

ASSESSMENT OF OUTSOURCING DECISION-MAKING IN STAR-
RATED HOTELS IN NAIROBI-KENYA

BY

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university or any other award.

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DEDICATION

To my loving husband Stanley, who provided me with great financial and moral support during my studies, and to my children; Kanario, Kinya and Kendi, for their unfailing love.

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OPERATIONAL DEFINITIONS OF TERMS

Fad – a fashionable way of doing business or keeping with the trend

Hotel – premises where food, beverage and accommodation are provided at a fee.

Operations – these are systematic procedures for carrying out various activities.

Strategic outsourcing – this is a long- term process which follows a rational process of decision- making

Tactical outsourcing – this is based on costs with no consideration of the other benefits and risks involved in the decision. It is short- term.

Trim fat – reducing the number of staff in order to reduce costs

ABSTRACT

The emergence of outsourcing service providers in the global market and the rapid development of information technology, has brought about new dimensions in business management. Non-core activities no longer need to be done within an organisation. These activities can now be handed over to specialist outsourcing contractors whose circumstances allow for efficient delivery at a lower cost. Deciding what represents a core-activity to an organisation, however, is not always an easy task. Nor is the decision the same for all operations. The purpose of this study was to determine trends of outsourcing in star-rated hotels and identify factors that influence the selection of operations outsourced. The specific objectives were to identify the operations commonly outsourced by hotels, determine the factors that influence the decision to outsource services, investigate the effects of outsourcing on hotel operations and explore the challenges of outsourcing in hotels. A descriptive survey design was used to assess the factors that influence the selection of operations outsourced. All star-rated hotels in Nairobi were targeted. A stratified random sampling procedure was used to stratify the star-rated hotels into different categories. From the selected hotels, a number of departments were purposively sampled. This gave a total sample of 100 respondents. An interview schedule was used to solicit information from the general managers while a self-administered questionnaire was used to collect data from departmental managers. The data were analyzed using both quantitative and qualitative techniques. Data were presented using tables, graphs and charts. Qualitative data were analysed using narratives and presented in exploratory and discursive form. Chi-square was used to establish the relationship between the operations outsourced and the star-rating of hotels. The findings revealed that the concept of outsourcing was not foreign to hotels as most hotel managers had already embraced it. The most commonly outsourced operations were those that involved non-core activities or the-back-of-the-house activities and those that did not deal directly with the customers, such as maintenance and security. The major factors that influenced the decision to outsource were the need to; improve quality, gain flexibility, cut costs and hence improve profitability. Outsourcing was thus a welcome business concept, but one which could only be undertaken strategically and with caution. The success of outsourcing depended a great deal on the relationship between the hotelier and the supplier. The study recommended that managers need to determine core competencies that should be kept in-house rather than be outsourced. Outsourcing would be more beneficial if it was given a strategic approach that follows a rational process of decision-making. Hence, the need to align it to the overall corporate strategy. Managers need to select and evaluate vendors carefully and specify the quality of services needed, in order to avoid disappointments. There should be a proper and well established working framework with policies that govern the whole process of outsourcing.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

With the rise of economic globalisation, business management has become more complex now than ever before. Most sectors are characterised by fierce competition. Hence, the need to improve quality and reputation, cut costs, and increase sales and profits (Ottenbacher and Gnoth, 2005). This has forced many companies to consider new ways of managing their organisations (Espino- Rodriguez and Padron Robaina, 2004). This scenario calls for outsourcing the non-core activities and focus on the organisation's core competencies.

Outsourcing is basically the reversal of a previous 'make' decision approach in business. It refers to the process through which one business provides specific services to another that opts not to produce the services by themselves (Omondi, 2006). Thus, a company that undertakes an outsourcing process ceases to internally manage those operations, in order to acquire them from an outside company possessing the specialised people, knowledge, resources and management functions (Hottman and Adams, 2004).

Outsourcing became a popular buzzword in business and management in the 1990s. The concept started with Ross Perot when he founded the Electronic Data System (EDS) in 1962, which specialised in outsourcing information technology (Bamboo Web. com, 2004). According to Johnson (1997), outsourcing is not a new term; it is

the emphasis on it that has changed. Thus, in today's complex global village, outsourcing has become a natural part of doing business.

There has been a wave of outsourcing in the last decade. India is the leading outsourcing destination with an outsourcing budget of over 12 billion dollars a year (Frannin, 2004). Other countries that outsource some of their operations and services include; Philippines, Caribbean, South Africa, Egypt and Ghana, among others. The Kenyan government has from time to time recognized the need to develop into a global network and participate in all the positive aspects in the international forum. For example, Kenya has always recognised the need to integrate in the global Information Communication Technology (ICT) (Bacon, 2002).

In Kenya the issue of outsourcing has become popular in the last decade and now. Many sectors are involved in outsourcing especially in the security aspects, information technology, and transport among others. The hotel industry is among those sectors which are involved in the business of outsourcing.

Hotels are not afraid to outsource some of their services, as long as outsourcing does not mean losing skills and abilities, and that these activities are not a source of competitive advantage (Hottman & Adams, 2004). Hotel managers, therefore, need to look at all areas within a business to evaluate the effectiveness of outsourcing.

In what may come as a surprise, hotels are increasingly outsourcing even the traditional Food and Beverage operations (Lane and Dupre, 1997). It is clear that outsourcing is not just another passing management fad. Johnson (1997) explains that it is a real strategic weapon that can pervade every corner of the management process bringing prosperity and secure futures to businesses. As the market for outsourcing grows, it will have dramatic impact on how businesses are structured, managed and viewed by owners, employers and customers.

Deciding what operation to outsource is not an easy task, nor is the decision the same for all operations. Moreover, the objectives for outsourcing vary from one organisation to another. There is therefore a need for hotel managers, to know how to recognise and take advantage of the outsourcing opportunities. In addition, despite the growing popularity of outsourcing, some managers are still reluctant to embrace the concept.

The tendency by hotels to outsource some of their operations is influenced by various factors such as the need to reduce costs, improve quality, increase flexibility and offer better services. The operations that are commonly outsourced are the ones that managers feel are better supplied by specialists of those services. Nevertheless, the factors that influence the concept of outsourcing in different organizations differ from one organization to another. This study sought to investigate outsourcing and the factors that influence selection of operations outsourced by star-rated hotels in Kenya.

1.2 STATEMENT OF THE PROBLEM

The hotel industry, like all other industries is faced with the need for enhanced returns and greater flexibility to respond to the changing market trends. Chief executives found out that there were certain processes they simply could not run as efficiently as they liked no matter how they tried. Even more frustrating was the fact that other companies were successful in carrying out the same processes (Hottman and Adams, 2004). Since many areas within a business organisation are potential candidates for outsourcing, then the choice of operations to outsource must be strategic in nature. Organisations need to identify the motivations for changing their operations and consider the aspects that make outsourcing an attractive option.

Research has been conducted in the area of outsourcing such as the works of Dobler & Burt (1996), Johnson (1997), Fearson & Johnson (1997), Knowles (1998), Espino-Rodriguez & Padron-Robaino (2004) Powers & Barrows (2006) among others but much of these studies have been done outside Kenya especially in North America and Europe. In Kenya, little has been done on the factors influencing the outsourcing process in the star-rated hotels in Nairobi. Information in this area remains scanty and elusive.

Therefore, this study attempted to investigate outsourcing and the factors influencing the selection of operations outsourced by the star rated hotels in Nairobi Kenya.

1.3 PURPOSE OF THE STUDY

The purpose of the study was to determine the trends of outsourcing, its effects and identify the factors that influence the selection of operations outsourced in the hotel industry.

1.4 OBJECTIVES

- 1) To identify the operations commonly outsourced in the hotel industry.
- 2) To determine the factors influencing the decision to outsource services.
- 3) To investigate the effects of outsourcing on hotel operations.
- 4) To explore the challenges of outsourcing in the hotel industry.

1.7 SIGNIFICANCE OF THE STUDY

The findings of this study will contribute to the knowledge of the benefits and challenges of outsourcing and highlight factors that make it strategic in nature. The results of the study will assist hotel managers in making decisions on the operations that should be outsourced, and the extent to which outsourcing positively impacts the hotel industry.

Potential business people will be able to understand the need for partnership between hotels and the demand supply chain in the industry. This will ensure greater

satisfaction in terms of quality and availability of services to the hotels. Outsourcing is also a potential source of job creation and one of the key aspects of the new government policy. Finally, the study formed a basis for research in the area of hospitality management.

1.8 ASSUMPTIONS OF THE STUDY

The study was carried out on the assumption that outsourcing providers were available and that hotels were willing to outsource those services.

1.2 CONCEPTUAL FRAMEWORK

When hotel operations are outsourced, the hotel is able to gain competitive advantage by improving efficiency. Managers and other staff are able to concentrate on their core-competences and other value-adding activities, thus improving hotel performance. A number of factors interplay to facilitate this kind of efficiency. In the event that there are areas that can not be perfected from within the organization, then the idea of outsourcing becomes critical and this is where managers have to adopt the outsourcing strategy. The concept of outsourcing can be conceptualized and in this study the conceptual framework developed for the study is presented in Figure 1.1.

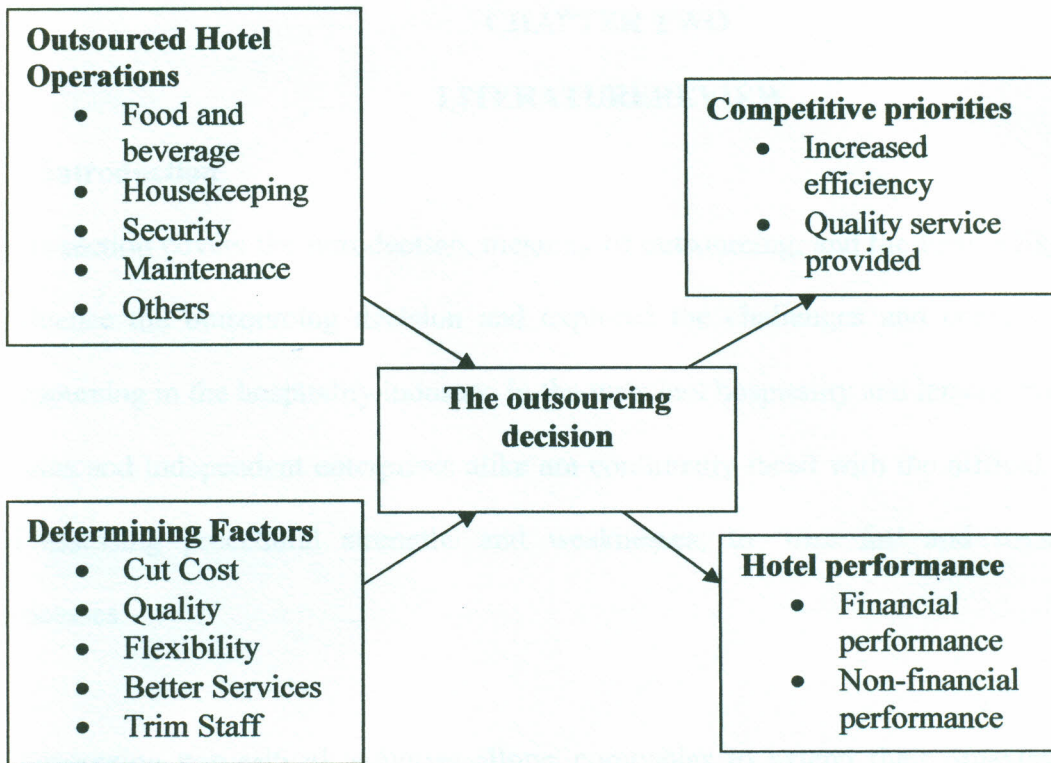


Figure 1.1: The outsourcing matrix

Figure 1.1: The relationship between outsourcing and some of the factors that influence the decision.

