

Outsourcing in the hotel industry business essay



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Chapter 1

1. 1 Introduction

Outsourcing is the opportunity for the organization in hospitality industry and some others industry as well which can provide service and product for them and can enhance their profitability without producing things are internally.

As an example Hotels can outsource their food and beverage, marketing process, HR process etc., from their outsource provider. By outsourcing firms can get more opportunity in the market to run their business in a better way.

Because it can be really risk free and more productive in terms of the flexibility and availability. According to Fair and Shaw (1997) abstract, outsourcing can be defined as the process of acquiring an item that the company cannot produce internally. It engages delegating or replacing an internal service or role with an external service which is provided by experts who are skilful in the condition of that service accordingly.

In another way outsourcing is the way to operate a business with less management and operation risk and within a time frame. It can increase the profitability within the organization and can enhance the brand image in terms of better service and efficiency. Because when firms prefer the outsource rather than doing things by won they can get some more option and more trust and less risk which can make their service more effective and productive.

1. 2 Problem Statement

In the new global economy, outsourcing has becoming a central issue among expert in the hotel industry. Outsourcing is a method, which has been

adapted by various companies to provide various services to customers and employees. Someone else, from an external resource, implements outsourcing. By using this method, it helps the company to reduce cost. Most companies use outsourcing/third party for better efficiency. Established company utilize this method to improve their service quality. Outsourcing provides specialised functions to help complete the task. In fact, many hotels are opting for the outsourcing business strategy to help the hotel business in keeping up with their rival hotel and the same time cut on their cost.

In the research paper it discussed that the benefit of hotels outsourcing of HR and Marketing section. So, the problem statement is

To what extent hotels are benefited by doing outsourcing -a study on Holiday Inn hotel.

In the research work, the researcher must have very clear understanding of the topic or problem they are investigating. Without clear and sufficient theoretical knowledge it will become difficult to conduct any research work. For my research topic it is important to acquire theoretical knowledge about the functions of outsourcing in order to analyse the importance, impact and prospects of outsourcing.

This research work could not be completed properly without collecting data and gathering information correctly and using them appropriately. A lot of text books, reference books, journals and reports were consulted to prepare this research work in line of the aim and objectives of the research work. The most important task was to get the primary data from the management team of Holiday Inn Hotel.

1. 3 Research Question

It's absolutely essential to develop a research question that I interested in or care about in order to focus my research and my paper . This study is set up to answer following research question

To do outsourcing is a good idea for hotel business?

Is Outsourcing more effective than doing things by own?

How outsourcing can give some extra benefit for the organization?

How outsourcing can reduce the cost and risk for the organization?

What are the main reasons for outsourcing HR and Marketing process?

How outsourcing has positively contributed to the financial position of the hotel?

How correctly executed outsourcing can enhance the hotel's competitiveness?

1. 4 Significance/scope of the research

This research can help individuals, especially decision-makers and planners, as well as firms identify the various components of outsourcing that can bring many potential benefits, such as cost reduction, performance improvement, flexibility, specialisation, and access to innovation on the business of hotels by utilising it. It is a fact that most companies are at under great pressure to take up outsourcing as a major competition. The Hotel Industry is one of the thriving businesses in the world. In fact, in this globalised world many hotels are opting for the outsourcing business

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strategy to help the hotel business in keeping up with their rival hotels and at the same time cut on their cost.

For this case study I want to try to find out to what degree the hotels can benefit from outsourcing their HR process and Marketing process from the study of Holiday Inn hotel in Brentwood, UK.

There are two types of outsourcing which is implemented in the hotel industry. This includes selective outsourcing and complete outsourcing. Selective outsourcing pertains to certain functions which are chosen for outsourcing, which can be the database of customers or accounts records of the hotel and etc. On the other hand, complete outsourcing refers to the whole function which is outsourced. Though hotels are recognising the importance of outsourcing, this does not mean that this business strategy is applicable to all.

Outsourcing can be viewed as the process whereby activities traditionally carried out internally is contracted out to external providers. Outsourcing has become a significant facet of modern hotel management. As the market for outsourcing grows, it will have a dramatic impact on how businesses are structured, managed and viewed by owners, employees, and customers. In spite of fairly extensive coverage given to hotel outsourcing management issues, there has been limited academic research in this area. Besides, no specific accounting focused studies concerned with hotel outsourcing have been found in the literature.

