

## An Analysis of Outsourcing Hotel Services in Tanzania

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**Abstract:** Outsourcing is the act of one company contracting with another company to provide services that might otherwise be performed by in-house employees. Often the tasks that are outsourced could be performed by the company itself, but in many cases there are financial advantages that come from outsourcing. Outsourcing is evident in the hospitality industry. Many hotels, catering outlets and restaurants outsource some of their services. Outsourcing in the hospitality industry is done in order to reduce costs; it also improves quality of service and increase revenue. Hence the aim of this study is to analyse the challenges in outsourcing hotel services in Tanzania. The study illustrates that the hotels tend to outsource non-core services such as laundry, security, purchasing, cleaning, catering, leisure and others. The hotels also indicated that the reasons for outsourcing is related to two main factors i.e. suppliers expertise and brand name as well as to increase internal efficiency. The results of the study illustrated that outsourcing hotel services is little known and inactive in Tanzania even though it has been practiced by some hotels for quite some time now unknowingly. This could be the main reason for the hotels carrying out many services in-house uneconomically and inconveniently. The results may be useful to hotels' management in helping them make outsourcing decisions in the future.

**Key words:** Core services, efficiency, non-core services, outsourcing, service standards, Tanzania

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### Introduction

Outsourcing is defined as a subcontracting service to a third party for strategic use of firm's resources, to generate firm's values and grow competitive edge. Outsourcing is the process of transferring the responsibility for an exact business function from an employee group to a non-employee group. Firms often integrate outsourcing as a strategy in business planning. By embarking into outsourcing, firms can offer better client service, produce a better product, and do a better job efficiently. By doing that they are putting those responsibilities in the hands of professionals (Hamzah *et al.*, 2010). The nature of hotel operations signifies that hotels are particularly suited to outsourcing activities. Particular characteristics predisposing hotels to outsourcing include the broad range of activities undertaken, the high labour content associated with hotel activities, and the volatile nature of demand for a hotel's services (Guinding, 2009).

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For many years now the Tanzania hotels are said to be providing many services in house ineffectively and inefficiently as compared to other hotels in the world and this prompted the researcher to carry out an investigation on the problem with the view of identifying the hotels core services and noncore (peripherals), assess hotel's current level of outsourcing and its inclination to outsource and give recommendation to hotel management to consider outsourcing their noncore services. However, there are many reasons that companies outsource various jobs, but the most prominent advantage seems to be the fact that it often saves money. Many of the companies that provide outsourcing services are able to do the work for considerably less money, as they don't have to provide some benefits to their workers and have fewer overhead expenses to worry about.

### Historical Development of Hotel Industry in Tanzania

The history of hotel / hospitality industry in Tanzania goes back to 17th and 18th century when sailors, traders, merchants, explorers and missionaries travelled to Tanganyika (Tanzania) arriving through coastal towns of Mzizima (Dar es Salaam), Kilwa, Zanzibar, Bagamoyo and other locations seeking accommodation, food and beverage services.

The first principal hotels were built near Dar es Salaam harbor early in 1906 – the Kaiserhoff (which was built by the OstAfrikanische); Hotel Gellschaft, an enterprise closely connected with Railway Company and later was demolished to build the New Africa Hotel. Another hotel was the Burger Hotel which was later razed to make way for the present Telecoms building.