1.9 LIMITATIONS OF THE STUDY

The study was limited by the fact that it was only carried out in Nairobi. It was also limited to the star-rated hotels and to a selection of a few hotel operations.

CHAPTER TWO

LITERATUREREVIEW

2.1 Introduction

This section covers the introduction, meaning of outsourcing, and the factors likely to influence the outsourcing decision and explored the challenges and constraints of outsourcing in the hospitality industry. In the turbulent hospitality and leisure industry, chains and independent enterprises alike are continually faced with the difficult tasks of assessing procedural strengths and weaknesses; to 'trim fat' and streamline processes.

Outsourcing non-critical activities allows companies to extend their organisational core competences (Johnson, 1997; Robinson and Saef, 1998). Outsourcing is a concept many companies practise. Organisations in fields like software, banking and medical services have taken advantage of business process outsourcing (BPO), (Patel and Aran, 2005). Services widely outsourced include information and communication technology, cleaning, and transport.

Many authors have adopted different definitions of outsourcing. Dobler and Burt (1996) explain that outsourcing historically was referred to as the 'make-or-buy' decision, while Saleemi (1997) terms it as sub-contracting, wherein, the producer hires the services of another producer or service provider. Baily, Farmer, Jessop, and Jones, (1998) define outsourcing as contracting out non- core activities, while Fearson and Johnson (1997) call it a reversal of a previous 'make' decision. That is, refusing to do

an activity that was previously done 'in-house' and allowing an external company to supply the service.

Knowles (1998) supports the idea of referring to it as sub-contracting of all activities that are not core businesses to specialists. However, Johnson, (1997) points out that the outsourcing partner in business must clearly understand the organization's definition to avoid confusion. It is therefore clear that there are as many definitions as there are organisations. Moreover, to a great extent the definitions have different versions depending on the organisations' specialities and objectives for outsourcing.

2.2 THE OUTSOURCING DECISION

There are many approaches to outsourcing. Dobler and Burt (1996) identify two levels of outsourcing: - strategic and tactical. For example, some elements of information technology may be strategic, some may be critical and some may lend themselves to cheaper purchase and management by a third party (Fearson and Johnson, 1997). However, as pointed out earlier, for any company, the type of outsourcing undertaken will depend on their specific objectives for outsourcing.

Opponents of outsourcing insist that it is for companies that are in trouble. Indeed, many organisations may have turned to outsourcing with a tactical driven view (Johnson, 1997). That is, making fixed costs variable and reducing capital investment. However, Espino-Rodriguez and Padron-Robaina (2004) explain that tactical outsourcing is taken intuitively and is based on costs with no consideration of other

benefits and risks involved. Indeed, there appears to be an over emphasis on the short – term, benefits as the reason for outsourcing.

Strategic outsourcing, on the other hand follows a rational process of decision-making. Dobler and Burt (1996), describe strategic outsourcing as identifying the major strengths of the firm, its core competencies and building on them. Therefore, as Dayle (1994) concludes, those activities with the lowest strategic importance, and the highest level of maturity should be considered for outsourcing.

Strategic outsourcing should form part of strategic management. The management should probe the strategic implications of each support activity considered for outsourcing in each of its main markets (Espino-Rodriguez and Padron-Robaina, 2004). For many organisations, this decision represents the longest and the largest financial commitment they will make.

Outsourcing in the hospitality industry is a dilemma of lower costs versus lack of control (Riley, 2003). Activities which are unique to the company's specific skills tend to contribute to the competitive advantage and should not be outsourced. When outsourced, such activities may give away the secrets of success (Johnson 1997 and Dayle 1994). The rule of thumb as Dobler and Burt (1996) conclude, is to outsource 'sub-systems' and 'components'. That is, companies should outsource those things that they can do, but would rather not. Whether this principle influence the

outsourcing process for the star rated hotels in Nairobi required investigation hence this study.

2.3 HOTEL OPERATIONS COMMONLY OUTSOURCED

In Kenya, there are many different sizes, standard and types of hotels catering for deferring demands of guests. The prosperity of any hotel requires considerable knowledge, experience and managerial skills. Knowles (1998) explains that departmentalization helps to establish the organizational and administrative structure and procedures in a hotel.

Every hotel comprises a number of departments performing different operations, which need skillful co-ordination to ensure satisfied guests. Such divisions can be categorized into revenue and cost centers (Angelo and Vladmir, 2004 and Knowles, 1998). Revenue centers generate income through the sale of services and products. These include; rooms, food and beverage, recreation and fitness among others.

According to Powers and Barrows (2006) cost centers on the other hand do not generate income directly but support the proper functioning of the revenue centers. They include marketing, human resources, accounting and security among others. The number of such divisions depends on the size of the hotel. These scholars continue to argue that smaller hotels may amalgamate several operations into one, or designate them into areas supervised by lead employees. Nonetheless, each department is very important with various functions to play and none can be under-estimated.

Each department has sub-sections or operations that can either be managed internally or by an outside supplier. For instance, having managerial presence at the front office is very important to give greater confidence to the customers (Powers and Barrows, 2006). The front office determines the guests' first and last impressions of the hotel and has the greatest amount of guest contact. Hence, outsourcing this operation could mean losing control of guest contact.

The back-of-house on the other hand is like a factory. The hotel has room to make certain tasks simpler by outsourcing some portions of the operation to a specialized company (Hottman and Adams 2004). Some of the services that have been successfully outsourced by hotels include valet parking, laundry, some food and beverage operations and even some human resource functions (Powers and Barrows, 2006; Hottman and Adams, 2004 and Stipanuk, 2002)

2.4 FACTORS INFLUENCING THE OUTSOURCING DECISION IN THE HOTEL INDUSTRY

There are many reasons why various organisations may outsource, whether strategically or tactically. These include, cost and quality considerations, availability of production capacity, superior supply management expertise, desire for more flexibility, lack of administrative or technical experience in the production of items and services and many others (Fearson and Johnson, 1997; Saleemi, 1997; Dobler and Burt, 1996). Whatever the reasons given, the goal is to successfully compete and have all the areas of the business operations at their best.

2.4.1 Improving Quality

Quality reflects the degree of excellence in a product or service. From the customers' point of view, quality means obtaining a product or service that meets their needs, while the company sees it as meeting specifications and doing things well the first time. Every organisation aspires to offer the most superior quality service. Organizations have recognised that they themselves cannot be 'world-class' at everything (Johnson, 1997). By outsourcing therefore, they gain access to world class services in all areas that are significant, and thus achieve the vital combination of quality and efficiency.

Rather than continuing to attempt to refine every internal operation, companies that outsource contract outside companies to perform certain functions for them. These companies have specialised activities and processes and are therefore, more efficient (Hottman and Adams, 2004). The suppliers have invested heavily in technology, methodology and human resources over a period of time. In many cases, these capabilities include a specialized knowledge of the industry resulting from many clients. Thus, the organisation loses control of a specific operation, on one hand, but gains specialized knowledge on the other. This way, they are able to satisfy their customers better.

2.4.2 Increasing Flexibility

In the hotel industry, customers are forever searching for better services, uniqueness and personal services. Outsourcing offers the ability to both the clients and the caterer

to differentiate their offerings (Haywood and Wilson, 2003). Outsourcing helps to free management time, and allows managers to concentrate on value-adding resources to further strengthen their core distinctive competencies (Johnson, 1997; Lysons, 1996; and Beals, 2003). In this respect, outsourcing makes organisations more flexible, more dynamic and better able to adapt to the ever changing business environment.

Managers are able to spend more time with prospective clients. They can monitor the prevailing mood and desires of customers and clients, anticipate and implement needed improvements (Haywood and Wilson, 2003). Therefore, outsourcing frees time for management to devote to more strategic priorities and so have resources available for other functions (Dayle 1994). In other words, managers no longer spend precious time doing non-essential activities, they concentrate on managerial tasks and entrust the non-essential to the management of other companies.

The idea of outsourcing allows opportunities for creativity and innovation. Managers can think of other functions that are likely candidates for outsourcing, and that would improve profits for the company (Lane and Dupre 1997). Outsourcing allows flexibility to meeting the needs of the more sophisticated customers. For instance, eliminating the basic food preparation procedures allows staff to deal more attentively with finer points like improving the scope of the menus.

2.4.3 Reducing Costs

Accountants define cost control as a reduction in the value of an asset for the purpose of securing benefit or gain. Cost control is thus an important aspect in the financial management of any organization. Dittmer and Griffin, (1994) define it as the process used to regulate and guard against excessive costs. Hotel managers are no exception in the effort of gaining a competitive edge through a low cost strategy. The goal of cost control is to exert some governing power over costs in all areas and ensure that the enterprise operates at a profit.

One of the benefits of outsourcing is cost efficiency. It produces an immediate cost reduction by decreasing the capital investment required (Lane and Dupre, 1997; Dayle, 1994; Johnson, 1997 and Lysons; 1996). A lower cost of production means that a cheaper service can be provided, hence passing on the advantage to the customer.

The objective of a cheaper service is achieved by the supplier taking advantage of the economics of scale. This, as Robinson (1994) explains, refers to the savings that companies achieve due to increased volume. Espino-Rodriguez and Pardon-Robaina (2004) consider that outsourcing can generate economic advantages that may reduce costs by between 20% and 40%. When outsourcing is used with an objective of reducing costs, then it contributes to the major goal of the hotel, which is financial success.

The hotel industry is known for the very high labour costs, as well as a high percentage of food and beverage costs. Many organisations have opted to share certain 'back-of-the-house' functions in order to bring down labour costs (Beals, 2003). Most of these activities do not always contribute to the financial success or profitability, they only make the operation more expensive (Riley, 2003). Outsourcing these activities frees capacity resources for more productive pursuits. Moreover, the financial risks associated with them are transferred to the suppliers.

2.5 CHALLENGES AND CONSTRAINTS OF OUTSOURCING

Outsourcing is, however, not without its pitfalls. Even though there appears to be an over-emphasis on the short-term benefits, the idea is to do it with caution. Besides, there may be hidden costs in developing efficient food service responses (Haywood and Wilson, 2004). The relationship between the two partners must be one of trust and co-operation. The core-firm needs to protect its reputation and rights, while the supplier firm retains the capacity to manage (Knowles, 1998). Thus, outsourcing is not a guaranteed ticket for success; managers must put in a lot of time and effort to make it work.

Other risks of outsourcing include unsatisfactory services, under-utilisation of fixed resources and redundancy costs (Dayle, 1994; Lysons, 1996; Fearson and Johnson, 2002). There is also the danger of outsourcing strategic services, and sometimes it can be a long time before the organization starts to benefit (Lysons, 1996). Therefore, it is necessary for hotels to understand the outsourcing equation. If correctly applied, it can

be a real business tool for success and profitability. However, if not strategically applied, the results can be disappointing and dismal.

2.6 ENHANCING OUTSOURCING

Outsourcing is a strategic business decision which needs to be analysed and studied critically before taking the plunge. Patel and Aran (2005) point out that outsourcing must be important if everyone is doing it. It is a management pattern that companies use to cut costs, upgrade their efficiency, exert core-competitive power and strengthen their feedbacks to outer environment (Heidi, 2005). Thus the concern is not whether to outsource, but how to do it well and become successful.

