

The impacts of outsourcing on the performance and service quality of restaurants: A case study of Danang City

Tác động của việc thuê ngoài đến hiệu quả hoạt động và chất lượng dịch vụ của nhà hàng: trường hợp nghiên cứu tại thành phố Đà Nẵng

Le Dinh An^{a,b*}, Tran Thi My Linh^{a,b}
Lê Đình An^{a,b*}, Trần Thị Mỹ Linh^{a,b}

^aFaculty of International Hotel & Restaurant Management, Danang, 550000, Vietnam

^aKhoa Khách sạn - Nhà hàng Quốc tế, Trường Đại học Duy Tân, Đà Nẵng, Việt Nam

^bHospitality and Tourism Institute, Duy Tan University, Danang, 550000, Vietnam

^bViện Đào tạo và Nghiên cứu Du lịch, Trường Đại học Duy Tân, Đà Nẵng, Việt Nam

(Ngày nhận bài: 29/4/2021, ngày phản biện xong: 10/5/2021, ngày chấp nhận đăng: 22/5/2021)

Abstract

This article aimed at providing readers the evaluation of the impacts of outsourcing in the hospitality industry on performance and service quality within the context that restaurants and hotels are short of staffs post COVID-19 after they attempted to cut down a number of employees in order to reduce the operational costs and maintain the operations of business establishments. Therefore, managers can utilize this approach to fill up their role positions in a short-term and gradually seek other alternative stable and skillful labours in the long-term. There were other works focusing on the efficiency of outsourcing activity in the hospitality industry in developed countries around the world, but there is no official research on outsourcing in Vietnam. Therefore, this study will also discover whether outsourcing processes will be able to produce the positive effects or not in restaurants in Viet Nam, specifically for the case of the city of Da Nang. The qualitative research method will be used to analyse and evaluate the effects of outsourcing. The findings after analysing the primary data collected from the reports relating outsourcing will be discussed and compared to the theories in the literature review to figure out the results of this research. The study found that flexibility or level of readiness of outsourced staffs, their willingness at work or unacceptable behavior ruining the reputation of the food & beverage operations will be emphasized.

Keywords: Outsourcing; service quality; performance.

Tóm tắt

Mục đích của bài báo cung cấp cho người đọc đánh giá về tác động của việc thuê ngoài trong lĩnh vực khách sạn-nhà hàng đối với hiệu suất và chất lượng dịch vụ trong bối cảnh các cơ sở phục vụ lưu trú và ăn uống đang thiếu nhân sự sau khi phải cắt giảm nhân sự để giảm chi phí vận hành và duy trì hoạt động của mình. Thông qua đó, các nhà quản lý có thể sử dụng giải pháp thuê ngoài để bù đắp khoảng trống của một số vị trí công việc trong ngắn hạn và tìm kiếm nguồn lao động ổn định và có kỹ năng khác thay thế trong tương lai. Mặc dù đã có nhiều nghiên cứu về hiệu quả của hoạt động thuê ngoài trong lĩnh vực khách sạn-nhà hàng ở các nước phát triển trên thế giới, nhưng đây vẫn là một chủ đề khá mới mẻ ở Việt Nam. Vì vậy, bài báo muốn phân tích những tác động của việc thuê ngoài ảnh hưởng như thế nào

*Corresponding Author: Le Dinh An; Faculty of Hotel & Restaurant Management, Danang, 550000, Vietnam; Hospitality and Tourism Institute, Duy Tan University, Danang, 550000, Vietnam.

Email: ledinhan@dtu-hti.edu.vn

đến chất lượng dịch vụ của các nhà hàng bằng cách khám phá ảnh hưởng tích cực hay tiêu cực của hoạt động thuê ngoài đến kinh doanh của các nhà hàng ở Việt Nam, đặc biệt tại thành phố Đà Nẵng. Trong bài báo này, tác giả sử dụng phương pháp nghiên cứu định tính để phân tích và đánh giá về việc thuê ngoài của các nhà hàng. Những phát hiện sau khi phân tích dữ liệu thứ cấp sẽ được thảo luận và so sánh với các lý thuyết của các nghiên cứu trước đó để từ đó đưa kết luận cụ thể. Ngoài ra, nghiên cứu cũng chứng minh được tầm quan trọng của các yếu tố như sự linh hoạt, sự sẵn sàng của nhân viên thuê ngoài cũng như hành vi bảo vệ danh tiếng cho nhà hàng của nhóm nhân viên này.