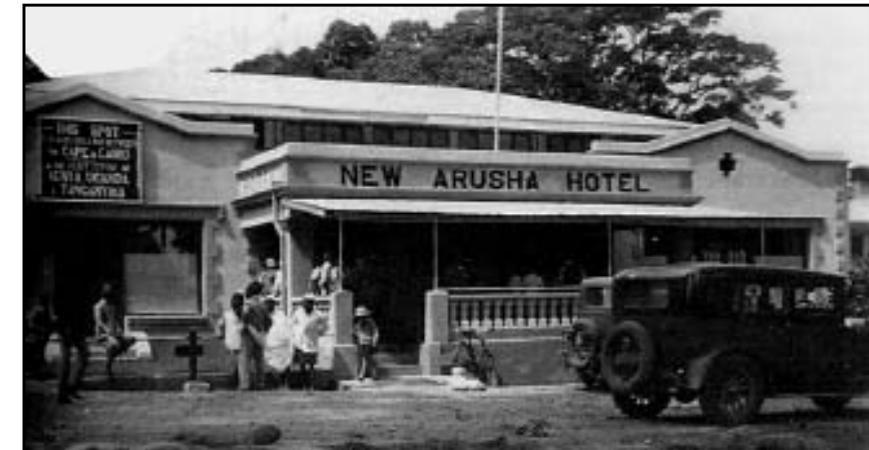
Other early hotels include Prince of Wales Hotel (Splendid Hotel), Dar es Salaam Club, Windsor Hotel;Dhow palace hotel set in a historical building, Zanzibar from 1559; Zanzibar's Tembo house hotel,Africa hotel (Mazsons hotel),Emerson hotel and 236 Hurumzi. The Arusha Hotel which set the precedence for hotel accommodation in the new and undeveloped town of Arusha, when first built back in 1894. It was a time of horse drawn buggies and classic cars, which took quite a beating on the unpaved roads and tracks. The hotel signified a pleasant resting place for those travelling from as far as the Cape or Cairo and all corners of old East Africa.

The Lawns Hotel in Lushoto which is said to be over 100 years old had the soothing ambience of fireplaces and wooden finished rooms. The Safari Hotel in Arusha built in 1935,



The first hotel to open in Dar- es -Salaam during the German era in 1906

**Figure 1.** Hotel Kaiserhof, Dar-es-Salaam (New Africa Hotel)



*Note:* Established 1894, this hotel is believed to be one of the oldest hotels in East Africa. It has undergone many transformations to emerge today as one of the leading hotels in the fast growing city of Arusha, Tanzania

**Figure 2.** The old New Arusha Hotel in 1894

Africa House, Baghani hotel, Shangani hotel and Zanzibar Hotel in Zanzibar are also among the oldest hotels. Dodoma Hotel was first erected by the Germans as a resting point for the Kaiser of Germany on his way to Ujiji – the oldest town in central Tanzania. The hotel is 109 years old and was first erected by Germans in 1904 for the inauguration of the national railway line. The British later converted the rest house to a railway hotel and the building still has some of the original fixtures. Since then Tanganyika (Tanzania) had no tourist class hotel until shortly before the independence in 1961 when The Kilimanjaro hotel was officially opened (Liebst's, 1998).

Significant development of the hotel industry in Tanzania took place in 1964 when several tourist class hotels and lodges were built in major towns and national parks by the government under the supervision of the National development corporation (NDC). The NDC and Tanzania tourist corporation (TTC) had neither expertise nor experience on the development and management of the tourist class hotels; therefore they commissioned Hallmark Hotels (T) Ltd a subsidiary of Hallway Hotels from United Kingdom to develop the hotels and lodges, management and training Tanzanians, (Kahama, Maliyamkono & Wells, 1986).

The hotel industry in Tanzania has no clear organization structure. However, the hotel industry is linked to the tourism division in the Ministry of natural resources and tourism, which among its many duties include hotel development and hotel grading, inspections and classifications. Moreover, there is no professional board to oversee important issues such as maintenance of service standards, hotel tariffs regulation and hygiene standards, employment issues e.g. granting work permits. This has permitted the hotels to operate independently and freely without organized supervision, audit or professional guidance.

There is no official record showing which hotel used outsourcing first in Tanzania, but research revealed that the Kilimanjaro hotel before opening in 1961 procured a large amount of food stuffs, beverages, linen, furniture, hotel equipment, guest room supplies, staff uniforms, stationery, etc. through outsourcing a private company abroad. Also, in 1961 The Kilimanjaro Hotel with high demands on quality and continuity and reliability of supply outsourced a private local company to the supply of dry goods, fresh fruits, vegetables, meat and sea food. Bwawani hotel in Zanzibar and village hotel Africana Kunduchi outsourced the discotheque

entertainment in 1968 and 1972. In 1974 Bahari beach hotel outsourced staff transportation to a public company called Usafiri Dar-es-Salaam (UDA).

## Literature Review

### *What is Outsourcing*

Outsourcing is also defined as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Sometimes known also as 'facilities management', outsourcing is a strategy by which an organization contracts out major functions to specialized and efficient service providers, who become valued business partners. Outsourcing is a new business philosophy that implies employing other people to do things for you. It reduces the burden of employing staff and all the obligations that go with it.