The success of outsourcing depends a great deal on the relationship between the organisation and the outsourcing provider. Bialy et al (2005), explains that both the client and the provider should have a clear and shared understanding not only on specification but also of goals and objectives and that this understanding is translated into workable strategic plan. Outsourcing should not be conducted to solve just an operational problem, but rather, such an activity should be assessed thoroughly for potential benefits, risks and resistance to be met from the internal organisation.

Selecting the right vendor is another important consideration for the success of outsourcing. Weele (2005) suggests that an exhaustive supplier selection process be used. Managers should select on the basis of a cohesive and consistent set of criteria related to the suppliers' managerial capabilities. The associates chosen should be well

oriented (Heidi 2005). For instance a five star hotel should choose an associate who can offer products at this level. Any gap can be a weak-point to hotels. Therefore as Patel and Aran (2005), explain a good service provider is one who has functional expertise, good reputation and industry expertise among other qualities.

Other considerations to successful outsourcing include a properly structured contract. Weele (2005) explains that a good contract should be fair to both parties and reflect the overall goals of the relationship. There should be open communication with the individual and groups involved. This in return calls for frequent interaction at regular intervals among different levels of the organisation. Management should aim at performance incentives that motivate the supplier to meet and exceed expectations.

Therefore, organisations have realized the potential of outsourcing and are beginning to take advantage of the opportunities. According to Thaker (2007), it is also important for companies to measure tangible benefits of outsourcing. In hospitality industry, it not an easy task to gain customer satisfaction. By outsourcing hotels rely on professional companies to reduce their guest dissatisfaction (Heidi 2005). Thus the most critical factor is for the company to be strategically in a position where it can exert some control over the service provider.

2.7 SUMMARY

This chapter has highlighted the meaning of outsourcing and various approaches to outsourcing have also been outlined. Outsourcing grants businesses the freedom to

shed 'non-core', yet important sectors of its administration to companies specialising in those very individual aspects (Irani, 2007). It is therefore clear that outsourcing is not foreign to the hotel industry. Many operations of the hotel have been successfully outsourced, including the traditional food and beverage department.

The chapter has also highlighted some of the motivations of outsourcing. These include; the need to improve quality, increase flexibility, reduce costs, increase sales and consequently improve profitability. However, it has been noted that outsourcing has many challenges and constraints, which if ignored can give disappointing results. In addition various ways that can help outsourcing to become successful have been mentioned.

Outsourcing is thus, a decision that is strategic in nature and impacts a great deal on the nature and scope of the organisation. Managers responsible for outsourcing must have a clear methodology and align outsourcing with the overall corporate strategy. The most critical concern therefore is how to do it well and how to decide whether to do it at all. Thus, the study examined the factors that influence the selection of operations to outsource in the hotels.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

On the basis of the review of the related literature in the previous chapter, it was important to prepare a plan of action to be followed in order to conduct the study.

This chapter is on the research design and methodology that was used to achieve the objectives for the study. The chapter consists of the design, target population, sample selection and sampling procedures, research instruments, validity and reliability of the instruments, data collection and the data analysis procedures.

3:1 RESEARCH DESIGN

The study adopted a survey design to investigate the nature and extent of outsourcing currently taking place in the selected hotels. Orodho (2004) explains that survey designs are used in preliminary and exploratory studies to allow researchers to gather, summarize, present and interpret information for the purpose of clarification. The self-report study collected quantifiable data in an attempt to obtain a factual picture of outsourcing in hotels, as well as explain the factors that influence the decision to do so.

3:2 THE STUDY AREA

The study was carried out in Nairobi-Kenya. Nairobi being the capital city has a fairly adequate proportion of hotels in the country. Espino-Rodriguez and Padron-Robaina (2004) explain that outsourcing to a great extent depends on the offer of services available in a region. Thus, to analyze various regions jointly would bias the results.

Nairobi was also considered a suitable choice because it is a modern city with advanced technology. Therefore, many suppliers of operations that are candidates for outsourcing are readily available to the hotels.

3.3 TARGET POPULATION

The target population included all star-rated hotels in Nairobi. In these hotels the study targeted the management of the hotels who are the ones involved in the outsourcing process. Table 3.1 shows the characteristics of the study sample population.

3.4 SAMPLE SELECTION AND SAMPLING PROCEDURE

3.4.1 Sampling Procedures

The Sample was selected using the following procedures;

3.4.2 Stratified Random Sampling

A stratified random sampling procedure was used to select the star-rated hotels. The hotels in Kenya are rated from one star to five star levels (Five-Star being the highest and One-Star being the lowest category).

3.4.3 Random Sampling

Out of each star-rating, two hotels (except the Four-Star hotel which was purposefully sampled because it was only one) were randomly selected. The total number of hotels in each category was less than ten (10), the highest being three-star hotels with nine hotels in Nairobi. It was considered that two were representative enough, because from each category the hotels are homogeneous (same). Hotels in each category were

numbered and the numbers put in different containers. To ensure a fair representation, the researcher then picked out any two numbers randomly from each group.

3.4.4 Purposeful Sampling

The four-star hotel was purposefully sampled because it was the only one. From the selected hotels, a number of departments were purposively sampled because they were perceived to hold crucial information being sort by the researcher. These included; food and beverage, housekeeping, security, maintenance and human resources. These were the departments that are most likely candidates of outsourcing.

In descriptive survey studies, two categories of respondents are crucial, that is, informed specialists and consumers (Orodho, 2004). The managers in the hotels were considered as experts because they are involved in the strategic decision-making, of which the outsourcing decision is an important component. Departmental heads or managers on the other hand, were considered as the consumers of the outsourced operations. They are the ones who actually experience the effects of outsourcing and understand the factors that influence the decision.

Table 3.1 summarizes the characteristics of studied hotels. This included the general managers of at least two hotels in each category and departmental managers of the operations selected. This gave a total of 100 which was approximately 45% of the total population and this was representative enough.

Table 3.1 Characteristics of studied hotels and respondents

Category	Total no. in Nairobi	No. sampled	Departments sampled	H.O.Ds sampled	No. of (GM) sampled	Total sample
Five star	8	2	9	18	2	20
Four star	1	1	9	9	1	10
Three star	9	2	9	27	3	30
Two star	4	2	9	18	2	20
One star	6	2	9	18	2	20
TOTAL	28	10	25	81	9	100

Classification source:

- 1) The Kenyan Gazette vol cv- No 62, Nairobi, 13th June 2003, special issue.
- 2) The Kenyan Gazette vol cv1 – No 64 Nairobi, 23rd / July 2004.

3:5 RESEARCH INSTRUMENTS

The study employed a face-to-face interview schedule for the general managers while a self-administrated questionnaire was used for the departmental managers. The face-to-face interviews helped obtain in-depth information regarding the operations commonly outsourced and identified the factors that influenced the decision.

Self-administered questionnaires on the other hand were used to determine the effects of outsourcing on the operations and gather opinions regarding the benefits and challenges of outsourcing. The questionnaires consisted of both open and closed ended questions. This multi-method approach allowed for collection of both quantitative and

qualitative data. Clark, Riley, Wilkie and Wood (1998) explain that such an approach helps to provide an in-depth explanation to the concept under study.

3:6 DATA COLLECTION PROCEDURE

Before carrying out the research, permission was sought from the Ministry of Education Science and Technology through the School of Environmental and Human Sciences, Kenyatta University. The researcher made appointments two weeks prior to the intended date. The researcher explained in details the purpose of the study, established rapport with the respondents and inspired confidence. Confidentiality and anonymity of the information given by respondents was assured.

After establishing rapport with the general managers, the researcher then conducted face-to-face interviews on appointment. This was quite fruitful because the managers gave in-depth information about outsourcing. The researcher was then introduced to the various departmental heads. The questionnaires were issued to them, and the researcher collected them later for analysis.

The general managers' response was quite good with about 70% response rate. However the targeted number for the departmental managers was difficult to achieve because, in some of the hotels some of these departments were merged with others. The researcher overcame this problem by issuing the questionnaires to other key managers who held supervisory roles.

3:7 VALIDITY AND RELIABILITY

3.7.1 VALIDITY

Validity of the instruments is to measure what it is supposed to measure. Orodho (2004) describes validity as the degree to which empirical measure or several measures of a concept accurately measure the concept. For the purpose of this study, a panel of four judges competent in the area being investigated was requested to assess the relevance of the content used in the research instruments that were developed by the researcher with reference to outsourcing.

3.7.2 RELIABILITY OF THE DATA

Reliability is the ability of an instrument to produce consistent results (Gall et al 1996). Orodho (2004) on the other hand states that reliability of an instrument concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. For the purpose of this study, reliability of the instruments was established through the use of test-retest.

3.7.3 PRE-TESTING

Before embarking on the main study, it was necessary to pretest the instruments. These were the interview schedule and structured questionnaire. They were pretested in two classified hotels in Nairobi, identical to the ones used in the actual study but which were not used in the final sample. This helped to establish the validity and reliability of the instruments. Any ambiguities detected in the instruments were corrected after this stage of pre-testing.

3:8 DATA ANALYSIS

The collected data were edited, coded and then tabulated. The data were analyzed using both quantitative and qualitative techniques. The analysis was done using the statistical package for social sciences (SPSS) version 11. The SPSS programme generated frequencies and percentages. Using the frequencies and the percentages the data were presented using various techniques such as tables, graphs and charts.

The Qualitative data were mainly analyzed using narratives and was presented in exploratory and discursive form. Chi-square was used to establish the relationship between the operations outsourced and the star-rating of the hotel and on the relationship between the period of establishment of the hotel and the introduction of the outsourcing concept in the hotel.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

The purpose of this study was to determine the factors influencing outsourcing, and identify the factors that influence the selection of operations outsourced by star-rated hotels in Nairobi. To achieve this purpose the study was guided by the objectives outlined in chapter one. The results were presented in sub-headings as follows; demographic characteristics of the sample, operations commonly outsourced by the hotels, economic factors that influence the decision to outsource services, effects of outsourcing hotel operations, the challenges of outsourcing in the hotel industry and ways of enhancing outsourcing in the hotels.

4.2 DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE

The demographic characteristics that were examined included; the gender and experience of the managers, the star-rating of the hotels, the number of years the hotel had been in operation and the duration since the concept of outsourcing was introduced. This information helped explain relationships between the hotel characteristics and the factors influencing outsourcing in the hotel industry. The results have been illustrated as follows:

4.2.1 Gender of the Respondents

The researcher sought information on the gender of the respondents so as to establish whether there was a balance of gender in the management of the star-rated hotels in.

Data regarding gender were collected, analysed and presented on Table 4.1.

Table 4.1: Gender Distribution among the General Managers in Star-rated Hotels in Nairobi

Star Rating	General Manager	
	Male, n (%)	Female, n (%)
Five	6 (27.0)	0
Four	1 (4.5)	0
Three	6 (27.3)	2 (9.1)
Two	3 (13.6)	0
One	4 (18.2)	0
Total	20 (90.9)	2 (9.1)

From Table 4.1 it is clear that majority of the general managers were male who constituted 90.9% while the female formed 9.1% of management staff. From table 4.1 majority of the hotel management are male which indicates a gender imbalance in the management positions in this sector.

Table 4.2: Gender Distribution among the Departmental Managers in Star-rated Hotels in Nairobi

Star Rating	Departmental Manager	
	Male, n (%)	Female, n (%)
Five	16 (22.9)	0
Four	4 (5.7)	0
Three	22 (31.4)	8 (11.4)
Two	8 (11.4)	0
One	10 (14.3)	2 (2.9)
Total	60 (85.7)	10 (14.3)

On the other hand, 85.7% of the departmental managers were male while 14.3% were females. This indicates that both the general managers and the departmental managers

in the star-rated hotels have more male workers in the managerial positions than their female counterparts. With the current gender discourse, it seems hotel management have not inculcated a culture of equal gender balance.

