

The Practice of Outsourcing and Service Delivery: A Case Study of Colline Hotel Mukono – Uganda

Richard Masaba¹, Samuel Pule²

¹School of Business & Management, Kampala International University

²School of Business & Management, Cavendish University Uganda

Abstract: *Outsourcing has taken centre stage in realizing cost savings, quality management and efficiency among organizations [7], [13], and [18]. However, this has been contested by scholars like; [14] and [20] who confine outsourcing benefits to the cost element only. This study therefore, reexamines the effects of outsourcing as a practice on service delivery with focus on Colline Hotel Mukono-Uganda as a case. Specifically, the study assesses; (1) the motives for outsourcing at Colline Hotel Mukono, (2) the outsourcing process, (3) the contribution of outsourcing, and lastly, (4) the challenges of outsourcing at Colline Hotel Mukono. A cross-sectional research design was employed in the study, which majorly used qualitative methods of data collection and analysis. Findings indicated a positive effect between the practice of outsourcing and service delivery at Colline Hotel Mukono. The researchers therefore recommend that companies embrace the outsourcing practice in order to leverage service delivery.*

Keywords: Outsourcing, Outsourcing Motives, Outsourcing Process, Outsourcing Contribution, Outsourcing Challenges, Service Delivery

1. Introduction

Outsourcing is defined as the procurement of products or services from sources that are external to the organization [11]. It is the act of transferring some of an organization's recurring internal activities and decision rights to outside providers, as set forth in a contract [7]. Outsourcing involves having work that was formerly done inside to be performed by an external organization [1]. The service provider is responsible for delivering the contracted services, resolving day-to-day operational problems and managing the request and implementation of routine changes in accordance with the framework of contracts and standards [5]. Also, the service level agreements are linked to business needs, understood by the supplier and monitored by the contract manager and/or end users [12]. The concept of outsourcing in the Hotel business sector in Uganda has gained significant attention in recent days, following its tremendous benefits. The benefits and values of outsourcing have been realized in all sectors of the economy including the service and manufacturing industry. In the case of the hotel industry, which lies in the service industry, outsourcing has been a vital strategy for enhancing service delivery and sustainability. Therefore, to survive in this high competitive industry, Hotels have to consider how to give better customer service than other competitors, and one most recommended way is through outsourcing [11].

In most cases, the objective of outsourcing is to reduce cost [14]. Most companies outsource to find cheaper sources of labour and get the results they want as they would have if they are to employ properly. They can offer smaller benefits, compensation package, or cheaper deals, but still get the same or sometimes better results. Outsourcing is also used if a certain company or individual has the inability to perform a specific task and get the result they want. These companies use outsourcing to look for an individual or a company which could provide better results than if they were to do the same task. The cost may be slightly higher but the results are better. Outsourcing therefore has two primary objectives; (1) to get labour at

reduced cost but get the same or slightly better results, and (2) to get better results for the same or slightly higher cost. However, many Hotels have opted for outsourcing in Uganda as the way of improving service delivery and have not received desirable benefits as expected [12]. This is because there is lack of sufficient data to design and develop capacity among hotels as a way of improving service provision. [9] outsourcing and service delivery in the Hotel industry have not traditionally been viewed as being important as in the manufacturing industry. Outsourcing in Colline Hotel is considered by many internal employees as an aspect that is providing marginal contribution to overall organizations success, since many times its confined on non-core activities, such as; cleaning, security, transport and others.

1.1 Problem Statement

Historically, outsourcing used to be focused on obtaining financial benefits through negotiating over volume and price and reactive support to business problems like shortages [17]. Outsourcing function is a growing concern for service delivery in a Hotel industry as it has been under looked by certain organizations due to the costs of implementation associated with it in the short run [19]. Besides, several companies fail to manage outsourced contracts due to issues related to poorly drafted contracts and inadequate resources assigned to the contract management [12]. For the case of Colline Hotel Mukono, the procurement function had been allocated inadequate resources prior to outsourcing. Even with the inadequate resources, customers and the provider teams could not match in terms of either skills, experience or both. This no doubt aroused a number of complaints by hotel guests pertaining poor service delivery. A case in point is a complaint from the Guests Complaint File forwarded by a group from the ministry of education about late lunch and a poor music system as on Tuesday, 1st January, 2009. There has also been poor performance measurement / or benchmarking that led to persistent unsatisfactory control in handling big functions as this is evidenced in subsequent reports. A case in point is the inadequate sitting facilities. Big revenue shortfalls exist due to

Volume 5 Issue 6, June 2016

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

revenue understatements and poor record keeping for the revenue collected. Besides, in a non-outsourcing environment, executives spend 60% of their time on Administration matters, while 30% on tactical issues and this leaves only 10% to focus on strategic matters which results into no thinking, strategizing and planning [2]. Following the above therefore, a number of studies have been undertaken in Uganda, but none specifically addresses the effect of outsourcing practices on Hotel's service provision, a gap which the study intends to fill.