Từ khóa: Thuê ngoài; chất lượng dịch vụ; hiệu suất làm việc.

1. Introduction

COVID-19 has been exerting significant impacts on the economic development worldwide. With the large-scale quarantines, travel restrictions, and social-distancing practices, these approaches led to a massive fall in consumers and business expenditure ([1]). This context, therefore, created economic recession on a global scale ([15]). However, many efforts were done by governments in order to combat the rapid spread of COVID-19 virus. For example, a number of countries adopted a lockdown approach for movement control order, and the impact of this approach was relatively practical. However, this approach also suffered several serious consequences such as consumers stay at home, businesses lose revenue and lay off workers and unemployment levels rise sharply ([23]).

Within the food and beverage department, it is usually divided into many different types of smaller sections such as restaurant, conference, and banquet and in-room dining. However, [12] concluded that restaurant acts the most essential part in contributing to the success of the food and beverage sector. Many common rationales of utilizing outsourcing services vary depending on the size, extent and target market of the hotel.

Amongst a plenty of feasible strategies, outsourcing is considered as an effective and viable solution to help them achieve both desirable goals mentioned above ([6]). This term is not the newest all over the world and many organizations utilize outsourcing as a preferred method to perform other less

important activities in their structure. In reserve, with the increasing demand for outsourcing, many agencies also adapt and change themselves to provide a source of excellent employees to many businesses that need them.

The benefits and drawbacks of outsourcing to the hotel should also be outlined to investigate the effects of outsourcing on the restaurant. From many studies, the utilization of outsourcing has a number of clear advantages such as the cost-effective solution ([2]), the great readiness level of staffs or flexibility ([20]), the huge improvement in delivering services ([3]) and the fast turnover of set up ([3]).

The major purpose of the study is to discover whether outsourcing processes will be able to produce the positive effects or not in the restaurant in Viet Nam. Therefore, in the context of post COVID-19 after restaurant leaders performed strategies that cut down a large number of employees to maintain operations of restaurant and keep the cost as minimum as possible, this can help restaurant managers to give a right decision when they use outsourcing strategy and also to control and manage more efficiently the outsourced staffs to sustain the level of service quality and performance, which allows them to remain the competitive advantages in the industry.

This can be done by examining secondary data in many fields such as the significance of outsourcing, argument and the influences of itself on service quality through look into a number of theories and research conducted

before in literature review. Then, qualitative research with the inductive method will be applied to collect and analyse the primary data. Finally, the findings and discussions will present the effects of outsourcing to see whether it can generate positive or negative effects on performance and service quality in the restaurant.

2. Literature Review

This part will provide a detailed look in the outsourcing based on a number of theories and practical studies carried out before to present the significance of outsourcing, opinions of outsourcing and the impacts of outsourcing on the quality and performance, providing readers and restaurant managers the thorough knowledge of this field.

❖ *Outsourcing*

Outsourcing, from many previous studies conducted before, is the procedure of using the staffs from outside to support the operations of the hotel instead of using internal staffs ([14], [9] and [20]). For example, many little hotels use outsourcing services because of lacking the specialist skills to perform fully the food and beverage functions such as outsourcing kitchen team or stewarding, meanwhile restaurants in 5-stars hotels often copes with the constant pressure of labour turnover and the pressure of maintaining the competitive advantages to outweigh rivals in industry ([13]).

Outsourcing activity is the business relationship between an entrepreneur and external employee provider ([8]). “Outsourcing is the business practice of hiring a party outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff” as [21] proposed. More specifically, a client is a business or an organization that is short of internal staffs in some particular

periods of the high season, and they decide to co-operate with the second party who is able to provide a source of skilled staffs to fulfill that shortage. The second party usually will be the provider selected by the organization with the main aim at providing the source of staffs when needed. The relationship between the two parties is contractual, benefiting each other in a particular context ([5]).

❖ *The effects of Outsourcing on service quality and performance*

In general, the use of outsourcing has been playing a role model in contributing significantly to hotel strategies ([24]) in order for them to remain their competitive advantages ([9]) and generate an enormous profitability ([2]). In terms of internal hotel, outsourcing strategy is implemented to seek the reduction of operational costs ([16]) and produce the improvement in service quality ([22]). Another point is that the utilization of outsourcing, according to [17], in non-core activities of the hotels could enable them to improve their operational performance, which helps the business become much smoother.