The researcher also sought to find out the experience of these management staff and data regarding their work experience were analyzed and presented on Figure 4.1.

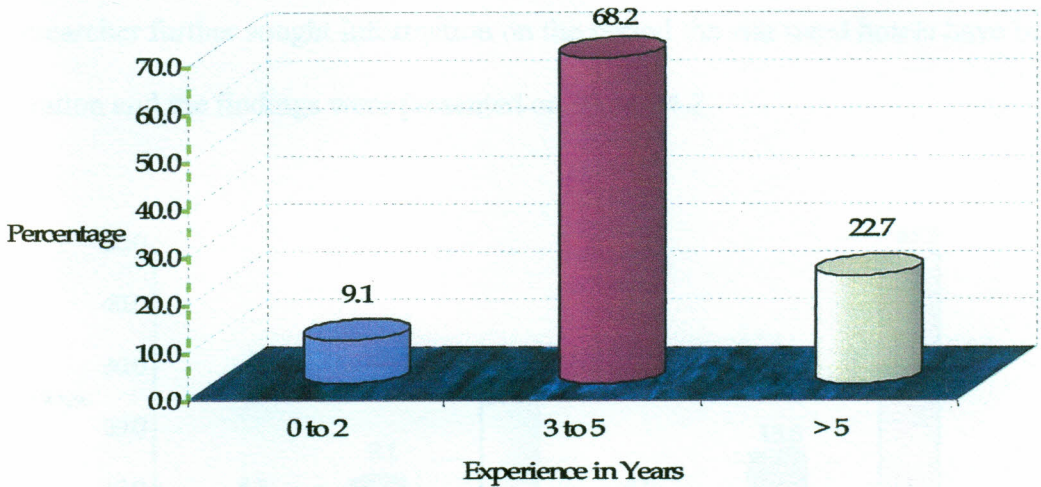


Figure 4.1: Years of Experience by the General Managers in Star-rated Hotels in Nairobi

From Figure 4.1, 68.2% of the General Managers had an experience of 3 – 5 years, while 22.7% had an experience of over 5 years and only 9.1% had an experience of 0 – 2 years. Since majority of the general managers had been in their establishments for a period of more than 3 years they have been able to participate well in the outsourcing of services and therefore, are in a position to give relevant information as regards outsourcing of services in the hotel industry.

On the other hand, data collected from the departmental managers indicated that 42.9% of the managers had an experience of 0 – 2 years, 31.4% had an experience of 3-5 years while 25.7% had an experience of more than 5 years. This appears to be the reverse of the General Managers experience. It would mean that the position of departmental managers has a higher turnover rate. This could therefore explain why majority of them had a working experience of only 0-2 years.

The researcher further sought information on the period the star rated hotels have been in operation and the findings were presented on Figure 4.2.

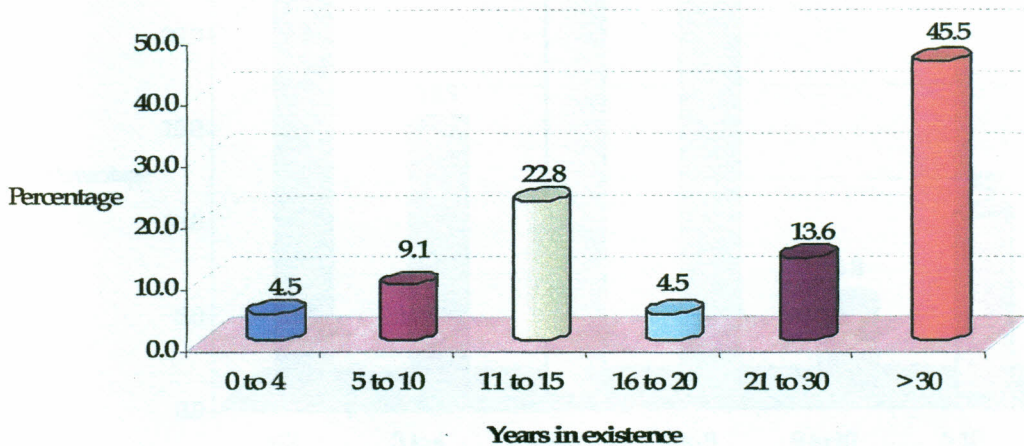


Figure 4.2: Number of Years the Star-rated Hotels in Nairobi have been in Operation

Figure 4.2 indicate that majority (45.5%) of the hotels sampled had been in operation for over thirty years. About 22.8% of the hotels had been in operation for 11-15 years, while 13.6% had been in operation for 21-30 years. Only 9.1% had been in operation for 0-4 years and 4.5% had been in operation for 16-20 years. This implies that most

of the established hotels had been in operation for much longer than the less established hotels. This could be an indication that the majority of the hotels were quite experienced and thus, capable of making rational decisions about the choice of operations to outsource.

On the introduction of the concept of outsourcing data were collected, analysed and presented on Figure 4.3.

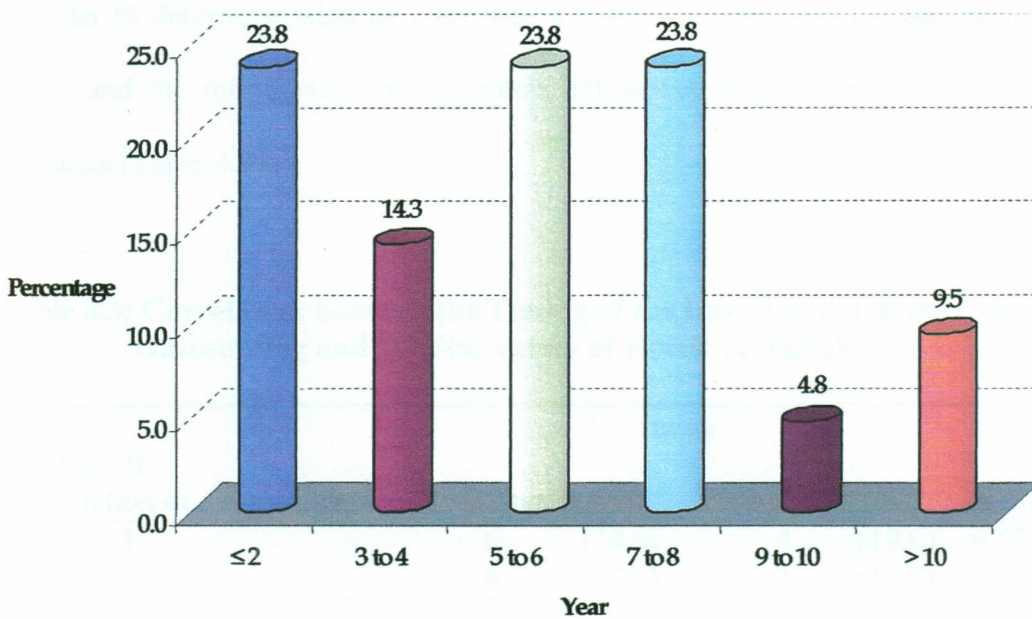


Figure 4.3: Duration in Years since the Introduction of the Concept of Outsourcing in Star-rated Hotels in Nairobi

From Figure 4.3, 23.8% of the hotels had started the concept of outsourcing for at least 2 years, 5 – 6 years and 7 – 8 years, respectively. Only 14.3% of the hotels had outsourced for at least 3 – 4 years, 9.5% had outsourced for over 10 years while 4.8% had outsourced some operations for 9-10 years.

Most general managers interviewed confirmed that the concept of outsourcing had always been there for as long as the hotels had been in operation. However, it was not at that time referred to as outsourcing; neither did they know that they were directly outsourcing. Operations like garbage collection, general maintenance, and security, some elements of sanitation, pest control and fumigation have rarely been done in-house. This finding concurs with Johnson, (1997) concept that outsourcing is not a new term; it's only the emphasis on it that has changed.

In order to determine whether there was a correlation between the star-rating of the hotels and the introduction of the hotels, chi-square test was ran between the two variables (Table 4.3).

Table 4.3: Correlation between the Timing of the Introduction of the Concept of Outsourcing and the Star rating of Hotels in Nairobi

Duration of Introduction of outsourcing	Star rating		p-value
	≤ 3 Star, n (%)	> 3 Star, n (%)	
≤ 5	6 (28.6)	4 (19.0)	0.537
> 5	8 (38.1)	3 (14.3)	

According to table 4.3, the hotels with less than 3 stars and a duration of five years since the introduction of outsourcing, recorded 28.6% as compared to 38.1% whose duration since the introduction of outsourcing was greater than five years. However, there was no significant association between the two, with a p-value of 0.537. This could imply that the introduction of the outsourcing concept was not greatly influenced by the star-rating of the hotels.

Further the researcher sought to determine whether there was a correlation between the introduction of the concept of outsourcing and the years of the establishment of the hotels (Table 4.4).

Table 4.4: Correlation between the Timing of the Introduction of the Concept of Outsourcing and Years in Operation of Hotels in Nairobi

Years of experience	Time of the introduction of the Outsourcing concept		p-value
	≤ 5 Years, n (%)	> 5 Years, n (%)	
0 - 4	1 (10.0)	-	0.028
5 - 10	2 (20.0)	-	
11 - 15	-	4 (36.4)	
16 - 20	1 (10.00)	-	
21 - 30	3 (30.00)	-	
> 30	3 (10.00)	7 (63.6)	

From Table 4.4, those hotels that had been in operation for more than thirty years had introduced the concept of outsourcing much earlier (63.6%). There was a significant association between the time of the introduction of the concept of outsourcing and the number of years the hotel had been in operation with a p-value of **0.028**. This could mean that the concept of outsourcing was influenced by the number of years the hotel had been in operation. It would appear that the longer the hotel operated, the more comfortable they felt in allowing an outsider to do some of the non-core activities.

4.3 OPERATIONS COMMONLY OUTSOURCED IN THE HOTEL INDUSTRY

Hotels have many departments performing different operations. As pointed out, nearly all these operations are potential candidates for outsourcing. The study thus purposively sampled a number of departments that were considered more likely to outsource. The researcher sought information on the operations commonly outsourced

in the star-rated hotels. Data regarding this were collected analysed and presented in figure 4.4

The results of Figure 4.4 show how each one of the selected departments ranked in their level of outsourcing. The study also examined the operations in the sampled departments in order to know which specific activities were more commonly outsourced.