Outsourcing is not a new concept, it has most likely been used in some form or another in much business already, what is different today is the rapidly growing use of outsourcing. The ability to outsource has expanded to become a common facet of the business operations for lodging properties and clubs. The term outsourcing became very popular in the 1990's as narrated by Hottman and Adams (1996) who stated that the term outsourcing became very popular in the early 1990s when large companies began to down size or re-engineer their business, seeking to become more efficient.

Development of outsourcing started when top executives began to dissect every part of their business looking for ways to reduce the number of steps involved in the process of employing and, if necessary, the number of people. They often found that there were certain processes they simply could not be run as efficiently as they would like, no matter how they tried. As a result of this effort to become better at what they do, the concept of outsourcing was developed.

In the hospitality industry outsourcing offers flexibility to take on specialists in some areas of the business while management concentrating on their core service areas. Recent years have seen increased attention given to hotel outsourcing in the literature (Goldman & Eyster, 1992).

### *Why Do Companies Outsource*

In earlier periods, cost or headcount reductions were the most common reasons to outsource. In today's world the drivers are often more strategic, and focus on carrying out core value-adding activities in-house where an organization can best utilize its own core competencies.

Companies outsource to avoid certain types of costs. They outsource the non-core activities. Among the reasons companies elect to outsource include the avoidance of regulations, high taxes, high energy costs, and costs associated with defined benefits in labor-union contracts and taxes for government-mandated benefits. Perceived or actual gross margin in the short run incentivizes a company to outsource. With reduced short-run costs, executive management sees the opportunity for short-run profits, while the income growth of the consumer base is strained.

### *How to Decide whether to Outsource*

There are no simple criteria to conduct an outsourcing versus in-house analysis. The benefits associated with outsourcing are numerous, and one should consider each project on its individual merits. Ongoing operational cost that may be avoided by outsourcing is also a con-

sideration. In a nutshell, outsourcing allows organizations to be more efficient, flexible, and effective, while often reducing costs.

## Advantages and Disadvantages of Outsourcing

Most of the time, the advantages of outsourcing overshadow the disadvantages of outsourcing (Flat World Solutions, 2014).

### *The Advantages of Outsourcing*

- swiftness and expertise
- concentrating on core process rather than the supporting ones
- risk-sharing
- reduced operational and recruitment costs
- cost and efficiency savings
- reduced overhead
- operational control
- staffing flexibility
- continuity & risk management
- develop internal staff

### *The Disadvantages of Outsourcing*

- synchronizing the deliverables
- hidden costs
- lack of customer focus
- threat to security and confidentiality
- quality problems
- bad publicity and ill-will
- employee layoffs

### *Significance of the Study*

This study is important in that it contributes to the literature on outsourcing in Tanzania hotels specifically. The findings are useful to hotel management and other stakeholders on the intensity, size, and impacts of alternative means of providing hotel services and rapid developments and new business philosophy in the hotel industry. Also, the study can help individuals, especially decision-makers and planners, as well as firms to identify the various components of outsourcing that can bring many potential benefits, such as cost reduction, performance improvement, flexibility, specialization, and access to innovation on the business of hotels.

### *Forms of Subcontracting*

Over the years the practice of subcontracting expanded to many sectors of business including hospitality industry. In time, different forms, methods and practices of subcontracting emerged. There are four key forms of subcontracting i.e. outsourcing, management contracts, joint ventures and rent options. Most of these terms are words familiar to us, in the content of subcontracting activity they assume more specialized and specific meanings of carrying out activities on behalf of the owner of the business on a special agreement.

### a) **Outsourcing**

Outsourcing can be defined as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources, sometimes known also as 'facilities management'.