Secondly, the speed of delivering the services is the first ingredient, and [19] concluded that the growth in performance is a result of building up the speed of delivering services, saving time effectively to carry out tasks. More specifically, speeding up the service is more likely to meet guests' expectation. Taking a practical example by [3], the fast turnover of the table set up can avoid the situation of long queue line and achieve their satisfaction and boosting revenue thanks to receiving more guests.

Furthermore, the flexibility or the level of readiness of outsourced staffs can help restaurants in hotels to fill up their missing positions in some cases, and therefore this allows the operations in

the restaurant to be capable of running smoothly without any extra costs [2].

However, the lack of expert knowledge about a specific restaurant can reduce the level of outsourced staffs' performance ([3]) and the leader may find it less capable of managing and controlling outsourced staffs effectively ([5]).

Moreover, many other factors such as conflicts between internal and external staffs or miscommunication also result in the loss of service quality. [7] discussed the loss of control of outsourced staffs and lacking the internal capabilities. The use of outsourced staffs in hotel core operations could present a risk of ruining the image and the reputation of hotels ([3]). The conflicts occurring and miscommunication between the internal and external staffs or the heavy reliance on the outsourced staffs, as [19] suggested, can affect negatively the operation within the restaurant, leading to the decrease in the satisfaction of guests.

One more problem need to discuss is the dishonesty of outsourced staffs due to the low requirements when recruiting a staff from the second party and inconsistency of service delivery because of the different training programs outsourced staffs received, which affects the performance in general and lowers the standards of service quality ([1998]).

3. Methodology

This research adopted the Qualitative Research Method ([11]) in order for the author to look into a number of issues relating to the external staffs outsourced. The adoption of this method enables the author to figure out and reflect the view of restaurant managers about outsourcing services.

❖ Data collection

There were some difficulties during the time of research, for example: "limited in terms of time, it was difficult to meet restaurant

managers directly due to the Covid 19". Therefore, the author decided to send an invitation to service leaders who had experience working in restaurants or hotels in Da Nang city in order to ask for permission to participate in the interview via an online method.

The goal of this interview is to identify the effects and performance of outsourced staffs under the view of the service leaders. Research questions are designed suitably to support interviewee in getting involved in several particular situations by using the general questions first and then later helping them to think of the answers about the labor demand during the peak period, the advantages and disadvantages of casual employees, and the need of restaurant to use outsourced staff in the future.

❖ Data Analysis

In terms of analysing the qualitative data collected from the interview, the information that was recorded was divided into different groups by performing thematic analysis starting with opened code to axial code and ending with the group of selected code ([11]). The opened codes go with initial concepts of the context, including specific keywords found in the audio of interview recorded. Keywords were outlined in detail such as the productivity, characteristics, basic skills, availability, and the level of interaction amongst staffs, flexibility such as speed, general knowledge of hospitality. In the following step of data analysis, these keywords were classified with each other as axial codes. For instance, a scarcity of basic skills would be categorised in basic competence. Eventually, there were two major topics created and designed, consisting of Outsourcing Consciousness and Performance of Outsourcing Restaurant Services. The author would classify a number of concepts mentioned

above into those topics. Another problem needed to concern is that any data that was irrelevant to the topic would be also discussed and analysed later, which helps restaurant managers to come up with new ideas and suggestions to control and manage staffs who were outsourced more efficiently to gain more competitive advantages outweighing their rivals in the hospitality industry.

4. Findings and Discussions

This chapter will demonstrate the findings and discussions of the primary data collected from the qualitative research. The author focuses on investigating the effects of outsourcing by seeking the opinions from the interviewee on performance and service quality to see whether outsourcing will be able to produce positive impacts or negative impacts. Several keywords related to performance and service quality will be divided into two groups.

4.1. Performance

a. The speed of service delivery

From the discussions through interviewee, the participant totally agreed that the restaurants need the support of external sources (casual staffs, parttime staffs...) in the peak period. The speed can be improved significantly because in the very busy time, internal staffs will only focus on taking care of guests and external staffs will clear the plates. Therefore, the presence of outsourcing can help the restaurants to be ready at the very moment after guests have left. Outsourced staffs will be trained quickly to know where to place the dirty plates, throw the garbage away and how to set up a table after guest leaving. Therefore, the restaurants can ensure the two essential factors in the restaurants, and those are a fast turnover of the table set up and gaining the guests' satisfaction, as he explained, by using

outsourced staffs to clear plates and internal staffs to look after guests.