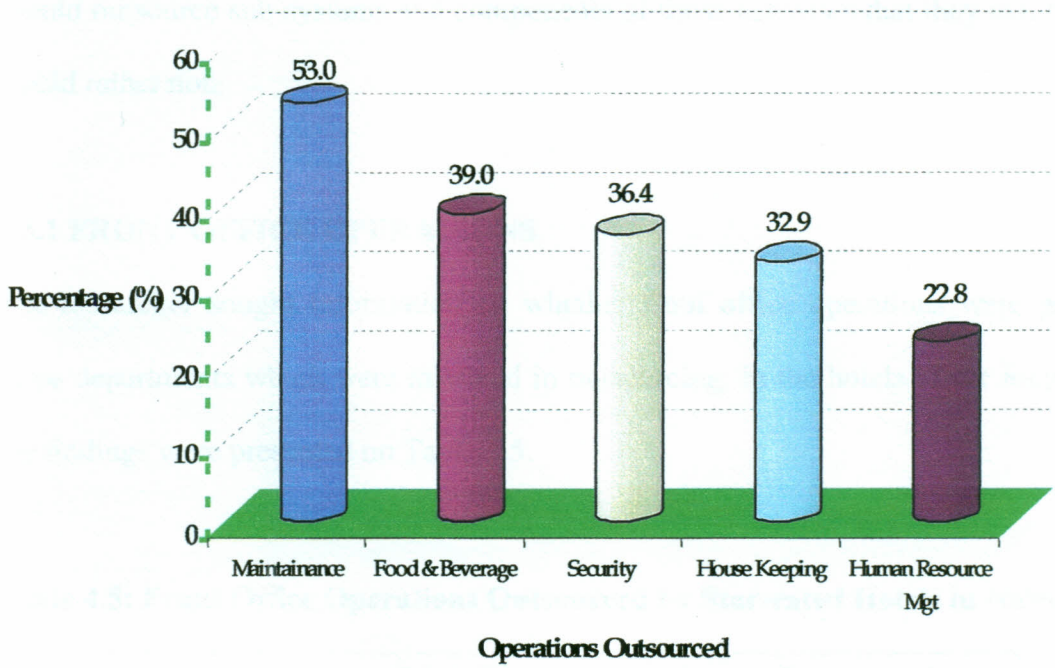


Figure 4.4: Major Operations Outsourced by Star-rated Hotels in Nairobi

From Figure 4.4 maintenance had the highest number of outsourced operations at 53%. The food and beverage operations followed at 39%, while security recorded 36.4% of outsourced operations. About 32.9% of housekeeping operations were outsourced while human resource management recorded the least number of outsourced operations at 22.8%. These departments mainly perform the back-of-the-

house functions, which, according to Powers & Barrows (2006); Hottman & Adams (2004) and Stipanuk (2004), can be successfully outsourced to specialist companies.

The results of figure 4.5 are related to the concept of core versus non-core activities. Where as managers were reluctant to outsource any operation that could be considered as core, they were quite willing to outsource certain tasks or sub-sections of selected non-core activities. This concurs with Dobler and Burt (1996), opinion that companies should outsource sub-systems and components of those activities that they can do but would rather not.

4.3.1 FRONT OFFICE OPERATIONS

The researcher sought information on whether front office operations were part of those departments which were involved in outsourcing, in the hotels under focus and the findings were presented on Table 4.5.

Table 4.5: Front Office Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
Front Office	Receptions	0	100.0
	Reservations	0	100.0
	IT	18.2	81.8

Table 4.5 indicate that information technology had the highest percentage of outsourced operations at 18.2%. The services mostly outsourced in information technology were major installations, programming, maintenance and repair.

The reception and the reservation were considered by all managers as very core and critical activities in the day to day operations of the hotels and therefore, they can not outsource such services which apparently should be undertaken by the regular staff. The front office was described as the “face of the hotel” and one that gives the first and last impression of the hotel. This concurs with Powers and Barrows’ (2006), idea that the front office determines the guests’ first and last impressions of the hotel, and has the greatest amount of guest contact.

4.3.2 HOUSEKEEPING OPERATIONS

The researcher also sought to determine whether housekeeping was one of the outsourced services by the star-rated hotels and the findings were presented on Table 4.6.

Table 4.6: Housekeeping Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
House Keeping	Laundry of linen & uniform	50.0	50.0
	Furnishing & decoration	31.8	68.2
	Room mgt & cleaning	18.2	81.8
	Other housekeeping services	13.6	86.4

Table 4.6 shows that laundry of linen and uniform had the highest percentage at 50% of operations outsourced. Most established hotels had their own machines in place, thus, the 50/50 percentage. Those who outsourced the laundry operation cited lack of space for installing the equipment as their main reason. Other reasons given were;

when the linen was too much to be handled in-house, or in case a machine broke down.

Information obtained from the qualitative questions indicated that the bigger and more established hotels were actually providers of laundry services to the smaller hotels and hospitals. Managers of smaller hotels who had benefited from this service expressed satisfaction of dealing with similar companies that understand the requirements of hotel linen much better than commercial laundry companies.

Further, from Table 4.6 room management and cleaning had 18.2% of activities outsourced while other housekeeping services had only 13.6% outsourced. The special cleaning services included sanitation, pest control, flower arrangement and decoration of the rooms, disposal bins, fumigation and high dusting. Such services were mostly outsourced by established hotels, especially the high-rated ones.

Information obtained through qualitative questions indicated that cleaning of rooms had most mixed reactions. Majority of the managers felt that this was a core area in that the guests came directly into contact with the room. Thus, there was need to really customise the rooms management and get closer to the guest.

On the other hand, some managers were of the opinion that cleaning of rooms was a back-of-the-house activity, which was not a revenue centre that generated income directly to the hotel. Instead, as Angelo and Vladmir (2004), explain, it was a cost

centre that supported the proper functioning of the revenue centres. Therefore, it was considered possible to outsource some of the housekeeping operations.

4.3.3 FOOD AND BEVERAGE MANAGEMENT OPERATIONS

Information regarding food and beverage management operations was collected analysed and presented on Table 4.7.

Table 4.7: Food & Beverage Management Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
Food & Beverage Mgt.	Service of food	13.6	86.4
	Beverage dispense bar	22.7	77.3
	Banqueting	13.6	86.4
	Outside catering	36.4	63.6
	Purchasing	68.2	31.8
	Receiving & issuing	0	100.0
	Preparation of fruits & vegetables	22.7	77.3
	Preparation of meat, poultry etc	9.1	90.9
	Pastry section	13.6	86.4
	Actual production	9.1	90.9
	Presentation for service	9.1	90.9
	Washing up	13.6	86.4

Purchasing

Purchasing recorded the highest percentage of operations outsourced in food and beverage management at 68.2%. The main reason given for the desire to outsource the purchasing operation was to improve quality. Majority of managers felt that when suppliers were given the purchase specifications, it was easy to only accept the quality specified.

On the other hand, if purchasing was to be done by the staff in-house, a lot of time that staff would be doing more important jobs was wasted. The overheads involved when purchasing goods in-house would make the operation more costly. Besides, it would be difficult to reject or return poor quality goods if they were purchased by hotel staff.

Another aspect worth noting is that the small percentage of hotels that did not outsource (31.8%), and this mainly comprised of less established hotels. Another small percentage cited a 50/50%, implying that there were some goods that they preferred to buy directly for themselves. The need for specialization and professionalism can also be emphasized by the fact that managers preferred to source different categories of suppliers for the different range of goods. They believed that no one provider could be expert enough to deal with all categories of goods.

Receiving and issuing was purely done in-house. This was considered a very delicate and sensitive operation because the quality of the final product was very dependent upon the quality supplied. It was also necessary to keep this operation in-house for accountability reasons.

Kitchen Operations

In the preparation, production and presentation of food, very few managers expressed the desire to outsource. Majority of them felt that this was a most sensitive part of the operation and should thus be kept in-house. Furthermore, it may appear like a back-of-

the house activity, but one which determines a great deal the quality of the food that the customer gets. Thus, it becomes a core-activity.

Some managers also felt that the food and beverage department as a revenue centre was best placed to generate income (Angelo & Vladimir, 2004; & Knowles, 1998). Thus, to outsource this operation, would imply losing control. The few operations that were outsourced included very basic preparations of some types of vegetables, fruits, meat products and pastry products. However, majority of hotels had these sections of their kitchen, fully functional and thus only outsourced when there was sudden increased demand.

Outside Catering

Outside catering had a significant percentage of operations outsourced at 36.4%. However, most managers only specialized in outsourcing certain elements of this operation. For instance, the personnel, equipment like chairs, and tents. This was only done where numbers exceeded the normal capacity and but not necessarily constant enough to warrant permanent staff.

In banqueting, the equipment that was mostly outsourced included audio-visual projectors and television sets. Most of the other services like catering were provided in-house. Provision of such equipment, as Riley, (2003) point out, is not a unique activity to the company's specific skills and does not contribute to any competitive

advantage. On the contrary, outsourcing such activities gives a cost-benefit effect, in that the operation becomes cheaper.

4.3.4 HUMAN RESOURCE MANAGEMENT OPERATIONS

Human resource management was one of the outsourced operations that were sampled in this study. Data obtained regarding human resource management operations were analyzed and presented on Table 4.8.

Table 4.8: Human Resource Management Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
Human Resources mgt	Advertising	27.3	72.7
	Selection & recruitment	27.3	72.7
	Training & development	27.3	72.7
	Staff Welfare	9.1	90.9

From Table 4.8 all the operations of human resource sampled recorded 27.3% of operations outsourced except staff welfare which recorded 9.1% of outsourced operations. A good number of managers outsourced activities such as advertising, selection and recruitment of staff. Most managers preferred to deal with lower level jobs in-house, while for high level jobs like senior managers, they preferred going through an agent.

In training and development, only 27.3% outsourced the staff training. The main reason given for this was that when hotel performs in-house training, they are able to impart the skills most desirable to them as an establishment. In other words, they

understand their own needs better. Even for those who outsourced the service, there were still a few elements that they felt were better handled in-house.

Only 9.1% of the managers outsourced staff welfare issues such as transport, especially at certain times of the day like at night or during the rush hours. Other services frequently outsourced included medical care for staff. The main reason given was that the outsourced provider gave prompt attention to staff in case of an emergency. In the long run it also became cheaper and the staff was well treated.

4.3.5 MAINTENANCE OPERATIONS

Further, the researcher sought to determine whether the hotels under focus outsourced maintenance operations and the data obtained were analyzed as shown on Table 4.8.

Table 4.9: Maintenance Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
Maintenance	Maintenance of Equipment	68.2	31.8
	General Repair	50.0	50.0
	Gardening	40.9	59.1

Table 4.9 indicates that maintenance of equipment was the highest operations outsourced at 68.2% followed by general repair at 50% while gardening had 40.9% of outsourced operations. This was indeed among the highest outsourced operations among all the other departments.

This can be attributed to the fact that most general maintenance and repair or servicing of machines and equipment are quite specialized. It may also appear that it would be quite expensive to employ permanent employees who have specialized in repairing each type of equipment and machine. Thus, the few employees handle minor repairs while major repairs are handled by specialists.

Gardening and landscaping is another operation that has benefited a great deal from outsourcing. Indeed, when outsourced, the hotel deals with experts and therefore only need to give specifications. Where as, if internal staff were to do the gardening, they would need expert training, making the operation more costly. It is important to note that even though the percentage appears small, most hotels within the city centre did not really have any gardens and consequently did not need the service.

4.3.6 SECURITY OPERATIONS

Finally on research question one the researcher sought to find out whether the star-rated hotels outsource security services and the data obtained were analyzed and presented on Table 4.10.

Table 4.10: Security Operations Outsourced by Star-rated Hotels in Nairobi

Department	Operation	Outsourced	
		Yes, (%)	No, (%)
Security	Personnel	54.5	45.5
	Management	18.2	81.8

From Table 4.10 outsourcing of the security personnel was at 54.5% while management of the security recorded 18.2% level of outsourcing. This is another operation that seems to have benefited a great deal from the outsourcing concept. However, much as most managers did not mind outsourced personnel, they were unwilling to allow the management to be handled by an outsider.

The main reason given was that this is a most sensitive area. Majority of those who outsourced were unwilling to fully externalize the operation. Some of the managers outsourced a percentage of the guards, while others sourced for the equipment and the technology. A small percentage of the hotels had fully outsourced the operation, citing that it was not a core activity.

