The Importance of Business Process Outsourcing for the Competitiveness of Hotel Enterprises in the Process of Corporate Globalization on the Polish Market

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Abstract—The paper presents the way in which hotel enterprises operate and how they delegate business functions and processes related indirectly to their core activities to external entities. Currently, the process of progressive corporate globalization can be observed in the Polish market. This phenomenon intensifies competition among hotels, in particular, on the part of significant rivals, namely global hotel concerns. Therefore hotels in their pursuit to increase their performance and competitiveness search for effective methods of organization and management. Among modern concepts of management, outsourcing deserves attention. Its growing significance among enterprises makes it an important management tool applied more and more often to non-productive business functions and processes of hotel enterprises. The aim of the paper is to present the type of tasks that are of key importance for the application of outsourcing in the modelling of business processes when creating the competitiveness of hotel enterprises operating during corporate globalization. The research shows that outsourcing can be used in many areas of hotel operations. As a result of the separation and delegation of specific tasks, an entity may focus on the execution of its core activities. The study indicates the benefits of building competitiveness through the implementation of the concept of outsourcing in the process of enterprise management. This increases the flexibility of operation from the perspective of corporate globalization.

Keywords—Outsourcing; Competitiveness; Hospitality; Business model

I. INTRODUCTION

Nowadays, changes occurring in the environment of enterprises, from the perspective of enterprise operations, are of crucial significance in the process of building competitiveness.

Due to the dynamics of changes that occur, the environment stimulates unexpected processes and phenomena, which allow us to take designated actions. Moreover, the hotel environment is shaped by the process of progressive globalization.

The process of corporate globalization is one of the levels which can be distinguished within the stages of globalization phenomena. In the subject literature, it is discussed in a stable, dynamic and systemic dimension. Statistically, corporate globalization indicates a set of phenomena generated by or associated with the activities of transnational corporations, at the two levels: micro (in relation to corporations themselves) and macro (in relation to the entire global economy) [1]. On the other hand, in dynamic terms, corporate globalization is defined as a process aimed at lifting restrictions (economic, political, social, ecological) on corporate operations, privatization and marketisation of public services; global, cultural and economic homogenization, reduction and unification of social standards as an elementary condition for adaptation of countries to the requirements of global competition [2]. Corporate globalization, from a dynamic perspective, implies multidimensional cross-border expansion of transnational corporation, the direction of which is determined by the maximization of profits, and its effect is a progressive increase in the role and significance of transnational corporations [3].

Thus, the globalization process determines increase in competition, which requires a systematic response to changes occurring in the environment of hotel enterprises and proper matching of the business model.

Strengthening competitiveness, inter alia by means of searching for and implementing new solutions with reference to key functions and business processes, is one of the fundamental goals resulting from the strategies of enterprises [4]. One of the solutions for creating competitiveness in the indicated market conditions are modern methods of managing organizations, which include, inter alia, outsourcing.

It is perceived more and more often by hotel enterprises as a reorganization tool from the perspective of strategic management, the aim of which is to increase the competitiveness and performance of entities. Hotel enterprises usually use the concept of outsourcing to implement tasks within training, human resources, accounting, IT systems, supplies, laundry services, reception, marketing, sales, catering [5], clean-up of premises, property protection, maintenance, and gardening services [6]. Although outsourcing is a common form of cooperation between organizations, there exists a
research gap in the hotel sector in this area. The research is usually aimed at determining the theoretical importance of the outsourcing process for the development of hotels [7]; [8].

II. LITERATURE REVIEW

A. Theoretical Basis of Outsourcing

The term outsourcing was used for the first time in 1982 to identify the decision by which one or more processes or activities necessary to obtain a product or service, even an organizational function – originally undertaken in-house by a certain organization – are regularly entrusted by a firm – the outsourcer (supplier or provider), who carries out the activity and sells the results to the former [9]. It made up of two words – “out” and “sourcing”; sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. Companies must source out work because there are others who can do it cheaper, faster, and better [10].