1.5 Research Objectives

The purpose of this research work is to examine and assess the effectiveness of outsourcing of the hotel.

The main objective of this research is to examine and discuss the influence the outsourcing of the hotel and its impact on cost and benefits. This research work also aims to provide an insight of how important the outsourcing is to increase the productivity of the hotel.

Outsourcing carries significant implications for a hotel's cost structure and control procedures. In light of this, it is important that hotel accountants are appropriately equipped to play an active role in outsourcing decision-making and control. The objective of this research is to provide a management accounting perspective on issues surrounding hotel outsourcing management. This work outlines the many costs and benefits that should be considered when deciding whether to outsource.

The objectives are as follows:

To critically discuss the effect and influence the outsourcing of the hotel on business performance.

To study about how does outsourcing is managed by the hotel.

To discuss and identify critically how it helps cut costs while managing outsourcing.

To discuss about how it help compete with other hotels in order to cut costs and earn profits for the hotel.

1. 6 Ethical Issues

In preparing my research project it is important that I need to consider with the ethical issues that will arise when I was collecting data and trying to make communication with people. I also believe seriously the human rights and wrong of what I may be undertaking and the moral values and principles that guide my actions.

- I have done my communication section very clearly and sincerely for the understanding of the nature and reasons for my research, whom it may benefit and how, and what costs or

risks are involved for informants.

- I respect peoples even they are not cooperate with me, or pull out from the project.

- I also tried to avoid, or at least acquire some ladder to reduce, pointless Destruction, hazard or false to the collection of people I was learning and working with them as well as sourcing embarrassment to them.

- I tried to protect the individuality of respondents where essential and treat them with respect.

- For the privacy I did not allowed any third parties access to sensitive information I may have obtain.

- Regarding the confidentiality it was totally in memory contracts with the person, the group of people, or an organisation, about what may be done with their data.

- Regarding the anonymity I can give the certainty that there was a require of identifiers vis-à-vis information that basically indicate which individuals or organisations provided which data.

Consideration of the above issues clearly I can take it very critically when I need to handle the responsive information.

1. 7 Hypotheses

Successful implementation of outsourcing can result in enhanced brand recognition and profitable for the hotels.

Outsourcing can reduce cost and risk and can give some better feedback for the organization.

Outsourcing can enhance hotels competitiveness

Outsourcing can be a positive contribution for the financial position of the hotel

Chapter 2

2. 0 Literature review

2. 1 Introduction of Literature review

2. 2 Outsourcing

Contract with two organization one is outsource supplier and another one is outsource holder . most of the big companies currently prefer the outsource

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process for their different type of service, such as call center services, food and beverage outlet-mail services, recruitment process, Marketing and HR process. Those processing can be handled by the supplier and outsourcing holders can trust them fully because outsourcing providers are basically more careful and aware regarding their responsibilities.

Knowles and also Davis, Lockwood, Pantelidis and Alcott (2008) define contract catering and food services management as operations that provide meals in outlets that do not have the provision to produce them. Moreover Coates (1971 cited by Wilson, Murray, Black and McDowell 1998: 74) define a contract caterer as:

“ An individual or company, who in recognition of financial reward, will undertake to administer, control and direct a specified catering operation within the guidelines stipulated by the [client] company.”

2.3 Reasons of outsourcing

Although the main objective of outsourcing is often cost reduction, many companies fail to realize any cost benefits. In particular, Gartner is predicting that by 2007, 80% of organizations that outsource customer service projects with the primary goal of cutting costs, will fail in that attempt. Part of the reasoning behind this statistic is the high staff attrition rates at outsourcing companies, sometimes as high as 80% to 100%. Combine this added cost from attrition along with the hidden costs of client loss due to increased frustration and it's clear that an outsourcing engagement, if not carefully monitored, can easily fail.

Among the lots of reason of outsourcing some key reasons are flexibility, cost reducing, availability, good quality etc. All those factors are influencing the organizations of hospitality industry to go for outsourcing. It can reduce the risk management for the particular organization as well. Another important reason for outsourcing is the time convenience in terms of quick service.