This finding is consistent with the results of research carried out by [3]. They suggested that the utilization of outsourcing can speed up the turnover of set up and avoid the situation of guests waiting for a long queue.

b. The Availability of outsourced staffs:

The service leaders indicated that when the restaurants are in a busy time, it is always necessary to use external staffs. It is impossible for internal staffs to perform their tasks effectively when they have to receive an enormous number of guests at a busy time. However, most of the casual and part time staffs are students, so their specialized knowledge and skills in serving guests are not good enough. Therefore, it affects negatively the quality of service of restaurants. Interviewee expected that outsourced staffs should have appropriate characteristics, basic knowledge about food and beverage to serve guests when internal staffs in some cases cannot handle all of the guests at the same time.

This result gathered from recorded interviews experiences the same discussions from the literature review chapter. More specifically, [2], after conducting their research, highlighted that the flexibility or the level of readiness of outsourced staffs can help restaurants in hotels to fill up their missing positions in some cases, and therefore this allows the operations in restaurants to be capable of running smoothly without any extra costs.

4.2. Service quality

a. Staffing

According to the interviewee, they totally agreed that the relationship between internal and external staffs are so important. They hope that the relationship will be quite healthy, and no serious conflicts occurred. They concluded

that they have to consider standards of ethics when hiring outsourced staffs, which helps the restaurants to avoid the risk of losing their property and stealing the guests' belongings. Therefore, the hotels can deliver the consistent service quality to guests and preserve their reputation and image to guests.

The results are consistent with the relationship between internal and external staffs. According to [19], the conflicts occurring and miscommunication between the internal and external staffs can be the considerable concern to the restaurant. Moreover, the problem [4] were afraid of is the dishonesty of outsourced staffs due to the low requirements when recruiting a staff from the second party and inconsistency of service delivery.

b. The reduction in expenses

The interviewee replied that the use of outsourced staffs is often cheaper than your own staffs in Viet Nam because the hotels are not necessary to offer the salary same as official staffs or other benefits such as sick leave, annual leave, overtime pay or holiday pay or weekend rate. Outsourced staffs only have a contract with their agency. Therefore, they concluded, the utilization of outsourcing strategy will help the restaurants to cut off a substantial amount of expenses and restaurants are more likely to allocate that money to improve other sectors such as facilities, the experience of guests to improve the service quality in the restaurant.

This finding experiences the same result from research carried out by [2]. They highlighted that the use of outsourcing can be a cost-effective solution for the restaurant.

5. Recommendation and implementation

The first problem is that the inconsistency of delivering service quality is a popular factor

that can be easily realized when using outsourced staffs in the restaurant. Therefore, the restaurants need to have a long-term contract at least beyond three months with only specific staffs from the second party. Thus, internal staffs will be able to provide the training program to them to let them have basic and advance knowledge of how a restaurant works. Another solution for short-term outsourced staffs to gain the effectiveness is that managers in restaurants ought to give a short briefing about what responsibilities that outsourced staffs are going to do in their shift. Therefore, it is more likely to deliver the service in a consistent way and avoid the waste of time and money and lower the risks of performing the tasks ineffectively and improperly.

Second problem, in order to improve the service quality of restaurants, is that restaurants should give some methods to maintain the relationship between internal and outsourced staff and handle all employee conflicts well. In addition, restaurants should have some solutions to avoid the risk of losing their property and stealing the guests' belongings from the outsourced staff.

The final problem is that this research also had several gaps need to do more research in the future. Firstly, due to the limitation of time, this study has not discovered the discrepancy between the actual performance and expectations from managers. Therefore, a further research needs to be conducted in the future to work out this gap. Secondly, because the author only interviews with one person, therefore the opinions from participant maybe personal from his perspective. Therefore, the credibility is not totally true in all circumstances.