The study of literature brings to the conclusion that the definitions of outsourcing vary considerably according to different authors [11], [12], [13], [14], [15], [16], [17], [18], [19], [20], [21], [22]. Some definitions are explained in Table I below, and – for the purpose of research – outsourcing is defined as a transfer of some activities, which were previously carried out by the company, to an outsourcer.

The outsourcing task is to make the hotel more flexible and adapting to new environmental conditions, focusing on its core business, entrusting some of the tasks, activities or functions to other companies. Therefore, it is a strategic management tool for transferring part of the business process to another company. In addition, outsourcing is growing among international companies, the strategy at the business level is becoming more and more corporate because outsourcing decisions have evolved from being an operational matter to a strategic one.

Based on the definitions from Table I, one can argue that the concept of outsourcing is only a key "tool" for running an enterprise. This process also includes the internal operations of each company [12]. Hotel outsourcing is defined as a management strategy where the hotel management utilizes a special outsourcing supplier, forming strategic alliances with it to have the supplier operate certain hotel functions, in the attempt to reduce costs and risks and to improve efficiency [23]. It can be a better alternative when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization [24]. Enterprises decide for outsourcing for different and numerous expected benefits. The majority of enterprises decide for outsourcing because of the benefits in various business areas. They can be grouped in the following six areas: cost, employees, risk, focus, financial standing, technology and technological knowledge.

Outsourgings are done both domestically and internationally. International outsourcing is being referred to as offshore outsourcing. With offshoring, you transfer the ownership and the location of the business. This may be done through outsourcing, using external resources or internal resources e.g. foreign investments [25].

<table>
<thead>
<tr>
<th>Author</th>
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<tbody>
<tr>
<td>Bailly P., Farmer D., Crocker B., Jessop D., Jones D. [11]</td>
<td>Outsourcing can be defined as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources.</td>
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<tr>
<td>Baloh P., Jha S., Awazu Y. [12]</td>
<td>Outsourcing is the performance of specific operations by enterprises, which involve assigning specific tasks to a specific external vendor in order to provide predefined services.</td>
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<tr>
<td>Dubrovski D. [13]</td>
<td>Outsourcing is as subcontracted, separated, transferred (dislocated) selected business function, activity, service or programme, which is carried out by an outsourcer.</td>
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<tr>
<td>Hamel G., Prahalad C.K. [14]</td>
<td>Outsourcing is the process of transferring the responsibility for a specific business function from a third party to the outsourcing company, with the objective of improving efficiency and cost.</td>
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<tr>
<td>Hamzah N., Aman A., Maelah R., Auzair S. M., Amiruddin R. [15]</td>
<td>Outsourcing is defined as a subcontracting service to a third party for strategic use of the firm’s resources, to generate the firm’s value and improve competitiveness.</td>
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<tr>
<td>Kanchchara M. [16]</td>
<td>Outsourcing can be defined in simple terms to describe a situation where one organization gives work to other firms, which can execute this work more efficiently, usually for lower costs, and whose capabilities complement or supplement their own.</td>
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<tr>
<td>Kirkegaard J.F. [17]</td>
<td>Outsourcing is a common and well-known company strategy, which can lead to cost reduction and effective division of labour, and, consequently, to permanent company competitiveness.</td>
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<tr>
<td>King W.R. [18]</td>
<td>Outsourcing to be often connected with processes of knowledge transfer, which means that partners in outsourcing often learn from each other.</td>
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<tr>
<td>Momme J. [19]</td>
<td>Outsourcing is the process of creating and managing a contractual relationship with an external vendor for the supply of skills that used to be provided by the firm’s internal services in the past.</td>
</tr>
<tr>
<td>Nakirakan S., Franklin D.J. [20]</td>
<td>Outsourcing takes place when an organization transfers the ownership of a business process to a supplier.</td>
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<tr>
<td>Quinn J.B. [21]</td>
<td>Outsourcing is defined as external acquisition of activities, including those traditionally considered an integral part of any firm, provided that they do not form part of the firm’s core capabilities. In addition to the potential cost saving, another widely cited rationale for outsourcing is to gain access to unique resources, knowledge, and capabilities possessed by other firms, as well as increased flexibility to manage demand swings and improve quality.</td>
</tr>
<tr>
<td>Zhu Z. Hsu K., Lillie J. [22]</td>
<td>Outsourcing is the process of transferring the responsibility for a specific business function from an employee group to a non-employee group.</td>
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Source: The author's study on the basis of literature
Depending on the level of control over the performance of an outsourced function, outsourcing can be separated into internal and external types. Internal outsourcing is a reallocation of functions in the business system for saving control over its performance and external outsourcing is delegation of performance of separate or mutually related functions to external outsourcer [26]. This outsourcing can be accomplished: inside of the country borders or outside of the country borders [27]. For example, divisions of joint activities of external outsourcing include centers concept, cooperation, joint servicing, and participation in the capital, whereas divisions of joint activities of internal outsourcing include long-term partnership, short-term partnership, and single partnerships. Depending on the effective use of resources and reallocation of risk and responsibility outsourcing is divided into partial and full outsourcing types. Partial or selective outsourcing is the delegation of certain functions or business processes to the outsourcer, while a set of mutually related functions are performed by the company itself and full outsourcing refers to the delegation of separate function to outsourcing company with entrusting it with full responsibility for function’s performance.