Outsourcing is an important phenomenon in hotel sector. It is changing from a tactical to a strategic perspective, with greater scope and relevance to the creation of competitive advantages. The opening up of hotels to outsourcing and strategic alliances improves individual competitiveness, but also has strong repercussions on destinations, especially those in a stage of maturity and requiring new approaches to improve competitiveness. This change in inter organizational relationships to a strategic perspective requires new theoretical and practical frameworks to make it easier for hotels to outsource their operations with greater potential for competitive advantage.

2. 4 Outsourcing and organizational performance

Outsourcing is attractive to senior management because it improves some of the

Dimensions of organizational performance (Lilly et al., 2005). According to the survey, conducted by Accenture and the Economist Intelligence Unit, two-thirds of the respondents – all of whom had been outsourcing a major business process for at least two years – agreed that outsourcers who know how to manage the process can enhance their company's performance and achieve a high level of satisfaction with the results (Lacey and Blumberg,

2005). Gilley and Rasheed (2000) proposed that organizational performance in hotels improves for three reasons. First, an increased focus on a firm's core competencies is an important benefit associated with outsourcing (Dess et al., 1995; Gilley and Rasheed,

2000; Kotabe and Murray, 1990; Venkatraman, 1997). The evolving literature on core competencies has been concerned with the “make-or-buy” decision that every firm faces. Should a hotel run its own restaurant, clean its own rooms and common areas, and trim its own trees, or should it outsource these tasks to vendors that specialise in catering, janitorial services and grounds keeping (Espino-Rodríguez and Padro´n-Robaina, 2005; Taylor, 2005; Walker and Weber, 1987)? Ronald Coase (1937) first tackled this question 70 years ago in a classic article. His broad argument was similar to Adam Smith's: if an outside party can do the work more efficiently and inexpensively than can the firm itself, then the outside party ought to do it: if the firm's employees can do the job better, then the work ought to remain in-house (Bahli, 2002; Espino-Rodríguez and Padro´n-Robaina, 2005; Taylor, 2005).

2. 5 Conclusion of literature review

There are a number of studies that focus on explaining the effect of outsourcing. Abraham and Taylor (1996) find that firms “contract out” services with the objectives of smoothing production cycles and benefiting from specialisation. Raa and Wolff (2001) find a positive association between the rate of outsourcing and productivity growth (Jiang and Qureshi, 2006). Elmuti (2003) also provided support for empirical evidence for an

outsourcing-productivity relationship. He found that outsourcing accounted for about 40 per cent of the variance in productivity.

Many outsourcing studies in hospitality industry debate the advantages and disadvantages contractor catering and food service management operations. This research critically discusses to what extent hotels can benefit from outsourcing their food and beverage operation. A hotel may benefit from outsourcing their Food and beverage facility because managers can focus on their core competency. Also, it brings to the hotels external suppliers investment and with it innovation at minimum financial risk. For this reasons hotels are likely to gain better competitive advantage.

Chapter 3

3. 0 Methodology

3. 1 The nature of study

In light of the substantial international literature describing hotel outsourcing, it appears that outsourcing in hotels is relatively limited. Like there are some key sections for outsourcing for the hotel Industry those are HR process, marketing and pay roll.

3. 2 Source of Data and Data Collection Procedure

The research has been conducted with primary data. For the primary data collection process I used the qualitative data collection process which is interview base. For my study I chose structure interview and prepared a list of question. Based on my question I have done my interview through asking question step by step which helped me to get result very clearly.

3. 3 Population and Sample Size of this Study

Holiday Inn is the UK's largest and fastest-growing hotel brand with over 580 budget hotels and more than 40, 000 rooms across the UK and Ireland And from all of them my research area is Holiday Inn Brentwood, UK, were considered as the population for this study. From the management team 8 to 10 were selected as the respondents for collecting the data for my research.

The responses of the respondents interviewed were analysed to gain insights into qualitative aspects of the outsourcing activities used by their firms.

Qualitative analysis of the collected data from the respondents' firms has been made.

3. 4 Interview Question

The research data were collected using Interview Question. At first a request letter were e-mailed to all the operation management team of the Holiday Inn Hotel , a population of more than 8 team members in total. In all, 3 responses were received, representing a response rate of over 40%. And finally got the appointment for the interview with the Operation Manager of Holiday Inn Hotel and two of the members from their management team.