References

- [1] Bakar, N. A., & Rosbi, S. (2020). Effect of Coronavirus disease (COVID-19) to tourism industry. *International Journal of Advanced Engineering Research and Science*, 7(4), 189-193.
- [2] Banerjee, A., & Williams, S. A. (2009). International service outsourcing: Using offshore analytics to identify determinants of value-added outsourcing. *Strategic Outsourcing: An International Journal*, 2(1), 68-79. doi:10.1108/17538290910935909
- [3] Bolat, T., & Yilmaz, Ö. (2009). The relationship between outsourcing and organizational performance. *International Journal of Contemporary Hospitality Management*, 21(1), 7-23. doi:10.1108/09596110910930151
- [4] Bryce, D. J., & Useem, M. (1998). The impact of corporate outsourcing on company value. *European Management Journal*, 16(6), 635-643. doi:10.1016/s0263-2373(98)00040-1
- [5] Chen, J. S. (2008). *What type of outsourcing relationship should hotels maintain? A model based on internal and relational strategic value. Advances in hospitality and leisure: Vol. 4*. Bingley, U.K: Emerald.
- [6] Donada, C., & Nogatchewsky, G. (2009). Emotions in outsourcing. An empirical study in the hotel industry. *International Journal of Hospitality Management*, 28(3), 367-373.
- [7] Dolgui, A., & Proth, J. (2013). Outsourcing: definitions and analysis. *International Journal of Production Research*, 51(23-24), 6769-6777. doi:10.1080/00207543.2013.855338
- [8] Domberger, S. (2014). *The Contracting Organization: A Strategic Guide to Outsourcing*. Oxford: OUP Oxford.
- [9] Espino-Rodríguez, T. F., & Ramírez-Fierro, J. C. (2017). Factors determining hotel activity outsourcing. An approach based on competitive advantage. *International Journal of Contemporary Hospitality Management*, 29(8), 2006-2026. doi:10.1108/ijchm-05-2016-0291
- [10] Espino-Rodríguez, T. F. (2004). The tendency to outsource hotel operations: Strategic reasons and relationship to activity performance and size. *Tourism Review*, 59(2), 17-25. doi:10.1108/eb058432
- [11] Glaser, B. G., Strauss, A. L., & Strutzel, E. (1968). The Discovery of Grounded Theory; Strategies for Qualitative Research. *Nursing Research*, 17(4), 364. doi:10.1097/00006199-196807000-00014
- [12] Goldman, K. L., & Eyster, J. J. (1992). Hotel F&B Leases: The View from the Restaurant. *Cornell Hotel and Restaurant Administration Quarterly*, 33(5), 72-83. doi:10.1177/001088049203300528
- [13] Hallam, G., & Baum, T. (1996). Contracting out food and beverage operations in hotels: a comparative study of practice in north America and the United Kingdom. *International Journal of Hospitality Management*, 15(1), 41-50. doi:10.1016/0278-4319(95)00055-0
- [14] Hemmington, N., & King, C. (2000). Key dimensions of outsourcing hotel food and beverage services. *International Journal of Contemporary Hospitality Management*, 12(4), 256-261. doi:10.1108/09596110010330831
- [15] Kaushal, V., & Srivastava, S. (2021). Hospitality and tourism industry amid COVID-19 pandemic: Perspectives on challenges and learnings from India. *International Journal of Hospitality Management*, 92, 102707.
- [16] J. Meixell, M., N. Kenyon, G., & Westfall, P. (2014). The effects of production outsourcing on factory cost performance: an empirical study. *Journal of Manufacturing Technology Management*, 25(6), 750-774. doi:10.1108/jmtm-10-2011-0099
- [17] Jiang, B., Frazier, G. V., & Prater, E. L. (2006). Outsourcing effects on firms' operational performance. *International Journal of Operations & Production Management*, 26(12), 1280-1300. doi:10.1108/01443570610710551
- [18] Johns, N., & Lee-Ross, D. (1996). Strategy, risk and decentralization in hospitality operations. *International Journal of Contemporary Hospitality Management*, 8(2), 14-16. doi:10.1108/09596119610111677
- [19] Kremic, T., Icmeli Tukel, O., & Rom, W. O. (2006). Outsourcing decision support: a survey of benefits, risks, and decision factors. *Supply Chain Management: An International Journal*, 11(6), 467-482. doi:10.1108/13598540610703864
- [20] Lamminmaki, D. (2005). Why do hotels outsource? An investigation using asset specificity. *International Journal of Contemporary Hospitality Management*, 17(6), 516-528. doi:10.1108/09596110510612158
- [21] Pratap, S. (2014). Towards a framework for performing outsourcing capability. *Strategic Outsourcing: An International Journal*, 7(3), 226-252. doi:10.1108/so-04-2014-0004
- [22] Sim, M. (2010). The intangible costs of human-resource outsourcing. *Human Resource Management International Digest*, 18(6), 3-4. doi:10.1108/09670731011071656
- [23] Škare, M., Soriano, D. R., & Porada-Rochoń, M. (2021). Impact of COVID-19 on the travel and tourism industry. *Technological Forecasting and Social Change*, 163, 120469.
- [24] Zhu, Z., Hsu, K., & Lillie, J. (2001). Outsourcing – a strategic move: the process and the ingredients for success. *Management Decision*, 39(5), 373-378. doi:10.1108/eum000000005473.