### b) **Management contract**

Management contract is another form of subcontracting. This is an arrangement under which a company provides management known how in some or all-functional areas to another party for a fee. Example, a certain amount will be paid as management fees or a percentage of turnovers or a percentage of net profit. Multinationals make such contracts with:

- i. Companies in which they have no ownership. For example, Protea Hotels of South Africa, Movenpick, Accor, Kempinski, Holiday Inns, and Sheraton International are managing hotels in Tanzania.
- ii. Joint venture partners
- iii. Wholly owned subsidiaries

### **Joint Venture**

This is a concept where the operator company and an outside company form Joint Venture Company. Both parties covering key areas of operations would sign the agreement. For example, a hotel operator forming joint venture with a catering company for the food and beverage operation of the hotel the agreement will include payment of rent for the space, payment of management fees, the staff range of services and marketing.

### **Rent Option**

This is also a method of outsourcing/subcontracting. The proprietor of the facility receives a rent for the space to let the operator. For example a hotel proprietor of the facility receives a rent for the space let to the restaurant operator. The restaurant operator would be responsible for rates, service, light and its own staff whereas the hotel would receive fixed rent says for five years or more. The hotel knows that the amount can be added to the bottom line without too much effort as long as the covenant proves to be good and the food and beverages offer is compatible to the hotel operation.

### **Co-Branding**

Co-branding has no single accepted definition (Boone, 1997; Keller, 2003; Rao & Ruekert, 1994). A number of authors define co-branding as the pairing of two or more significant recognised brands within one space (Boone, 1997; Leuthesser, Kohli & Suri, 2003; Sandeberg & Ostlund, 2003).

Hotel companies have adopted a number of strategies to address the restaurants underperformance. Some in the budget sector have downsized or eliminated their food and beverage operations, often locating new hotels close to independent restaurants; Travelodge and Travel Inn for example. Others have sought to develop strategic relationships with restaurant operators through franchising, contracting or leasing arrangement (Boone, 1997). This outsourcing or co-branding approach is more developed in the USA where the first branded

restaurant company to operate in hotels was Trader Vic's in the 1930s. In the UK Granada's and Forte Hotels have actively developed partnerships with successful restaurant operators including Marco Pierre White, Raymond Blanc, and Mongolian Barbecue (Strate & Rappole, 1997; Boone, 1997).

### **Transaction Cost Economics**

Transaction cost economics (TCE) has been widely used to explain boundaries of the firm (Espino-Rodríguez & Gil-Padilla, 2005a; Lamminmaki 2005, 2007, 2009; Monteverde & Teece, 1982; Palay, 1984; Widener & Selto, 1999; Walker & Weber, 1984) and represents a valuable framework in any examination of factors relating to outsourcing. TCE proposes that a business will organize itself in a way that minimizes transaction costs. A significant facet of the outsourcing decision can be seen to be concerned with the trade-off between lower production costs (assuming economies of scale and specialization can be achieved by suppliers) and higher monitoring costs that can arise when outsourcing (Kakabadse & Kakabadse, 2000 refer to Lewis & Sappington, 1991). Cost savings represent one of the four main outsourcing benefits identified by Domberger, 1998.

Outsourcing as a means of minimizing labour costs in the hospitality industry has also been noted by Soltani & Wilkinson (2010). Lamminmaki (2006) provides an overview of costs (as well as benefits) of hotel outsourcing.

### **Conceptual Framework**

Traditionally the study of outsourcing and its determinants has focused on economic approaches, but in doing so ignores other aspects of organizational behavior that may have a significant influence on the outsourcing decision.

**Table 1.** A summary of the Benefits of contracting

Variable	Frequency	Percentage%
Managing Directors	11	8%
General Managers	50	25%
Departmental Managers	78	35%
Others	3	2%
<b>Hotel Length of Operation</b>		
More than 25 Years	50	25%
5 – 20 Years	64	33%
Less Than 5 Years	29	12%
<i>Source:</i> Study Data, 2014		
<b>Hotel ratings</b>		
Hotel Grade	Hotels	Percentage %
5 Star and 4 star	52	74.3%
3 Star and Others	18	25.7%

*Source:* Study Data, 2014

Recently, other perspectives, such as the strategic approach, have helped explain outsourcing decisions. In the context of outsourcing, the strategic approach, by analyzing the relationship between strategy and the environment, examines how a function or an operation affects the firm's competitive advantage, and in turn, how this influences organizational performance. Several authors, including Teng, Cheon and Grover (1995) have analyzed outsourcing from the strategic approach using a resource-based view of the firm as the reference point. However, outsourcing in the hotel business has not yet been dealt with in the literature.