Non-response bias may also possibly have affected the results.

Respondents were asked to answer their question step by step . interview question was divided into three sections, each of which is detailed below. A copy of the questionnaire is included as Appendix 2.

Interview with Operation Manager

It was a face to face interview and the time period was one hour. There was a sample question which contains 3 sections. All regarding outsourcing of Holiday Inn hotel. First section was regarding outsourcing functions and benefits; second section was regarding the suppliers and quality of outsourcing and the third section was the opinion part of the respondent.

Interview with the management team members

It was also a face to face group interview with two management team members. It was more than 30 minutes discussion and was a very effective session for my research.

Location

The interviews were in Holiday Inn Brentwood M25, Jct. 28, and Brook Street, Brentwood, CM14 5NF United Kingdom.

Other details

The research was conducted between 5th December and 6th December 2010. Respondant was Ujjal Chwdhury the operation Manager, Ashfaq Khan and Azaz Bhimani the management team members. The researcher is Farhana Sorker.

4. 0 Finding and Analysis

4. 1 Background of the organization

The first Holiday Inn opened in Memphis, Tennessee in 1952. The chain was established to provide inexpensive accommodations for families and

travelers within the US. It was acquired by the Intercontinental Hotels Group (IGH) in 1990.

In October 2007, IHG announced a worldwide relaunch of the Holiday Inn brand including a redesigned “welcome experience” along with signature bedding and bathroom products.

Included within the Holiday Inn brand is Holiday Inn Express, a mid-priced chain of “express” hotels which focuses on value and convenience for business travelers who don’t require more than the most standard amenities.

4. 1. 1 Brand Image of Holiday Inn Hotel

One of the world’s most recognised hotel brands with a global reputation for service, comfort and value. Holiday Inn offer today’s business and leisure travellers’ dependability, friendly service and modern attractive facilities at an excellent value and at convenient locations throughout the world. Since 1952 Holiday Inn Hotels have provided the services business traveller’s need, while also offering leisure travelers a comfortable, casual atmosphere where they can relax. And now, a global relaunch of the Holiday Inn brand family is in its final stages and is expected to be complete by the end of 2010. The relaunch will improve quality and service levels, and drive consistency, creating a new, more contemporary brand image at all Holiday Inn hotels around the world.

4. 2 Summary of findings

4. 2. 1 Outsourcing Function in Holiday Inn Hotel

Holiday Inn Hotel working with Hcareers to outsource their recruitment process which is basically working for their workforce. Hcareers have a very <https://assignbuster.com/outsourcing-in-the-hotel-industry-business-essay/>

good image in the market as a outsource provider. And they are providing the accurate one in the accurate place for the organization. Currently Hcareers operating their business among three countries, those are US which is Hcareers. com , Canada which is Hcareer. ca and Hcareers. co. uk in United Kingdom. And all are working for the hospitality related organization. Who are looking for the job in the hospitality sector they can go and open the page and can apply over their.

Hcareers trying to provide more flexible system for the job seeker. According to the operation manager of Holiday Inn Hotel it is clear that they are really happy with Hcareers service and they are getting the right person in the right place for their organization.

Also they are working with caters. com for their outsourcing

And for their marketing process they are using HS company and getting all the services for their promotion process.

4. 2. 2 Benefits of Outsourcing

Outsourcing is the exercise of getting service from outside firms to maintain work usually performed within an organization which can be a familiar concept. Holiday Inn currently outsources their recruitment processing and marketing as well.

Most of organization do not concern about the benefits of outsourcing.

Outsourcing can reduce cost and save money, which can be a big reason to go for outsourcing but there are some more reason as well . outsourcing can reduce the management risk for the organization and can give a financial

support as well. Flexibility and availability of service or product is an good example as well. And Holiday Inn is one of the companies getting the following benefits from the outsourcing.

Control capital costs: reducing cost for the organization is not only the good point to outsourcing but also it is a really major factor. Outsourcing exchange fixed expenditure into changeable expenditure, which can make complimentary assets for savings somewhere else in their industry, and allows them to stay away from huge expenditures in the early phases of their business. Outsourcing also makes their organization more attractive for the investors, since they are able to drive extra assets in a straight line into revenue-producing performance.