4.4 FACTORS THAT INFLUENCE THE DECISION TO OUTSOURCE SERVICES IN STAR-RATED HOTELS

The main reasons for outsourcing are to improve quality, increase flexibility, offer better services, cut costs and reduce personnel. These factors were examined to determine how each of them influenced the decision to outsource. Figure 4.6 highlight these factors and has ranked them as follows;

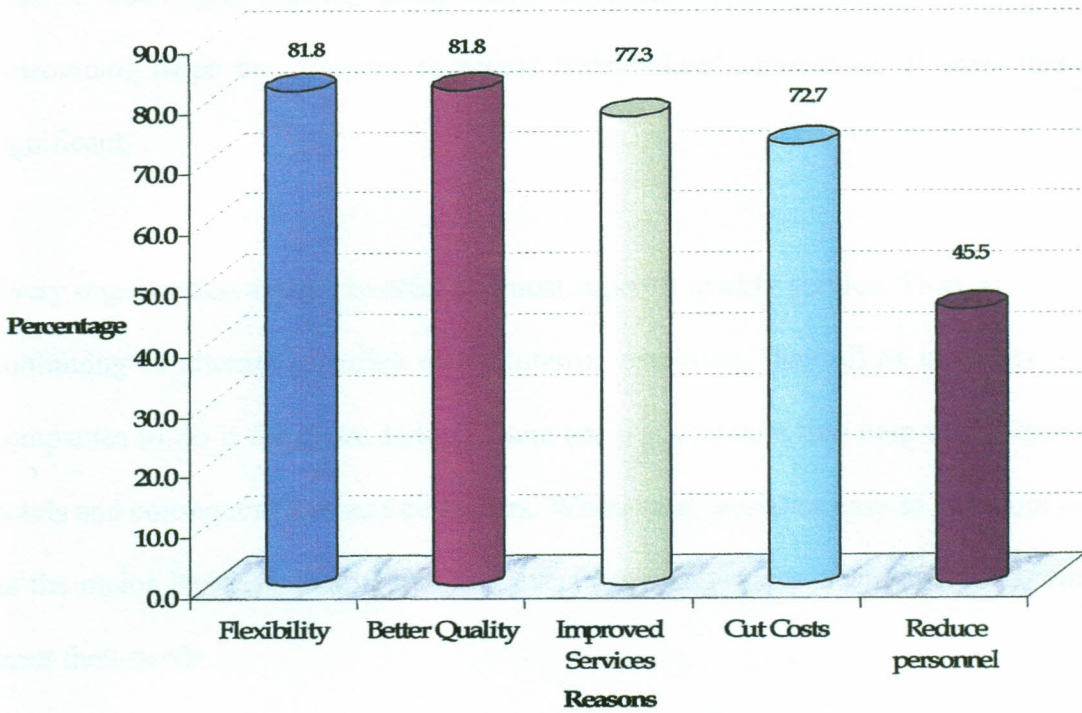


Figure 4.5: Reasons that Influence the Decision to Outsource Operations by Star-rated Hotels in Nairobi

4.4.2 Improve Quality

About 81.8% of the managers gave the main reason for outsourcing services as to improve quality. This was especially for services like gardening, landscaping, general repairs and maintenance. It would be expensive to employ professional permanent staff to do such jobs, yet the hotel would wish the job to be done as professionally as possible.

From the previous research, it is obvious that some of the commonly outsourced operations are those that require some level of professionalism. This assents with Hottman and Adams (2004), idea that the supplier companies have specialized in

specific activities, making them more efficient. Johnson (1997) explains that outsourcing helps the company to access 'world-class' services in all areas that are significant.

Every organization aspires to offer the most superior quality service. Thus, rather than continuing to attempt to refine every internal operation, they allow other specialist companies to do it for them. Indeed, there are many factors that help to differentiate hotels and consequently attract customers. Whereas, it would be easy to point out price as the major factor, it is also true that every customer wants quality services, which meet their needs.

It is also easier to get repeat customers who come back because the quality of services offered was good. This way, the customer is satisfied because they get value for their money. When outsourcing offers the opportunity to become more professional and thus improve quality, then it becomes a good option.

4.4.3 Flexibility

About 81.1% of the managers cited the main reason of outsourcing as to gain flexibility. This refers to the need to free staff so that they can concentrate on core-activities. Most managers agreed that with careful planning, it was easy to identify those aspects of various operations that do not necessarily need close supervision.

The area that featured most with this reason was staff welfare in terms of medical care and transportation. Despite the fact that managers appreciated having a workforce that

was highly motivated and in good health, they preferred not having to deal with this in-house. Therefore, to outsource such services helped to free management time, and at the same time the staff welfare was well-taken care of. This concurs with Dayle (1994), Johnson (1997) and Beals (2003), that higher outsourcing leads to higher concentration on core-activities.

There are very many activities that can be comfortably outsourced without compromising on the hotel image. For instance, when the purchasing operation is outsourced, it means that staff are freed and allowed to deal more carefully with the finer points, like improving the scope of the menus. Furthermore, some of the items purchased may be partially prepared, packed and labeled, making the receiving, storage and record keeping more convenient and less time-wasting.

If on the contrary the manager sends his staff to do the shopping, so much precious time is wasted doing tasks that could have been done by somebody else. Flexibility also means that managers are able to spend more time with their prospective clients. They can monitor the prevailing mood and desires of the clients, anticipate and implement needed improvements (Haywood and Wilson (2003).

4.4.4: Better Services.

About 77.3% of the managers agreed that outsourcing helped them to give better services. Indeed, majority of them explained that their main concern was that the customer gets the best. So in those operations where an expert could be used without compromising the image of the hotel, then outsourcing was acceptable. The hotel is

thus able to provide services with added value in order to achieve competitive advantage.

Outsourcing permits a company to achieve a better, faster and more efficient service; increase the services offered and the value received by the customer. This also concurs with the conceptual framework that improved efficiency in service delivery will lead to satisfied customers then to improved hotel image and consequently improve profitability.

4.4.5 Cut Cost.

Managers who pointed out cost reduction as a reason to outsource were 72.2%. Most of them expressed that outsourcing had a cost-benefit effect in the long-run. Even in situations where this was not a primary reason for outsourcing, managers were willing to allow an outsider to perform certain services if it meant cutting down costs without compromising quality.

The hotel industry is known for its high labour costs. When certain back-of-the-house functions are outsourced, it helps to bring the costs down (Beals 2003). As pointed out in the findings, many of the activities that have been successfully outsourced do not actually contribute directly to the income generated. Such activities included security and surveillance, maintenance of equipment and staff welfare among others.

Outsourcing some of these activities as Riley, (2003) explain, releases capacity resources for more productive pursuits. The financial risks associated with them are

transferred to the supplier. When outsourcing gives a cost benefit by decreasing the capital investment required, it means that there is a lower cost of production. This advantage can then be passed on to the customer through reduced prices (Lane and Dupre 1997 and Dayle, 1994).

Very few hotels took to outsourcing with a tactical driven view. That is, because they were in trouble and needed to cut down costs. This kind of outsourcing is taken intuitively and is based on costs with no consideration of other benefits and risks involved. Most hotels that had embraced the outsourcing concept had done so very strategically and with a lot of caution.

4.4.6 Trim Staff

Only 45.5% of the managers pointed out reduction of staff as a reason for outsourcing. The few who did, argued that having fewer employees who were more motivated increased productivity and efficiency. The retention rate was also likely to improve. Some of the areas where reducing personnel were desirable included; security, food and beverage personnel.

Top executives, as Robert (2004) explains, began to dissect every aspect of their operations. They looked for ways to reduce the number of steps involved in processes and possibly the number of people. This effort to become more efficient resulted in personnel being laid off in big numbers. However, managers interviewed explained that reduction of personnel was not a major reason for choosing to outsource services.

Furthermore, some of the retrenched staff were later absorbed by the outsourcing providers to do the same jobs, but under different management.

Table 4.11: Motivation towards Considering Outsourcing Services in Star-rated Hotels in Nairobi

Reason	frequency	percentage
Cost reduction	11	32.4
Need for professionalism	11	32.4
Effective control of the services	5	14.7
Staff services not efficient	3	8.8
More reliable services	3	8.8
Lack adequate capacity	1	2.9

Majority (32.4%) of the managers cited cost reduction and the need for professionalism as motivational factors for outsourcing. Another 14.7% of the managers were motivated by the desire to have effective control of the services.

This would be achieved when those operations that are difficult to manage internally are externalized. The results would be easing pressure on management and consequently having a more efficient control system. Those who opted to externalize staff welfare in offering services like medical and transportation explained that the supplier was more efficient and reliable in terms of quality and speedy delivery of the service.

A few managers comprising 2.9% were motivated to outsource by lack of adequate capacity. Since all the operations of the hotel had to run smoothly throughout, both

during the ‘peak’ and ‘low’ seasons, then outsourcing was necessary to fill the ‘gap’. For smaller establishments, it was easier and more convenient to outsource some of the services than to invest in what they could not do.

Table 4.12: Criteria used in Selection of Operations to Outsource by Star-rated Hotels in Nairobi

Criterion	Frequency	Percentage
Reduce costs	17	49.6
Reliability	9	27.7
Professionalism	8	22.7

Cost consideration was the highest at 49.6%, followed by the need for reliability at 27.7%, while 22.7% of the managers considered professionalism as a criterion for selection the operation to outsource. All the above factors are interrelated in that none of them in isolation was an adequate criterion for consideration of activities selected for outsourcing. For instance in operations like security and maintenance, the primary consideration was to offer more reliable and specialised services, while at the same time, cutting down costs.

Managers explained that the few suppliers who made cheaper offers turned out to be less reliable in terms of quality and service delivery. In other words, a cheaper option alone was not a good enough reason to externalise any service. On the other hand, a more reliable and professional service, but at a much higher cost was not a good enough option either.

Table 4.13: Opinion of the General Managers towards Outsourcing Services in Star- rated Hotels in Nairobi

Opinion	frequency	percentage
A good option	15	68.1
Care should always be taken	4	18.2
It is beneficial	3	13.6

About 68.1% of the general managers expressed satisfaction that it was a good option. They felt that it was the thing for the future. This is in line with business advancement, improved education, development and new technology. Another 18.2% agreed that even though it was the way for the future in business, caution should be observed, that is, it can only be considered as a strategic plan and not a quick 'fix' to business problems.

This consents with the findings of Dobler and Burt (1996) who consider strategic outsourcing as forming a part of strategic management. Other managers comprising 13.6% agreed that outsourcing when done strategically was a beneficial option. None of the managers were strongly against the concept as long as it improved some elements of efficiency without compromising the quality or the overall image of the hotel. Information regarding their views was analyzed and presented on figure 4.7.

4.6 Propensity to Outsource Hotel Operations in Future

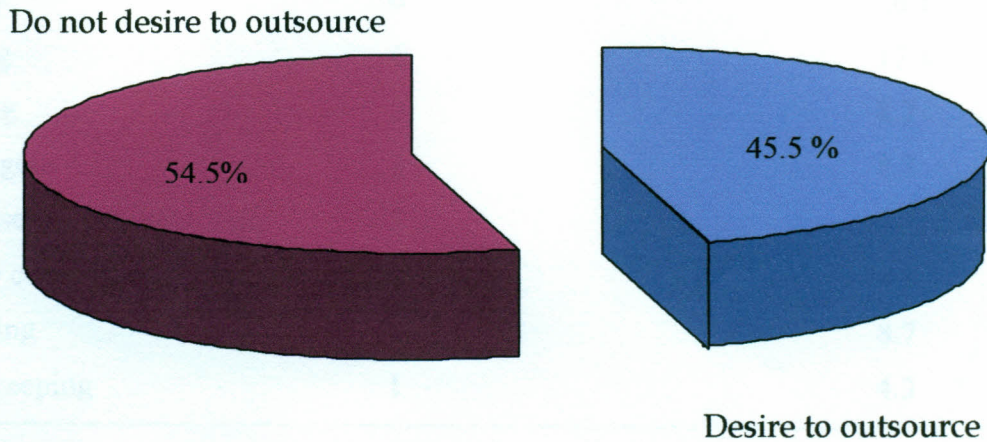


Figure 4.7: Desire to Outsource some of the In-house Operations in Future by Star-rated Hotels in Nairobi

The results of figure 4.7 indicate that 45.5% of the managers would wish to outsource some operations in future while 54.5% felt that they were satisfied with the current activities in-house as they were. Thus, managers were still reluctant to outsource more services and viewing the concept with caution. On the other hand, the results above clearly indicate that the future prospects of outsourcing were good. As technology improves, more managers are likely to find this a more convenient way of doing business.