1.2 Purpose of the Study

The study aimed at examining the effect of outsourcing as a practice on service delivery management at Colline Hotel Mukono. Specifically, the study examined; (1) the motives for outsourcing in the hotel industry, (2) the outsourcing process, (3) the contribution of outsourcing, and lastly, (4) the challenges of outsourcing at Colline Hotel Mukono.

1.3 Hypothesis

The study tested the following hypotheses; H₁ Null: 'The practice of outsourcing does not enhance service delivery', and H₂ Alternative: 'The practice of outsourcing enhances service delivery'.

2. Literature Review

According to [1], outsourcing is used because it supposedly advantages the organization. The advantages and disadvantages can be categorized as strategic or tactical, long-term or short-term, and tangible or intangible. The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities [11]. When services are outsourced, it may become easier to handle problem situations because it is possible to go straight to the provider and have them work out the problem instead of having to figure out what went wrong internally [6]. For Hotels, benefits are substantial: reduced costs, expanded services and expertise, improved employee productivity and morale, and a more positive corporate image [11]. Moreover, the hotel does not enlarge staff, removes from itself cares on personnel recruiting, and saves on social taxes. At the same time, if the Hotel organises the processes in a correct way, quality of work of the personnel remains high.

Also hotels can leave taxes, administrative costs, and worries about replacing equipment, warehousing, maintenance, and staff turnover to the contractor's experts [6]. Using outsourcing, the company interested in the price and quality of given services only, and financial risks are transferred to the service provider. According to [4], sharing costs and risks of commercialization with outsourcing partners can help maximize return on investment. And to raise quality and reliability because during solving the similar problems outsourcing companies have already stored a wide experience and can use the newest technologies and highly skilled personnel. Moreover, outsourcing can decrease the product/process

design cycle time, if the client uses multiple best-in-class suppliers, who work simultaneously on individual components of the system, as each supplier can contribute greater depth and sophisticated knowledge in specialized areas and thus offer higher quality inputs than any individual supplier or client [15].

The Hotel industry is one of the most formidable sectors in the world, but this does not mean that companies involved do not make strategic business decision mistakes. According to [3], financial controllers in their turn consider that departmental and general managers do not have enough business skills and finance skills in particular to optimize costs and revenues and hence very few of them can maintain reasonable profit margins for their organizations. The outsourcing practice therefore, might be a very useful and successful way in which owners of the Hotels nowadays can trim down costs and improve service delivery. According to [8], Outsourcing practice dates back to eighteenth-century and has been in continuous use in numerous industry sectors. However, the term 'Outsourcing' English neologism has appeared in the American explanatory dictionaries only in the beginning of 80's. Since then, this expression is strongly located in a business lexicon of the majority of the world languages. Traditionally, outsourcing has concentrated on activities which are remote from the heart or nerve centre of the company [2].

[7] defined outsourcing as the act of transferring some of the organization's recurring internal activities and decision rights to outside providers, as set forth in the contract. Consequently, outsourcing is one of the interaction forms between two organizations which are determined by the contract. This implies that, contracts experts of one company may be used to accomplish duties of other company. 'Out-sourcing' can be understood as 'use of another's resources'. Moreover, according to [11] outsourcing is defined as the procurement of products or services from sources that are external to the organization. In other words, outsourcing is a transfer of some functions of the organization to highly skilled external executors. Also, it is a process by which organizations relinquish some of their business processes to external providers who specialize in doing such work or services.

3. Research Methodology

3.1 Research Approach

The study was largely qualitative, though some quantitative methods for data collection and analysis were also used. Questionnaires and interview guides were designed and administered to collect data about outsourcing and service delivery. To be specific, qualitative methods were largely used because of the nature of the study, and to collected detailed responses about respondents' views and opinion. Quantitative methods, on the contrary, minimally used, helped compare and authenticate study findings.