Increase efficiency: Doing everything by own the companies need to follow some more investigate, expansion, promotion, and delivery charge. That's why Holiday Inn decides to do the outsourcing process. By outsourcing they are getting more efficiency in their business.

Reduce labour costs. Maintaining the HR department by own can be very costly for an organization, and its also heard to get feedback on right time by the temporary employees. So that Hiloday Inn working with Hcarear and caters. com and this Outsourcing by which they can focus their human resources where they require them mainly.

Start new projects quickly. Holiday Inn getting the best service and facilities from their outsourcing firms. Because of the flexibility, efficiency and availability they can start a new project within a very short time and can get the services from their outsource providers as their requirement.

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Focus on your core business. All organization has restricted capital, and all managers has inadequate time and concentration which is not different for Holiday Inn. Outsourcing helping them for their business to move its focal point from tangential performance toward work that hand out the customers outsourcing helpful for managers to place their precedence's extra evidently.

Reduce risk. All business has some risk and they have to face it when they operate their business. Every thing can change very quickly in this world . Outsourcing providers take for granted and handle this risk for the Holiday Inn Hotel, which normally a large amount better for come to a decision how to avoid risk in their section of proficiency.

4. 2. 3 Suppliers

Hcareer and caters. com and HS company are the outsource suppliers for Holiday Inn Hotel. Hcareer and Caters. com is for their recruitment process and HS Company is for Marketing strategy.

4. 2. 4 Quality maintain by outsourcing

The Product Specification & Quality Requirements (“ PSQR™ ”), The ultimate goal of

The PSQR is to act as a central point to assemble, share and verify critical information related to the product. The Product Specification (PS) details the product's bill of materials, packaging and other physical components and their assembly or relationship together. The Quality Requirements (QR) details what is expected from the product in terms of appearance, workmanship, performance, testing and packaging. Together they form the complete PSQR, which becomes a controlled document, and becomes the <https://assignbuster.com/outsourcing-in-the-hotel-industry-business-essay/>

marching orders for the Quality Team at the outsourced manufacturer's facility to see that the product produced and shipped is equivalent to everything outlined and detailed in the PSQR. Typically, the development of the PSQR is a cumulative and additive process with a focus on continuous improvements over a reasonable amount of time. Team involvement is essential to make the PSQR comprehensive and relevant for all users. Seldom is it perfect from the start. It is only after considerable contributions and sharing / debating by various personalities and disciplines within the system that a PSQR can be at its peak of usefulness and relevance. All participants in the PSQR development process must pay very close attention to details to ensure success. The following template has been developed and refined over a number of years in practice of managing the quality of products at outsourced supplier's facilities. Designed to be prepared in close collaboration with the outsourced supplier it presents a standard format for compiling the Product Specifications and Quality Requirements and may easily be adapted to meet special requirements as needed. In this way Holiday Inn getting the more quality service from their supplier and controlling the quality of their company.

5. 0 Recommendation

The key things for outsourcing that have to have a good negotiation power when an organization decide to do any outsource, need to have a right people in contract respect to details to be actually tern on the negotiation basis and the contract need to be actually followed up so ether way in terms of breach of contact than both party should know in respect of what is can do

things and what cant do things in respect to the both of the organization (Outsourcing provider and outsourcing holder) to help.

And the same time the cost element effect organization can subsidise quite a lot because the delivery will be on time.

So based on that its better for organization to move forward and to get a better product and resource its better to go for outsourcing.

6. 0 Conclusion

At the end of this research it clearly understandable that hotels are really benefited by doing outsourcing in terms of management risk and cost & quality control process. It can enhance the hotels competitiveness and can reduce the operational risk which indicate that outsourcing has positively contributed to the financial position of the hotel.

By outsourcing when an organization can get more benefit rather than doing things by own, so it can be happen that most organizations are really dependent on outsourcing. From the hospitality industry hotels are like Holiday Inn hotel getting a big amount benefit which is helping them to operate their business very frequently with a good quality and assured them to keep the business for long time. By this kind of facility organization can achieve their goal on time.