatively holistic level of abstraction. The potential of social desirability error in the responses provided by the respondents should also be recognised (McBurney,

1994). It is notable that the two lowest scoring statements concerned the copying of competitors' behaviour and also a desire to pass risk to subcontractors. Social desirability measurement error may well have contributed to the low scores for these two items.

A further shortcoming concerns the fact that the questionnaire made reference to 'many activities' in assessing the strength of the outsourcing and insourcing motives and this may have prompted some respondents to record a low score if some but not many activities are affected by the motive in question. This particular issue might be best managed by citing a particular activity in connection with each of the motives appraised. One would need to recognize, however, that this approach would reorient the study towards a perspective on the particular hotel activities cited and detract from securing a greater understanding of the generic influence of the outsourcing/insourcing motives examined. Also, in further qualitatively based research work of this nature, it would appear appropriate to seek broader functional representation in the sample of interviewees selected, as the high proportion of financial controllers evident in this study's sample of interviewees may have yielded a financially oriented bias (eg, high emphasis attached to cost saving motives of outsourcing) in the data collected.

It appears reasonable to suggest that a decision to outsource should be supported by a quantitative analysis of the costs and benefits arising from the decision. With respect to the 20 factors identified in this study, it is evident that many do not lend themselves to quantification. As Hemmington and King (2000) note "The benefits of outsourcing go beyond the purely financial aspects and the parties should pay attention to the wider dimensions of the relationship to reap the maximum benefits" (p. 260). Any attempt to quantify all factors impinging on the outsourcing decision is bound to be unsuccessful as many partially overlap with one another or are relatively covert. In a further research initiative that builds on the study reported herein an attempt could be made to examine how the outsourcing decision is made in the context of factors that do not lend themselves to quantification.

While it is hoped that this study has helped highlight the breadth of issues that should be considered in outsourcing decision making, it is important to recognise that the 20 factors identified fall well short of a comprehensive listing of potential factors impinging on the outsourcing decision. The factors selected for examination were those that, on a priori grounds, appeared to have a high propensity to impinge on the outsourcing decision. Parsimonious interests arising in connection with the study's survey design precluded the list of factors impinging on the outsourcing decision being more extensive. In further research, consideration could be given to examining the significance of the following considerations in the outsourcing decision: need to replace deficient inhouse services (Teresco, 1990), a means to facilitate change (Domberger, 1998; Mise, 2001), a means to modify employment terms of staff (Kakabadse and Kakabadse, 2000), liquidating cash that can be invested in more lucrative investments (Hayward, 2002), a quest for enhanced customer satisfaction and loyalty

(Ansley, 2000), and reducing time taken to introduce new products (Ansley, 2000). Other factors that can inhibit a desire to outsource include social costs (Kakabadse and Kakabadse, 2000), loss of inhouse skills and innovative capacity (Domberger, 1998),

A further potentially fruitful research initiative that builds on this study would be to take a cross industry survey approach to investigate for significant differences in outsourcing motivations across different sectors. It was suggested above that the hotel industry is characterised by relatively low degrees of specialisation and that this factor may have caused the 'specialisation' outsourcing motive to score relatively lowly in the survey reported herein. In the same vein, it is notable that timing and coordination and also reputation, which are critically important facets of hotel management, were the two highest ranking factors observed in the study. A cross-industry survey would provide data enabling a robust analysis of how industry specific factors can contribute to differentials in the relative importance of factors affecting the outsourcing decision.

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