3.2 Study Population

The general population of Colline Hotel was 92 staff, according to the Human Resource Manager. Of these, the

study focused specifically on; administrators, logisticians, procurement staff, marketers and Waitresses whose population came to 50, as indicated in table 3.1 below. Using the [10] sampling method, a sample size of 41 was ascertained, which the study used to generalize on the study objectives. The sampling techniques employed in the study, included; purposive and simple random techniques. Purposive techniques, for instance, were used to collect detailed information from key informants of the study presumed to have enriched information over the subject matter of study. Simple random techniques, on the other hand, were used to collect data from operational employees, who included among others; waitresses, marketers and transport officers presumed to have less information about the subject matter. Table 3.1 illustrates the categories of respondents examined, their population, sample size and sampling techniques as used in the study:

Table 3.1: Showing the Study Population, Sample Size, and Sampling Techniques

Category of Respondents	Population	Sample Size	Sampling Technique
Administrators	7	5	Purposive
Logisticians	12	11	Purposive
Procurement Officers	4	4	Purposive
Marketers	15	11	Simple Random
Waitress	12	10	Simple Random
Total	50	41	

Source: Primary Data from Colline Hotel Sampled using the Krejcie and Morgan (1970) Sampling Method.

3.3 Data Sources and Collection Methods

Both primary and secondary sources of data collection were used in the study. Secondary sources involved collecting data from existing literature, such as; textbooks, journals, newspapers and internet; whereas in primary source, data was collected from the actual field, that is to say, Colline Hotel Mukono. Basically, three methods of data collection were used, namely; questionnaires, interviews and observations, which enabled the researchers, collect holistic data about the subject matter. However, since the study was majorly qualitative, interview and open-ended questions were largely used. Questionnaires were self-administered, while interviews were face-to-face with the help of an interview guide. In addition, interviews were directed purposively on key informants of the study, that is to say; administrators, senior managers, supervisors and others. This enabled the researchers collect accurate and enriched information about the subject matter of the study.

3.4 Data Quality Control

For validation purposes, a sample set of survey questions was given to experts who included; Tourism, Procurement and Logistics Lecturers for validation. After which, a Pilot scheme was conducted among five respondents who were selected to give suggestions regarding the technicalities of the questions. Necessary corrections were then made to improve and validate the instruments. Thereafter, the researchers issued the tool for data collection.

3.5 Administering Research Instruments

To reduce all forms of suspicion by the respondents before, and during the study, first; permission was sought from management to conduct this study, secondly; attention was put on ensuring confidentiality throughout the study. Thirdly, care was taken to ensure that all those who accepted to participate in the study did so voluntarily and provided informed consent without being subjective, and lastly/fourth, the researchers always introduced themselves in order to mitigate against suspension and all forms of biasness that would arise due to fear or doubt by the respondents. In addition, during interview, interviewees were encouraged to seek clarity on questions which appeared vague to them, something which minimised question abscondment.

3.6 Data Analysis

Since data was largely qualitative, thematic approaches of analysis were used, which included among others, grouping related phrases, respondents opinion, deducing meaning from study observations and written expression given in by respondents. Thereafter, we presented and discussed the study findings in tandem with the study objectives. For each specific objective, for instance, analysis was made in order to exhaust and report on occurrences as indicated under section 4 below.

4. Findings of the Study

This study examined the effect of outsourcing on service delivery at Colline Hotel Mukono. Specifically, the study assessed; (1) the outsourcing motives, (2) outsourcing process, (3) contribution of outsourcing, and lastly, (4) the outsourcing challenges faced by Colline Hotel Mukono.

Findings revealed that, developing an efficient outsourcing operation that would culminate into effective service provision, boils down to understanding which contract type to engage in with the providers of the outsourced service. Secondly, the outsourced service providers must show clear parameters of how to create or add value for the customers, if such a function is to attract popularity. The procedure used in acquiring the outsourced function ought not to be underestimated because it determines the nature and quality of the service provider to consider. At Colline Hotel, the most commonly used procedure for acquiring outsourced services is the competitive bidding method, though quotations were also notably used occasionally. The study indicated many reasons as to why outsourcing was being used in the Hotel Industry, but of all, the need for expertise services superseded. It was further revealed that, in most cases, when services are outsourced, the hotel meets its expectations on performance. The period of using the outsourced services was equally found to have high implications in enabling the hotel build its own capacity. This was evidenced by the fact that, the period over which the hotel had outsourced services portrayed a proportionate effect on its ability to evaluate any vendor by its self, hence effective and efficient service delivery management.