Outsourcing can be divided into the following categories [28]:

Business Process Outsourcing (BPO), is a specific process task that is outsourced. This kind of outsourcing work could be either front office or back office. Typical front office work is customer related work like marketing and technical support via the telephone. Examples of BPO are call centers, data entry, marketing, web designing and development, proof reading and the telephone. Examples of BPO are call centers, data entry, marketing, web designing and development, proof reading and the telephone. Examples of BPO are call centers, data entry, marketing, web designing and development, proof reading and the telephone. Examples of BPO are call centers, data entry, marketing, web designing and development, proof reading and the telephone.

Knowledge Process Outsourcing (KPO), is the outsourcing of knowledge-related work that requires high levels of knowledge and expertise, such as data analytics, research, or business operation support and management. More advanced levels of research, analytical and technical skills are needed. Decisions are also made on a higher level than with BPO [29];

Information Technology Outsourcing (ITO), outsourcing of computer- or Internet-related work;

Research and development Outsourcing (R&D), is any creative systematic activity undertaken in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this knowledge to devise new applications. Includes fundamental research, applied research leading to new devices, products or processes. This is the transfer of an entire R&D activity or part of an R&D activity from the organization to an outside vendor [30];

Legal Process Outsourcing (LPO), is the exporting of legal services to low-wage markets overseas. An increasing number of companies, large and small, are outsourcing legal work to destinations across the globe. LPO terminology is used interchangeably to mean either the actual process of outsourcing legal services or the actual vendors who provide these services [31].

The analysis of the literature shows that the concept of outsourcing is not new, because for decades, companies have cooperated with external suppliers for some services, such as cleaning and catering. What is new is the scale of outsourcing departments, which now includes everything that is not considered as an added value, from IT and accounting to HR functions.

B. The Essence of Business Services Outsourcing from the Perspective of Corporate Globalization

Nowadays there is a considerable interest in the business process outsourcing (BPO) among enterprises operating in the hotel sector. For several years, as a result of the intensification of the phenomenon of corporate globalization, the BPO market has shown an intensive growth on a global scale. Its dynamic development results from the way hotels develop effective business models that enable them to use the external resources in order to build competitiveness and increase the performance of entities.

Due to the fact that hotel enterprises operate in the conditions of corporate globalization on a competitive market, outsourcing is a widely recommended technique to improve hotels’ competitive position [32]. Today, there are many types of outsourcing methods. Therefore, in the subject literature, the authors present various definitions of outsourcing, in which they emphasize that it is a method of management, which consists in limiting the scope of functions of a given enterprise and delegating them to an external entity. Thus, such activities consist in transferring responsibility for the execution of the separated operations to a specialized external enterprise after taking into account quantitative and qualitative economic benefits [33]. This type of actions enables the hotel to develop key competencies and increase its value, which strengthens its competitive position. In addition, outsourcing activities are carried out on the basis of long-term partnership cooperation, as both parties strive to achieve the intended benefits. The cooperation resulting from this type of outsourcing is referred to as strategic outsourcing. It consists in the possibility of making full use of investments by external providers, applying innovations and professional specialist activities, which would be more costly or impossible to recreate in the internal conditions of the hotel [34].