4.5 EFFECTS OF OUTSOURCING ON HOTEL OPERATIONS

As already observed, some of the main factors of outsourcing were to improve quality, reduce costs and improve profits. The study sought to find out some of the effects of outsourcing. The data obtained were analyzed as shown in tables 4.15, 4.16 and 4.17 respectively.

Table 4.15: Effects of Outsourcing Hotel Operations on Profits

Effect on Profits	frequency	percentage
Profit improved	26	75.7
Profit reduced	7	21.4
Remained the same	1	2.9

About 75.7% of the departmental managers felt that profits had improved with outsourcing while 21.4% felt that outsourcing had reduced profits. Another 2.9% said that outsourcing had not made any difference on profits. However, it was clear that the improvement in profits were not directly felt from outsourcing a sub-section of an operation. Rather, it was a long-term effect that was mainly experienced indirectly.

Table 4.16: Effects of outsourcing Hotel Operations on Cost

Effect on Cost	frequency	percentage
Reduced	22	65.7
Increased	11	31.4
Difficult to assess	1	2.9

The results of table 4.16 indicate that majority (65.7%) of the departmental managers reported that costs had reduced while 31.4% felt that outsourcing had instead increased the costs. Only 2.9% said that it was difficult to assess because the bulk of the operations were still done in-house.

Reduction of costs was also an indirect effect in that the initial cost of outsourcing versus doing the operation in-house was much higher. However, the convenience, efficiency and time factor eventually gave a cost-benefit effect. For instance, reduction of personnel and dealing with staff whose welfare was not directly under the hotel management, or eliminating certain processes of an operation, had a direct effect on reduction of costs. A low cost strategy involves an advantage customer's point of view, as it means a cheaper service.

Table 4.17: Effects of Outsourcing Hotel Operations on Quality

Effect on Quality	frequency	percentage
Improved	28	82.9
Deteriorated	3	8.6
Remained the same	1	2.9
It depends on the supplier	1	2.9
Other	1	2.7

A large number (82.9%) of departmental managers felt that outsourcing had improved quality while 8.6% thought that it had instead deteriorated. A few others (2.9%) felt that quality had either remained the same or was determined by the supplier. This

assents with the earlier conclusion that the main reason for most hotels to outsource was, indeed, to improve quality.

Many managers explained that choosing the right outsourcing partner greatly influenced the quality of the service provided. The reputation of the outsourcing supplier also played a big role because the notion that ‘the higher the price, the better the quality’ is not always true.

Further, the researcher sought to determine the major benefits of outsourcing (table 4.18).

Table 4.18: Benefits of Outsourcing Operations by Star-rated Hotels in Nairobi

Benefit	frequency	percentage
Improved quality	14	41.7
Convenience	11	32.7
Cost saving	9	25.6

The results of table 4.23 showed that 41.7% managers reported that the major benefits of outsourcing were improved quality ,32.7% managers outsourced for convenience, while 25.6% outsourced mainly as a means of cost-saving. Even those hotels that were not outsourcing much, spoke well of the few benefits they had reaped as a result of outsourcing.

Outsourcing does not automatically and positively influence the competitive priorities. In some instances, it had proved to be a more costly option. In other cases, the quality

had been compromised, and in the long run, the profits had reduced. Therefore, if outsourcing is not done strategically, it is not a guaranteed ticket for success.

4.6 CHALLENGES OF OUTSOURCING IN THE HOTEL INDUSTRY

The researcher also sought to find out some of the challenges of outsourcing in the hotel industry. As already observed, managers were indeed very positive about the outsourcing concept and a good number had already embraced it. However, this was not without some shortcomings. Figure 4.8 and 4.9 highlight some of these challenges.

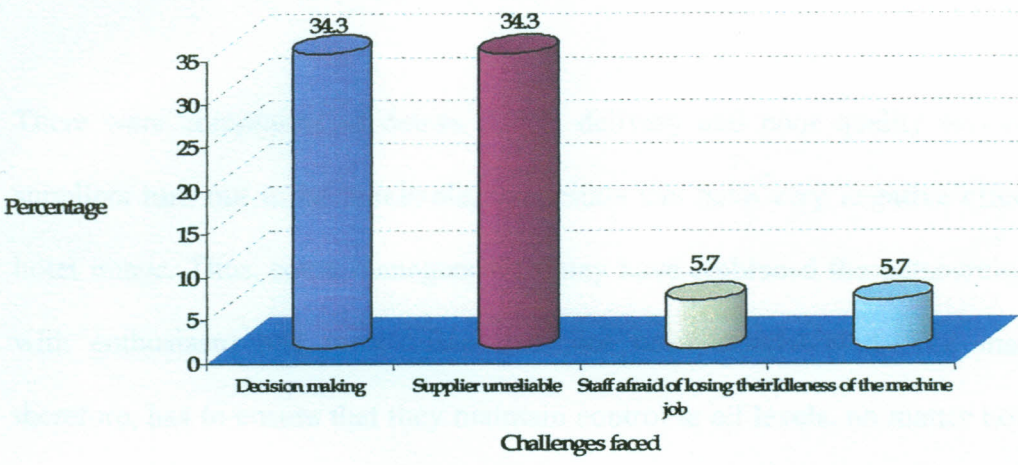


Figure 4.7: Challenges of Outsourcing Services by Star-rated Hotels in Nairobi

4.6.1 Decision Making

About 34.3% of the managers felt that it was not an easy decision to make and they felt that it should be done with a lot of caution. Knowles (1998) stressed the need for a strong level of trust and cooperation between the two parties. This is critical to the success of outsourcing because the hotel needs to protect its reputation rights, while the supplier retains the capacity to manage. The transactions should also be done

transparently to avoid suppliers “kick-backs” which would compromise on quality. If careful planning is not done, the outsourced service could end up being more expensive.

4.6.2 Unreliable suppliers

Some of the managers (34.3%) complained that the suppliers had let them down in terms of quality, punctuality and stability. For instance when doing the negotiations, some suppliers promised very good services when in actual fact they did not have a clue of hotel requirements. Some of the suppliers would also perform exceptionally well at the beginning of the contract, only for the services to deteriorate later.

There were complaints of delays during delivery and poor quality services. When suppliers turn out to be unreliable, the results can have very negative effects on the hotel image. Thus, some managers who may have embraced the outsourcing concept with enthusiasm had more often than not been disappointed. The management therefore, has to ensure that they maintain control at all levels, no matter how reliable the supplier promises to be.

4.6.3 Staff Afraid of Losing Their Jobs

About 5.7% of the managers expressed this as a major concern. This is a relatively small percentage that could mean that managers have managed to outsource hotel operations without losing the confidence of their workers. When the concept of outsourcing is introduced in any business, the obvious response by the staff is one of uncertainty and anxiety as to what will happen to them when somebody else takes over their roles.

This finding concurs with Fearson and Johnson, (2004) concept, that outsourcing in many cases results in layoffs. Unions view it as an effort to circumvent union contracts. The hotel industry is also famous for having large numbers of casual workers who are laid off during the off peak seasons. However, managers explained that this was not a major issue since there was an effort to ensure that majority of the former employees were retained or deployed.

4.6.4 Machines Rendered Idle

A very small percentage (5.7%) of the managers explained that even though they had willingly embraced the concept, it had rendered their existing equipment and machinery idle. Others found it difficult to outsource any operations whose equipment had already been installed to perform the service in-house. As explained in the literature, under-utilization of fixed resources leads to redundancy costs (Dayle, 1994 & Laysons, 1996). However this may only be experienced in the short-run, since the cost-benefit of outsourcing is eventually realized.

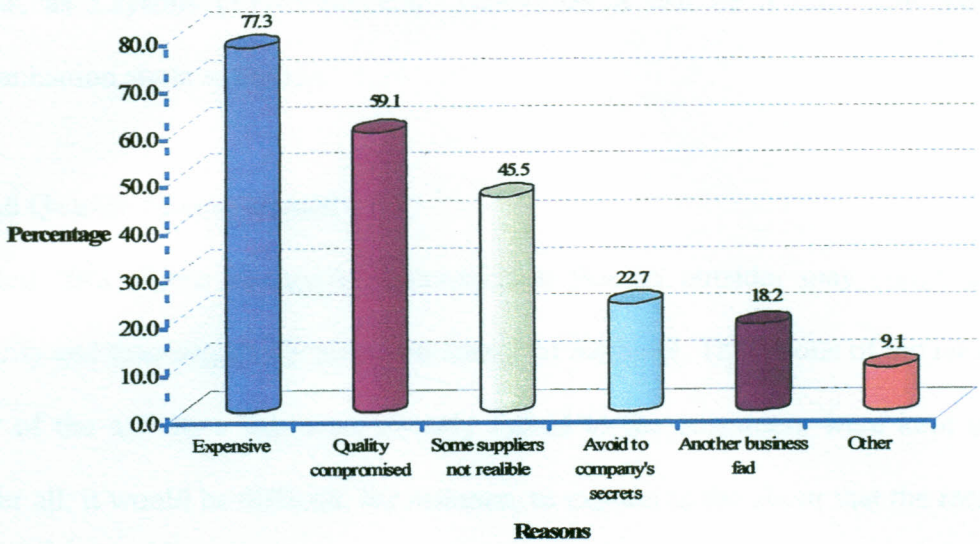


Figure 4.8: Reasons for Not Outsourcing Services by Star-rated Hotels in Nairobi

4.6.5 Expensive

Majority (77.3%) of the managers felt that outsourcing was a very expensive option. Laundry services are some of those operations mentioned frequently. Managers explained that a long-term strategic planning was necessary to ensure that externalization did not increase the variable costs. A few of the managers interviewed confirmed that they still preferred doing some of the services in-house as this was cheaper.

Indeed, outsourcing does initially appear very expensive. When purchasing commodities, for instance, the initial cost per unit may appear much higher than the market price. However, when one considers other hidden costs like transportation, storage facilities, the man-working hours of the concerned personnel as well as the convenience, then it becomes easier to appreciate that it is cheaper in the long-run.

Thus, as Laysons (1996) explains, sometimes it can be a long time before the organization starts to benefit.

4.6.6 Quality Compromised

About 50% of the managers expressed fear that an outsider may compromise the quality and thus negatively affect the image of the hotel. This is one of the reasons that any of the activities that were directly linked to the customers were kept in-house. After all, it would be difficult, for instance, to explain to the client that the reason why his favourite pie was not up to standard was because somebody else prepared the pastry. That would be to 'chase away' the customers.

There is therefore need, as Wilson and Haywood (2004) explain, for the caterer to spend considerable time with the outsourcing suppliers to be able to satisfy the ever-changing customer demands. It is necessary to continually monitor the prevailing moods and desires of customers and clients. Only then, will the quality be satisfactory from the point of view of both the client and the manager.