As per the supply function, it was found out that, stuff or materials supplied using outsourcing were able to meet

company requirements, thus boasting service delivery. The process of outsourcing is carried out by two parties, that is to say, the Hotel plays its part, as well as the vendors, indicating that, the outsourcing activity is a shared activity whereby the organization does not take full control over the process, but rather it is jointly managed by both parties. According to [9], competitive advantages are the capabilities that companies must have in order to survive in the business environment. The motive for outsourcing currently involves embarking on those factors that can lead to the benefits of outsourcing, which include among others; efficiency, low cost, improved quality, flexibility, being responsive and to pursue different competitive priorities.

Subcontracting has great potential for strategic operations, particularly for non cost-related objectives. This is because future outsourcing targets cost non-related effects. These effects are the benefits of outsourcing; efficiency, flexibility, improved quality service, being responsive etc. It is of good importance that managers should understand the need to outsource. They should not concentrate only on cost reduction, but rather look forward to other benefits of outsourcing, such as; intellectual access, greater visualization, being more innovative, reliability, quality oriented services and search for wider solutions that add value as indicated by [15]. In addition, management should recognize that effective service delivery is also anchored on employee training, sensitization, and general change of attitude, since these complement the outsourcing function. Therefore, to maintain maximum service provision with minimum turnover levels, Hotels should train and sensitize employees in order to change their attitude towards outsourcing. This will rejuvenate outsourcing operations within, hence effective service delivery management. When analyzing interview results, it was observed that cost management is also important if outsource decisions are to succeed. However, emphasis should be put first on quality issues, that is to say, service oriented businesses. With this, we concluded that, in most cases, the decision of outsourcing is not at all times based on a Transactional Cost point of view, but rather quality perspectives as well.

In organizations where the Transactional Cost based rationale is not used, cost management is normally hard [3]; however, the approach to be taken by an organization is largely determined by its owners and/ or managers. The rationale is that, if an organization is driven by a cost minimization orientation a Transaction Cost based approach will be applied, while, if it is driven by service quality orientation, then a Quality Based approach of outsourcing will be adopted. At Colline Hotel, a quality management perspective seems much more pronounced in regard to most interview responses, that is to say, inclinations were mainly on the lack of skills, expertise and resources of managing the outsourced service in question. For instance, when kitchen equipment needed to be repaired or maintained, the Hotel was able to outsource skilled technician, which it may not have. But the need for a permanently employed technician would be expensive. Notable questions therefore, for managers to ask themselves are; (2) is the decision to make use of an

external supplier or service providers justifiable or not? (2) Is this decision based on practical feasibility of outsourcing or not? Since, every activity that is related to the hotel industry could be internalized in one way or another, this explanation holds for almost every decision on outsourcing. Therefore, a clear boundary needs to be found in rationality and the practical feasibility of outsourcing for a particular hotel. The rationality and practical feasibility should take the overall balance between the pros and cons in order to ensure rationality when outsourcing services.

The Hotel manager has to ensure that the outsourced service provider bears relevant skills and resources. Secondly, managers have to balance workload with outsourcing related costs if outsourcing benefits are to be maximized. This balanced-model can be seen as an infinite model. Every manager could have other reasons to outsource, but the most commonly revealed reason is the need for relevant skills. Of course, there are more reasons behind this, which managers should not forget, if rationality is to be actualized. As noted by [7] outsourcing should not only be confined to quality of providers, but be looked at holistically as a component of strategy aimed achieving overall organizational goals. In that way, effectiveness in service delivery management will be realized.

Balancing outsourcing costs, quality and workload is paramount for continued and sustained organizational performance. Unless for a good reason and a thorough mutual consensus should a manager or staff be overloaded with work in a service organization like Colline Hotel. Otherwise, this can demoralize efficiency and effectiveness service provision thus poor organizational performance. In addition, precaution should be taken on the size of the organization whenever decision influences are to be considered. In small organizations, for instance, there are no management layers between the owners and operational staff, and so is the workload; while, in large organizations, pressure and workload is distributed amongst several departmental managers rendering them more sophisticated in terms of decision influence. We therefore conclude that, workload and organizational size have got a great influence on effectiveness of decision making among organizations, hence determining service delivery performance.

5. Conclusions

In view of the study findings, the researchers conclude that, outsourcing influences service delivery at Colline Hotel Mukono given the sheer positive response portrayed by most respondents. The competitive bidding method used to acquire outsourced services was observed to be instrumental in obtaining rightful providers for the organization than any other method. Though, some challenges were noted, such as; high costs for professional services, outsourcing at large enabled the hotel actualize quality service provision, efficiency and effectiveness to its customers. Take an example of the comments made by the Events Manager, 'the number of peoples who book to have their Wedding Ceremonies, Graduation Parties and

the rest, has increased from 40% to 82% ever since the hotel relinquished this outsourcing function to external organizers. In this regard, we conclude that, outsourcing has a positive influence on service delivery and that managers should take use of it to leverage service operations of their organizations.