This study was carried out to establish to what extent hotel businesses analyze their activities strategically from the perspective of their resources and capabilities. That was done by first studying the strategic value of the characteristics of a hotel's activities, then identifying groups of activities according to those values, and finally establishing their relationship with outsourcing.

This study focuses on the firm's willingness to outsource, in other words, its predisposition to look to the open market for some of its activities instead of performing them itself. This means that the fewer the resources and capabilities employed by the hotel, the more these resources and capabilities will have to be obtained from outside the company.

### ***Strategic Risks of Outsourcing***

In the case of services, the outsourcing process is more difficult, since the customer experiences them directly and those services may become critical to competitive advantage because the perception of quality is influenced by the interaction between the customer and the employee (Chandra, 1999). This situation and such intrinsic characteristics of a service, such as intangibility, simultaneous production and consumption, heterogeneity and expiration (Parasuman et al., 1985; Grönroos, 1983, 1984) make this type of outsourcing much more difficult than others (e.g. manufacturing industries).

This study has shown the demand for the main hotel services in-house as well as those that could be outsourced in the future. Based on the classification of Quinn (1999) applied to the hotel sector, three groups of services are proposed according to their strategic control. The services with the least propensity to outsourcing are those where outsourcing entails the most risk for competitive advantage and must not be outsourced. Secondly, services that are complementary and involve a medium risk may be outsourced through strategic alliances. The most outsourced services are those that have the least effect on competitive advantage and less strategic control is needed for them than for the rest.

The strategic risks that restrict the use of outsourcing are those related to loss of control and autonomy and ignorance of outsourcing as well as a possible loss of differentiation. In this respect, it is confirmed that, although most of those surveyed were favorably disposed to outsourcing, many of them decided not to do so because of the risks or disadvantages involved.

### **Limitations**

This study suffers from the normal shortcomings associated with fieldwork based on a limited sample of observations. Rather than attempt to make generalizable assertions, some limitations could be taken into account in future research. First, this research does not permit the results to be generalized since they can only be interpreted for the hotel sector. The findings may also not be generalized to lower star ranking hotels or budget hotels in Tanzania. Therefore, it is necessary to replicate the study in other service industries in order to compare these

findings with empirical results in the other service industries (e.g. schools, hospitals, banks etc.). Applying the analysis in other service industries will enable the researcher to identify the demand for outsourcing in each of them. To accomplish this, it is first necessary to identify the services in the hotel being studied.

Secondly, the presence of other factors that may favor or limit outsourcing, as well as the possible influence of the strategy on competitive advantage, must be taken into account in other studies in order to establish new hypotheses and or new research questions.

Lastly, it appears reasonable to suggest that a decision to outsource should be supported by a quantitative analysis of the costs and benefits arising from the decision.

### **Research Methodology**

The study adopted a descriptive and analytical survey that helped significantly to investigate the problem in realistic manner. Among the various impact analysis methods, the use of general statistics descriptive method is the most simplistic; while transaction cost economics (TCE) theory and agency theory approach in the determination of the range of factors impinging on outsourcing decisions is the most sophisticated. Using different methods made it possible to achieve a triangulated approach to answering each of the major research questions. Different methodologies were employed including analyzing hotel documentary (Board papers, minutes, financial statements and sales returns). Interviews were conducted with hotel proprietors, managers and some regular customers, both structured and unstructured questions were asked.

Questionnaires were administered and distributed to various hotels and private companies that provide services similar to those provided by hotels.

Questionnaire were designed and tested for data collection purposes. A total of 100 surveys were posted to 70 hotels, consisting of: 20 five star, 24 star hotels, and 25 three star hotels and five private companies which provide services similar to those carried out by many hotels. The response rate was 70 respondents or 70%.

The study employed a qualitative method to determine hotel managers' perceptions toward outsourcing and explored the key factors affect the outsourcing decision-making. Interviews were conducted in the hotels, namely, in the manager's offices or in the hotel lounge. Some interviews were conducted through telephone conversation and later the contents of interviews were recorded and transcribed. Some hotels particular from Tanga and Mwanza filled in the questionnaires and posted them to the researcher. The researcher conducted follow ups and made telephone calls to clarify some issues. The interview time was not the same for all hotels – generally the interview took between half an hour and two hours. Based on the interviews to the hotel managers and using content analysis of the discussions during the research, primary factors for reasons and decision of outsourcing were determined.