Outsourcing of business processes should be defined as delegating one or more business processes requiring extensive knowledge in a particular area to an external provider. He acts as an owner, manager, and administrator in the process of executing selected tasks due to specific measurable functions of order efficiency. Otherwise, BPO can be defined as establishing cooperation on the basis of a contract with an external organization in order to take over the responsibility for providing a specific business process by the provider [35].

The essence of BPO is the conclusion of a contract with an external entity that engages in management activities and provision of a minimum one or more business or process functions [36]. The business process provider responsible for managing a given function is required to achieve specific and measurable hotel performance goals [37].

A hotel enterprise decides to implement BPO on the basis of the assessment of factors that affect its vertical integration and enable effective and competitive operation in a global environment [38]. The key motive for transferring tasks to be
performed outside is to reduce costs and focus on the core business of the hotel. Another reason is the lack of technical capabilities and competencies for performing particular tasks by the enterprise's internal personnel [39]. BPO should be considered as a set of strategic business practices, whose main purpose is to transfer business processes to other organizations [40]. The process of outsourcing was precisely defined in 1923 by H. Ford, who said: "if there is something that we cannot do more efficiently, cheaply and better than our competitors, there is no point in doing so. We should hire someone to do the job better than we do" [41]. Hotel enterprises which decide to transfer business processes to an external entity should verify whether a particular area of activities constitutes an element of creating a competitive advantage and to what extent it is executed by their competitors.

III. RESEARCH METHODOLOGY

The research attempted to identify the type of tasks that are of key importance for the application of outsourcing in the modelling of business processes that are used for building hotel enterprises' competitiveness following corporate globalization. It was conducted from March to June 2018 and took the form of a diagnostic survey. The identification of the reasons for employing external services, provided by specialized entities was performed using an individually prepared questionnaire. It contained open and closed questions. The research was conducted among 896 hotels, which constitutes 32% of all hotel enterprises operating in Poland. 771 hotels returned the questionnaires, which were grouped according to the assigned categories: mid-scale (3 *), upscale (4 *) and upper-upscale & luxury (5 *). Due to the standard of the examined facilities, the mid-scale group dominated - 56%.

Upscale hotels accounted for an important sample - 42%, slightly smaller group was composed of upper-upscale & luxury entities - 2%. The structure of the surveyed hotel enterprises consisted of 233 hotels belonging to global hotel corporations (30% the so-called chain hotels) and 538 independent hotels (70%). Fig. 1 presents the division according to the standard and form of ownership of the entities studied.

In the month of March 2018, 68 five-star hotels and respectively 382 four- and 1315 three-star hotels operated on the Polish market. The examined facilities operated in various organizational and legal forms. The largest group consisted of limited liability companies - 39% of the surveyed entities. Another comparable group included individual business activity - 33%. General partnerships - 17% and joint-stock companies - 11% constituted a slightly smaller share in the group of respondents.

IV. RESULTS OF THE RESEARCH

The research shows that all hotel enterprises use outsourcing of business processes to increase competitiveness on the Polish market. Over half of the surveyed facilities (56%) have used external business services for over eight years.

On the other hand, 42% of hotels have been using outsourcing for three to eight years, and only 2% of enterprises have been using this type of external service for two years. Due to the scope of separation of tasks, partial outsourcing dominated (78% of respondents), 16% of hotels use the separation within the enterprise / concern (internal outsourcing) in favour of an equity-related company-concern’s daughter.

6% of hotel facilities operating in Poland decided on total outsourcing. In the majority, chain hotel respondents indicated (82%) that the performance of tasks commissioned to external entities is conducted on the basis of a permanent contract.

13% of the respondents from independent hotels declared temporary cooperation with the same entity. In contrast, 5% of hotels use business services offered by various service providers at a selected time (seasonally).

Chain hotels outsourced most often (Fig. 2) IT services (179 enterprises), accounting, finances and human resources (158) as well as personnel managing facilities (149). In turn, independent hotels use outsourcing of business services in accounting and finance (436 entities), IT services (344) and property protection (328).