6. Recommendations

The study draws the following recommendations: (1) there is need to evaluate service levels among organizations in order to determine which area needs to be overhauled through outsourcing, (2) employees need to be enlighten about the importance of outsourcing and not look at it as a substitute for their jobs, (3) supplier development initiatives need to be introduced in order to improve service performance, and lastly, (4) management teams needs to focus on training their employees for reliability, responsiveness and empathy, as well as, attitude and assurance to complement the outsourcing function.

References

- [1] Beaumont, N. and Sohal, A., (2004). Outsourcing in Australia, *International Journal of Operations and Production Management* 24 (7), 688-700.
- [2] Brown, M. (1997), *Outsourcing*, Management Today, January, pp. 56-60.
- [3] Burgess, C., 2007. Do hotel managers have sufficient financial skills to help them manage their areas? *International Journal of Contemporary Hospitality Management*, 19 (3), 188-200.
- [4] Diromualdo, A. & Gurbaxani V., (1998). Strategic Intent for IT Outsourcing, *Sloan Management Review*. Vol.39, No. 4, pp. 67-80.
- [5] Duncan, B.N., *Beyond Opportunism: A Resource-based View of Outsourcing Risk*, Kent State University, 1060-3425/98 \$10.00 (c) 1988 IEEE. Available on: <https://www.computer.org/csdl/proceedings/hicss/1998/8248/06/82480675.pdf>
- [6] Glickman, T.S., Holm, J., Keating, D., Pannait, K. and White, S.C., (2007). Outsourcing on American campuses, *International Journal of Educational Management*, Vol. 21, No. 5, pp. 440-452
- [7] Greaver, M.F. (1999), "Strategic Outsourcing: A Structured Approach to Outsourcing Decisions and Initiatives, 1999; AMACOM, New York, U.S.A. ISBN: 0-8144-0434-0.
- [8] Kakabadse, N., & Kakabadse, A., (2000). Critical review-outsourcing: A paradigm shift. *Journal of Management Development*, Vol. 19, No. 8, pp. 670-728.
- [9] Kebaso, I. N., (2014). Effects of Outsourcing Strategy on Procurement Performance among Universities in Kenya, *International Journal of Economics, Commerce and Management*, Vol. 2, Issue 11, pp. 2 - 40
- [10] Krejcie, R.V., & Morgan, D.W., (1970). "Determining Sample Size for Research Activities", *Educational and Psychological Measurement*, 1970, 30, pp. 607-610.
- [11] Lankford, W. M., & Parsa, F., (1999). Outsourcing: a primer. *Management Decision*, Vol. 37, No. 4, pp. 310-316.
- [12] Ndandiko (2012). Outsourcing Relevancy, *New Vision Newspaper Article*, Vol. 56, No. 251
- [13] Power, M.J., Desouza, K.C., & Bonifazi, C., (2006). *The Outsourcing Handbook: How to implement a successful Outsourcing Process*, Kogan Page Ltd, 2006, London, UK and Philadelphia, U.S.A. ISBN: 0-7494-4430-4
- [14] Robinson, C.H., *Worldwide Inc: Collaborative Outsourcing- Powerful new Ideas for Freight Management*, 2011, C.H Robinson Worldwide Inc, Minnesota, U.S.A
- [15] Quinn, J.B. (1999). Strategic outsourcing: leveraging knowledge capabilities, *Sloan Management Review*, Vol. 40, No. 4, pp. 9-21.
- [16] Quinn, J. B., & Hilmer, F. G. (1994). Strategic outsourcing, *Sloan management review*, Vol. 35, No. 4, 43.
- [17] Sargeant, M., (2000). Transfers and Outsourcing, *Commercial Liability Law Review*, Part 4, pp. 282-291
- [18] Stank, T.P., (2010). Transportation Decision Making in an Integrated Supply Chain, *Supply Chain Management Review*, 08th October, 2010, Peerless Media LLC, Massachusetts, U.S.A
- [19] Van-Weele A., (2005). *Purchasing and Supply Chains*, John Wiley & Sons Inc, New York.
- [20] Xoriant Corporation (2011). *Product Engineering Outsourcing: Looking beyond cost savings*, Xoriant Corporation, Edson, New Jersey, U.S.A.