The outsourcing measurement was generated from the transcripts of the interviews conducted and using on modified questionnaire developed by Espino-Rodriguez and Padron-Robaina (2004). Respondents were asked to indicate the level of outsourcing of the service on a 7- point Likert scale, with 0 indicating 'not outsourced' and 6 'totally outsourced'.

### **Demographic Profile**

In terms of the respondent profiles, departmental managers constitute 35% of the respondents, followed by general managers (25%), managing directors (8%) and others (2%). Twenty five percent (25%) of respondents were working in hotels for more than 25 years while 33%

**Table 2.** Profile of Respondents, hotel length of operation and hotel ratings

Type of Service	Outsourcing		In sourcing	
	Frequency	Percentage	Frequency	Percentage
Security/Surveillance	59	69.3%	11	30.7%
Laundry and Dry cleaning	53	58.8	17	42.2%
Leisure Activities	52	56.5	18	43.5%
Purchasing	51	57.6	36	42.4%
Catering(Bar/Restaurant)	55	56.7	15	43.3%
Maintenance/Technology	9	13.4	61	86.6%
Training	3	22.5	67	77.5%
Restaurant	11	15.8	59	84.2%
Gardening and Landscaping	14	21.2	66	78.8%
Reception/Information	6	14.2	64	85.8%
Accommodation/Facilities	3	6.7	67	93.3%

**Table 3.** Type of services outsourced

Purposes of Outsourcing	Mean	Standard Deviation
Utilize the management expertise provided by the outsourcing company	5.87	1.256
Use the well-known brand name of the outsourcing company	5.25	1.484
Allow the organization to better utilization of internal resources	4.87	1.296
Reduce operating costs	4.89	1.623
Use the outsourcing supplier's expertise to meet challenges of hotel globalization	4.67	1.627
Generate more revenues	4.89	1.575
Utilize the advanced production technique provided by the outsourcing supplier	4.30	1.695
Use the outsourcing supplier to develop new markets	4.13	1.611
Reduce risk of business failure	3.95	1.853

working between 5 – 20 years and 12% working less than five years. Two thirds of the respondents were from the five and four stars hotels while the remaining was from the three stars and none rated.

### **Level of Outsourcing**

The findings show that 25 hotels have outsourced one of their services while 5 hotels have outsourced three of their services and 35 hotels have not outsourced any of their services. It can be concluded that the level of outsourcing among the Tanzanian hotels is relatively low.

### **Type of Services Outsourced**

This shows different types of services outsourced by respondents. Sixty nine point three percent (69.3%) of the hotels outsourced security and surveillance. 56.5% of hotels have outsourced leisure activities, 56.7% have outsourced catering services (restaurant/bar), 57.6% have outsourced purchasing and 58.8% have outsourced laundry and dry cleaning services. It can be concluded that the hotels tend to outsource the services that they do not have full expertise on.

**Table 4.** A summary of the benefits of contracting

Benefit Assessment	Definition	Assessment
Specialisation	Concentrating on those activities in which the organisation has established a distinctive capability.	Specialisation yields demonstrable economic benefits. By concentrating on activities in which an organization is relatively more efficient, total value added is maximized.
Market discipline	Identified conditions in which the purchaser is separated from the provider and a formal transaction takes place under contract.	Market discipline provides a range of benefits, namely focus by the purchases on outputs not inputs, competition between suppliers, choices by purchases and innovative work practices
Flexibility	The ability to adjust the scale and scope of production upwards of downwards at low cost and rapid rate.	Networks of small organisations linked to their clients via contract can adjust more quickly and at lower cost to changing demand conditions compared to integrated organisations.
Cost Savings	Lower costs compared to in-house production.	International studies show that significant cost savings are achieved by contracting Efficiency gains need not lead to lower quality.