Other reasons given for not outsourcing were that the hotels were afraid of giving away the secrets of the company. In other words, an outsider may learn the secrets of the hotel's success and use this information against them. However, other managers argued that in the hospitality business there were no secrets.

Only 18.2% of the managers thought that outsourcing was just another business fad. They explained that they could not rush to outsourcing just because everybody else

was doing so. To them it would be dangerous to try to be in fashion with the business trends.

4.7 WAYS OF ENHANCING OUTSOURCING

The researcher also sought information on the ways that can be used to enhance the process of the outsourcing in the hotels. Some of the ways suggested regarding this included the following:

- i. Proper evaluations should be conducted by those responsible for the outsourcing process in the hotels especially the departmental managers. This could be the best way to improve the quality of service offered by the vendors.
- ii. There should proper established guidelines and policies to guide the outsourcing process in the hotels. That is, the outsourcing policy should be institutionalised through established frameworks.
- iii. There should also be improved collaboration and networking between the outsourcing service providers and hotels in order to improve on cooperation and share areas of mutual interest.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The concept of outsourcing had been introduced to most hotels for at least more than six years. It was therefore not a foreign concept to hotels. However, the level of outsourcing varied from hotel to hotel. There was also an indication that outsourcing was on the rise. There was a remarkable relationship between the time the outsourcing concept was introduced to the hotel and the number of years the hotel had been in operation. It would appear that the more established hotels recorded higher levels of outsourcing.

Of the departments sampled, those operations that exhibited a remarkable percentage of outsourcing included; general maintenance of equipment and machinery, laundry of linen and uniforms, purchasing, staff welfare services and security personnel, among others. Different hotels embraced the outsourcing concept for various reasons. The major factors that influenced this decision included; the need to improve quality and thus improve services, the need for flexibility and the need to reduce costs. It is, however, important to note that all these factors were related and none of them could be looked at in isolation.

Those hotels that had effectively started outsourcing some of their non-core activities reported improvement in terms of profits, quality and considerable cost benefit effect in the long run. Outsourcing was not without its challenges. Some managers explained

that it was not an easy decision to make. Suppliers were sometimes not very reliable, while others complained that quality had been compromised. It appeared too expensive an undertaking, particularly at the beginning.

5.2 CONCLUSION

On the basis of the analysis of the findings from this study hotel managers confirmed that outsourcing was not a new term. They had always done it, though to a small degree. The only thing that had changed about outsourcing was that it had become a common facet of the business operations. Operations that had the highest percentage of outsourcing were the none-core activities. Clearly, none of the managers were willing to risk externalising any activities that directly dealt with the guests. Thus, sharing some of 'the-back-of-the-house' activities gave room for flexibility, by allowing staff to concentrate on more important issues like dealing more attentively with customers, thus enhancing the profile of the establishment.

There are many factors that influence the decision to outsource. These include; the need to improve quality, professionalism, gain flexibility, cut costs and consequently improve profitability. However, outsourcing one specific operation did not guarantee a direct effect on hotel performance. Instead, it is a combination of these factors that helped gain competitive advantage by improving efficiency.

Outsourcing was however not a guaranteed ticket for success. Like any business plan, it must be viewed with caution. Indeed, many hotel managers expressed confidence

that they were not afraid to outsource as long as it meant better quality at lower costs, and that the overall hotel image was not compromised. Hence, it was a welcome business concept that had very high prospects for the future.

5.3 RECOMMENDATIONS

From the forgoing a number of recommendations emerge and are presented in this section of the study. Hotels are turning to external suppliers for outsourcing various services to facilitate management and with the goal of better quality service at lower costs. It is also important to bear in mind that sometimes the results can be disappointing simply because many buyers lack a clear outsourcing methodology. Managers responsible for outsourcing therefore, need to learn to avoid typical pitfalls to ensure success. Based on the findings of this study the following are recommended:

1. Determine core competencies that should be kept in-house rather than be outsourced, while attempting to shed responsibility for non-core activities. Recognize that outsourcing is not a 'quick fix', but rather a strategic decision that needs to be aligned to the overall cooperate strategy. Use outsourcing to support transformation strategies such restructuring and Total Quality Management (TQM).
2. Before taking a plunge into the world of outsourcing any operation, hotel managers must take into consideration very many factors. In other words it would be more beneficial if it was given a strategic approach that follows a rational process of decision-making (Dobler & Burt, 1996).

3. Managers need to evaluate, compare and select vendors carefully. They should identify the innovative vendor services that could add bottom-line profits to hospitality companies. There should be a policy by hotels to procedurally tender the outsourcing process so as to make it more competitive which will improve the quality of the services to be offered by the outsourcing providers.
4. There should be increased collaboration between the vendors or outsourcing service providers and the hoteliers in order to specify the quality of services needed. This will also increase cooperation between the vendors and the hotel industry and will form a forum for sharing concerns.
5. No outsourcing arrangement will work, unless there is a proper and well established working framework. The hotelier and the supplier must establish the responsibility for working towards establishing and institutionalising the concept of outsourcing through the establishment of policies that govern the whole process of outsourcing since currently the operations are individualised to the individual hotels. This will also improve service delivery.

5.3.2 AREAS FOR FURTHER RESEARCH

1. This study was limited to only one geographical area, that is, Nairobi. Further research therefore, should be conducted in other geographical regions. Different regions may give varied results and thus, different segments could be established.

2. Since this research focussed on general overview of outsourcing of all operations in star-rated hotels, a detailed study on outsourcing of specific operations or activities should be undertaken, in order to assess the effects of outsourcing on operational objectives in the hotel industry.

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APPENDIX A

LETTER OF TRANSMITTAL

Nelly N. Marete,
School of Environmental and Human Sciences,
Kenya University, P. O. Box 43844 – 00100,
Nairobi.

Dear Sir/ Madam,

REF: REQUEST TO CARRY OUT RESEARCH AT YOUR HOTEL

I am a student at Kenya University, currently pursuing a master of science degree course in Hospitality Management. I hereby request for permission to undertake the research at your hotel.

The topic of research is; **Outsourcing and Factors Influencing Selection of Operations Outsourced by Star-rated Hotels in Nairobi-Kenya.** This study will be conducted during the month of February 2007.

The results of the study will be used purely for the purpose of fulfilling academic requirements and as such will be treated with strict confidence. The findings are aimed at highlighting the factors that make outsourcing of services in hotels a beneficial option and will be shared with your organisation.

Thank you for your assistance and cooperation.

Yours faithfully,

Nelly Marete.

APPENDIX B

INTERVIEW SCHEDULE FOR THE GENERAL MANAGER

Section one

Background information

1. Gender:

Male ()

Female ()

2. Experience:

0 – 2 yrs ()

3 – 5 yrs ()

5 yrs – Above ()

3. Name of establishment (Hotel)

4. Number of years the hotel has been in operation

0 – 4 ()

5 – 10 ()

11 – 15 ()

16 - 20 ()

21 – 30 ()

30 – Above ()

5. When was the concept of outsourcing first introduced at your hotel?

Year _____

6. What motivated you factor towards that direction?

7. What is your opinion about the issue of outsourcing?

8. Are there some operations that you are currently doing in-house but would wish to outsource in future?

Yes ()

No ()

9. If yes, which are these operations

SECTION TWO

10. Which among the following operations in your establishment are currently outsourced and which ones are not?

Department	Operations	Currently outsourced	Currently not outsourced
Front office	Reception Reservations Information Technology		
House keeping	Room management and cleaning Laundry of linen and uniforms Furnishing and decoration		
Food and Beverage management	Service of food Beverage dispense bar Banqueting Outside catering		
Kitchen operations	Purchasing Receiving and issuing		

	Preparation of fruits and vegetables Preparation of meat, poultry and fish Pastry section Actual production Presentation for service Washing up (pots and pans and dinnerware)		
Human resource management	Advertising for jobs Selection and recruitment Training and development Guest relations		
Financial management	Accounting and bookkeeping Auditing		
Leisure and recreation management	Gym Health club Swimming pool Outdoor sports activities Beauty parlor		
Sales and marketing	Marketing Advertising Sales		
Maintenance	General repairs Maintenance of equipment Gardening		
Security	Management Personnel		

11. What are some of the reasons that influence your decision to outsource?

(Probe for the following)

- (a) To cut down on cost ()
 - (b) To reduce personnel ()
 - (c) To give more satisfying services to your customers ()
 - (d) To free staff so that they can concentrate on other duties ()
 - (e) To get better quality products and services ()
- Others (specify)

12. For those operations that you are currently not outsourcing, what are some of your reasons for not doing so?

(Probe for the following)

- (a) It is more expensive to outsource ()
 - (b) Suppliers of the specific services are not available ()
 - (c) The quality of the series given by suppliers is compromised ()
 - (d) Afraid to give away the company secrets ()
 - (e) It is just another business fad ()
- Others (specify)

13. Which department(s) has benefited most from the outsourcing decision?

14. Please explain some of these benefits

15. What criteria do you use to decide which service to outsource and

which ones to perform in-house?

APPENDIX C

QUESTIONNAIRE FOR DEPARTMENTAL MANAGERS

1. Gender

Male ()

Female ()

2. Experience

0 – 2yrs ()

3 – 5yrs ()

5yrs -Above ()

3. Name of the department

4. Which are the main divisions/ sections in your department?

5. Do you perform all the above services in-house?

Yes ()

No ()

6. If the answer to question No.5 is No, please name those that you are currently outsourcing or sub-contracting

SECTION TWO

Please tick the answer that is most appropriate to your establishment

1. How has outsourcing some of the services affected the profits
 - (a) Profits improved ()
 - (b) Profits reduced ()
 - (c) Remained the same ()
 - (d) Keeps on fluctuating ()
2. How has outsourcing affected the variable costs of your department
 - (a) Costs have reduced ()
 - (b) Increased costs ()
 - (c) Costs have remained the same ()
 - (d) Difficult to estimate ()
3. How has outsourcing affected the quality of your services/ products?
 - (a) Quality improved ()
 - (b) Quality deteriorated ()
 - (c) Quality has remained the same ()
 - (d) Quality depends on the supplier ()
4. How has outsourcing some of the operations in the department affected the staff?
 - (a) Relieves staff to concentrate on more important duties ()
 - (b) Reduces the role of the staff ()
 - (c) Gives them a feeling of flexibility ()
5. Are the suppliers reliable in terms of;

	Yes	No
(a) Quality	()	()
(b) Punctuality	()	()
(c) Stability	()	()
6. What are some of the challenges of outsourcing to your department?
 - (a) The decision is difficult to make ()
 - (b) Suppliers re unreliable sometimes ()
 - (c) The staff are afraid of loosing their jobs ()

(d) Equipment and machinery used to the same jobs there

before became idle

()

Other (specify)

7. What is your personal opinion concerning outsourcing in general?

Thank you for your cooperation.



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When Replying please quote
Ref. MOST 13/001/ 37C 835/2

14th December 2007

Nelly N. Marete
Kenyatta University
P.O. Box 43844
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on,
***'Outsourcing Factors Influencing Selection of Operations
outsourced by Star Rated Hotels in Nairobi Kenya'***

I am pleased to inform you that you have been authorized to carry out research in Star Rated Hospital in Nairobi for a period ending 28th February 2008.

You are advised to report to the Chief Executive Officers of the Hotels you will visit before embarking on your research.

On completion of your research, you are expected to submit two copies of your research report to this office.

M. O. ONDIEKI
FOR: PERMANENT SECRETARY

Copy to:

The Chief Executive Officers
Star Rated Hotels
NAIROBI

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