Among the functions and tasks most rarely outsourced to other entities, chain hotels listed knowledge process outsourcing (5 facilities), confectionery and bakery services (9) and legal services (12).

Respondents rarely declared hotel transport outsourcing (13% of hotel chains), procurement (17% of independent hotels), laundry services (9% of independent hotels) and cosmetics (145 chain hotels). Independent hotels do not use property management services at all, only 5 facilities use outsourcing in guest and management service. Due to the number of tasks that were subject to separation, the majority of respondents (209 chain hotels, i.e. 89%, 344 independent hotels, i.e. 64%) outsourced five functions to external service providers. Between four and two tasks were commissioned by a total of 43% of the hotels, the remaining respondents outsourced one function.

According to the reasons for the application of outsourcing (see Fig. 3), the most important one was the pursuit of reduction and control of costs (98% of hotels surveyed). This type of category refers to the reduction of operational, administrative and employment costs (training, redundancy, etc.). The economic importance of outsourcing of business processes is ranked first among the respondents.

Fig. 1. The structure and standard of the surveyed hotels.

Source: the author's own study
Increasing the competitiveness of the examined hotels through access to innovative technologies and knowledge is the primary reason for using the function of business services outsourcing. Another reason involved the higher specialization of the enterprise in terms of services offered. Thus, the use of outsourcing functions allowed the surveyed hotels to focus on the basic function of the business, i.e. satisfying the needs of hotel guests, in order to gain a competitive advantage and to achieve profits.

Therefore, on the basis of the research, the outsourcing of business processes should be considered a strategic tool of hotels, which facilitates management and at the same time improves their market position and enhances faster growth.

When assessing the extent and nature of using outsourcing in surveyed hotels, it should be noted that in 63% (479 entities) it had a strategic dimension (see Fig. 4). This means that BPO was an element of the strategic plan adopted by the organization in the long-term perspective.

In turn, the tactical dimension of using outsourcing by 29% of hotels (224 facilities) depends on the adopted concept of management and current environmental conditions. For 9% of hotels (68 facilities), the importance of outsourcing of business processes is considered from the point of view of a hybrid model (strategic and tactical).

The research also shows that the form of outsourcing of business services depends on the structure of the hotels studied. The probability of separating the function to be transferred to external entities is greater in the case of facilities that belong to a four- and five-star hotel chains. The smallest popularity of business process outsourcing is among three-star economic facilities, where two or one functions are usually separated to be performed outside the organization. Only 47% of the surveyed hotels do not intend to abandon their own resources within the next two years, reducing, inter alia, employment in favour of outsourcing of tasks. A significant part of the respondents (53%) after noticing the benefits of outsourcing declared that in the near future they intend to separate further business functions and pass them on to outsourcing entities.

V. CONCLUSIONS

The research results presented in the paper are in line with current tendencies in the development of business process outsourcing and the assumptions implied by the subject literature. The research shows that both independent and chain hotels employ this method of management in order to improve their competitiveness. Thus, BPO is a new form of operating–a business model in which both hotel chains and small independent hotels are treated as measurable partners. This type of process makes it possible to use external resources and services, ensuring their high quality and competitive price. Establishing a partnership is an advantage of BPO. This bond functions on the principle of specialization and professionalism.

The research results also indicate the scope and quantity of services outsourced to external entities. Chain hotels, as well as four and five-star hotels, outsource the largest number of functions and tasks of business services. More and more hotel owners believe this form of cooperation is an advantage as it offers access to resources such as knowledge and new technologies. The primary reason for applying BPO are the reduction of costs, as the expenses incurred for external services are less capital-intensive than management and maintenance of personnel within the enterprise. An appropriate method of creating a business model which consists of outsourcing of business process makes it possible to combine factors and resources that determine the competitiveness of hotels in the process of corporate globalization. As a result of maintaining a high level of competitiveness, the hotel gains the ability to increase its market share.

Properly prepared and applied business model that takes into account the outsourcing of business process is an
important element of creating a competitive advantage of hotels.

REFERENCES