*Source:* Adopted from Domberger (1998)

### **Reasons for Outsourcing**

Hotels outsource their services for several reasons. Generally, the hotels may outsource for two reasons. Firstly, the outsourced company's expertise, brand name and experience bring advantages to the hotels. Secondly, internal efficiency leads to better utilization of internal resources and reduce costs and eventually improve hotels profitability. The two highest values are related to the reasons i.e. 'to utilize the management expertise provided by the outsourcing company (m 5.87) and 'well known brand name of the outsourcing companies' (m 5.25). Three, internal efficiency i.e. 'better utilize internal resources' and reduce cost with mean values of 4.89, generate more revenue (m 4.89) and (m 4.87) respectively. The lowest mean value score was for 'reduce risk of business failure' with mean scores of (m 3.95). The score reflects the noncore hotel services outsourced.

### **The Study Area**

The sample selection for the field research was undertaken based on prior knowledge and experience of the industry of the researcher (who have worked in hotel industry for over 30 years).

This study covered Dares Salaam, Morogoro, Arusha, Tanga, Moshi, Mwanza and Zanzibar.

The main reason for choosing these places was because the areas have many tourist class hotels operating in Tanzania.

## Findings and Discussion

It was found that security and surveillance, leisure, catering and laundry, purchasing and dry cleaning are the services more outsourced by hotels in Tanzania. With outsourcing, the hotels are able to transfer their non-core (peripheral) services to external companies who are professionals and experts. For this reason hotels will be able to focus on their main / core services and cope up with the ever changing environment such as cultural changes, advanced technologies and fierce competition (Espino, Rodriguez and N-Robaina (2005a).

Other than that, hotels are also concerned about losing control over the outsourced services when the services are transferred to external companies. Risk also, has a huge impact on outsourcing. The hotels may lose its best manpower and be over reliant on external company.

Revenue is one of the reasons firms decide to outsource (Ghodeswar & Vaidyanathan, 2008). The increase in revenue will encourage the firms to go beyond or across borders in order to generate more profits to its business. In addition; a quest for reduced costs was cited as a primary outsourcing motivation by many of the interviewees.

### ***Awareness and the Urge of Outsourcing Hotel Services:***

Thirty five (35) respondents or 50% of the hotel managers/proprietors were unaware of the outsourcing hotel services concept and 58 respondents or 83% of the hotel managers were from the private owned hotels. This was surprising as it was anticipated that the hotel managers in private sector were well informed of outsourcing and recognized the hotel industry's potential trends, the need to cut costs to improve the bottom line and meeting customers' expectations.

The interviews with hotel managers revealed that two thirds of the hotel managers were aware of the hotel service problems in Tanzania i.e. inefficiency and poor quality of services. The hotels' regular customers were asked why they return to the hotels which provided sub-standard services they said all the hotel problems in Tanzania are the same and they have no choice.

### ***Hotel Service Problems in Tanzania***

The followings are the areas of major hotel weaknesses:

- Substandard service provided by hotel staff particularly waiters, receptionists and barmen.
- Poor level of cleanliness in the hotels, poor hygiene standards, poor quality of food preparation and food presentation.
- The high tariffs / prices for hotels in accommodation, food and beverages.
- Poor communication skills for the staff.
- Lack of motivation for staff and possession of a clear vision of service quality.
- Hotels carrying out many services in-house inconveniently and inefficiently and this could be the course for the hotels under performance.

### ***Other Operational Problems***

- a. Hotels do not have full expertise in carrying out many services in-house particularly those identified as non-core.
- b. Non-core services (peripheral) have very high operational costs hence are uneconomical to be carried out in-house.

- c. Due to many services carried out by the hotels in-house the hotel managers loses control and great attention to the core services.
- d. Service workers are often viewed as short term and service work as servitude consequently, service labor is typically under trained and overworked not to mention unmotivated.
- e. Customers in Tanzania hotels expect less of services and do not demand more. Study show that out of one hundred dissatisfied customers only four will complain about poor services.
- f. Hotels are carrying out thirty one services which mainly are done in-house conveniently, efficiently and economically.

### **The Hotels' Core and Non-Core Services**

The following are the hotels core and non-core services identified from the study:

- (i) The hotels' core services were identified as accommodation, training, room service, maintenance, personnel administration, management, garden, snack bar and reception. It was also noted that the hotels were capable, have expertise, experience, ability and other resources in carrying out the above services in-house, efficiently and conveniently.
- (ii) Non-core services were identified as restaurant, security and surveillance, gardening and landscaping, swimming pool, curio shop, purchasing, laundry and dry cleaning and outside catering. These services require professionalism and expertise to be carried out in-house more efficiently and effectively.

