OUTSOURCING IN THE HOTEL INDUSTRY: 
A MANAGEMENT ACCOUNTING PERSPECTIVE

Dawne Lamminmaki
B.Comm (Concordia), MBA (Bradford), CMA (Canada)

School of Accounting and Finance
Faculty of Commerce and Management
Griffith University - Gold Coast

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Dawne LAMMINMAKI

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ABSTRACT

The broad objective of this thesis is to develop an understanding of factors affecting outsourcing in the hotel industry and also the role played by management accounting in hotel outsourcing. The thesis draws on transaction cost economics (TCE), agency, contingency, and labour process theories in the context of appraising factors motivating outsourcing.

Two empirical phases have been undertaken in the study. The first phase involved a series of interviews with general managers and financial controllers in large South East Queensland hotels. The second phase involved two distinct questionnaire surveys of large Australian hotels. The first was administered to hotel general managers, and the second was administered to hotel financial controllers.

Significant findings arising from the study include:

1. In light of the substantial international literature describing hotel outsourcing, it appears that outsourcing in Australian hotels is relatively limited. This appears to be particularly the case with respect to food and beverage related activities.

2. Mixed support is offered for the TCE model. Both the survey and interview data provide some support for TCE’s prescription that frequently conducted activities will not tend to be outsourced. Two specific extensions are offered to this aspect of the model, however. Firstly, where activities are conducted to a minimal extent, it can be uneconomic to outsource. Secondly, where large activities are undertaken by a group of organisations, their enhanced purchasing power can result in inexpensive outsourcing arrangements. With respect to TCE’s uncertainty proposition, support is offered for the view that the propensity to outsource will be greater where behavioural uncertainty is lower. No support has been offered with respect to environmental uncertainty. The interview data provides some support for TCE’s asset specificity proposition, however, minimal support was found in the survey phase. Despite this, the many dimensions of asset specificity (eg. site specificity, human asset specificity, etc) provided a useful checklist of issues to be considered in relation to the outsourcing decision.

3. Negligible support was found for labour process theory (LPT) in the interview phase of the study. In light of this, and the need to narrow the study’s focus in the survey phase, LPT was not pursued further. LPT is a difficult construct to operationalise, given the social desirability error that may result. This may partially account for the absence of significant LPT findings in the interview phase.

4. The survey data provides some support for the agency theory view that risky activities will tend to be outsourced.

5. Considerable cross-hotel variation exists in management of, and accounting’s involvement in, outsourcing decision making and control systems. Accounting appraisal of outsourcing proposals rarely includes long term oriented, sophisticated techniques such as “net present value”. It appears this may be because outsourcing decisions are not conducted in the context of the formal capital budgeting process.

6. High performing hotels and hotels that conduct their outsourcing decisions in the context of a long term outsourcing strategic agenda have more sophisticated outsourcing management systems.
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STATEMENT OF ORIGINALITY

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Dawne Lamminmaki
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