### ***Perceived Difficulties***

Thirty (30) respondents or 43% of the hotels managers said that outsourcing hotel services is problematic and has no benefits because the outsourcing companies has nothing new to offer. Two respondents or 3% commented that their hotels are providing better services comparing to hotels in neighboring countries, the only problem is that their customers demand too much while they pay little.

Eight respondents or 11% of the managers stated that hotel problems cannot be solved by outsourcing hotel services but what is needed is a complete overhaul of the hotel organization in Tanzania.

### ***Perceived Benefits***

Thirty five (35) respondents or 50% of the interviewees reported some positive aspects they had noted in outsourcing hotel services in Tanzania. Five respondents or 7% of the hotel managers commented that outsourcing hotel services is the best alternative in solving service problems and they could not see any major disadvantages in outsourcing hotel services. What actually was said is that the advantages of outsourcing hotel services in Tanzania far outweigh the disadvantages but the problem is that outsourcing hotel service is unpopular and none of the hotel proprietors is ready to gamble. The other 5 respondents or 7% said outsourcing hotel services in Tanzania has great benefits.

### ***Hotel Service Problems***

During the study, the researcher noted several service problems in the hotels majority being linked with in- efficiency and poor quality.

### Analysis of Hotel Service In-House vs. Outsourcing

The findings of the analysis of hotel services carried in-house versus outsourcing are as follows: There are nine core services that could be carried out in-house efficiently and effectively.

The disadvantages of the hotels carrying out non-core services in-house are many; however, the major problems have been identified as: lack of management expertise and idle hours for the staff during off-season and this has a negative effect on the labour cost and remuneration benefits.

Under-utilization of machinery and equipment (e.g. laundry and dry cleaning machinery) due to the fact that the hotels' laundry (linen and staff uniforms) and guests' clothes are not enough to meet the full capacity of machinery utilization. Capital cost, wear and tear expenses, regular service, maintenance costs and management of the equipment and machinery is a major problem to the hotels and erodes the profits.

However, it has also been noted that it could be uneconomical to outsourcing security. For example, one hotel in Zanzibar wanted to hire a reputable private security company and they were required to pay USD 2940 per month for seven guards' salaries which is ten times more than what the hotel pay their own security guards (ie.USD416 per month for seven guards). On top of that the hotel is required to pay USD 7387.60 for buying CCTV surveillance system and also required to pay USD 2008.90 for equipment installation charges and USD 360 per month for hiring VHF radio and manual alarm system transmitter from the security company. There is a service, maintenance costs and depreciation charges to be met for the equipment. There are other local security companies whose charges are lower but their services are below the normal standards. The economic decision of whether to provide the service in-house or outsource defers from one hotel to another.

### Conclusion

This study examined the hotel services in-house vs. outsourcing by Tanzania hotels and investigated the factors influencing the outsourcing adoption decisions, benefits of outsourcing, advantages and disadvantages.

Based on the major findings of this research it is clear that the hotels in Tanzania are carrying out many services in-house and this is the main cause behind the hotels' poor performance for many years. A change in the hotel service structure and concept from in-house to outsourcing some of the services to outside companies would improve the hotel service quality, standards, efficiency and ultimately the profitability. It is clearly understandable that hotels really benefited from outsourcing in terms of management risk and cost and quality control process. It can enhance the hotels' competitiveness and can reduce the operational risks which indicate that outsourcing has positively contributed to the financial position of the hotel.

It is highly recommended that the hotels in Tanzania embark on a serious training to management and line staff in order to increase service quality and efficiency in the services provided in-house. Alternatively, they should consider outsourcing.

Carrying out many services in-house overstretches capacity, causes inconvenience and may be uneconomical if the services are under performed. Tanzania hotel managers should examine hotel services and find the best way to provide the services more efficiently and one of the best ways is to outsource some of the services particularly the non-core (peripheral) to outside companies. The finding of this study does not generalize the lower star ranking hotels, smaller hotels, guest houses or hostels.

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