

# The Positive and Negative Impacts of Outsourcing

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**Abstract**—This research paper was aimed to find out the key factors of positive and negative impacts of outsourcing in implementing customer relationship management successfully in different hotels in Bangkok, Thailand. This was a case study of 400 hotel employees in Bangkok, Thailand. The population of this study included all hotel employees who were working in hotels around Bangkok area during the first quarter of 2016. Based on 400 respondents who answered the questionnaire, the data of their opinions was collected. Mean and Standard Deviation were utilized in analyzing the data. The findings revealed that the average mean of positive factors was 4.55, with 0.744 of standard deviation and the average mean of negative factors was 4.32, with 0.984 of standard deviation.

**Keywords**—Positive Impacts, Negative Impacts, Outsourcing, Hotels.

## I. INTRODUCTION

OUTSOURCING is an increasing important technique for modern company to be successful to reduce costs and time in the globalization. In fact, outsourcing happens when a company or organization purchases products or services from an outside supplies rather than choosing to perform the same tasks, duties, or works within its facilities or factory, the idea or the reason is mainly to reduce cost and time as well as to increase standard of quality (Biggs, 2000). Outsourcing is considered as a very successful technique for reduce cost and time, therefore, the method becomes an increasingly popular to many organization to implement as a new management strategy (Koszevska, 2004). Outsourcing is a new way of management in the modern ways of globalization to utilize a networks by adopting modern management in responding business units' requirement of enhancing competitiveness and considered the most powerful manpower management that can be implement faster than to produce the same products or services by its own organization (Tracy and Wierseman, 1995) (Jones and Sasser, 1995) (Sharp, 1997). Therefore, the decision is like to make or to buy, this means outsourcing is one of the major decisions that many modern organizations have to pay heed on this decision (Foxman, N. 1994). Hotel business is a service business and it is now have to consider this important decision as well. Outsourcing is nowadays the most popular management applied in many industries around the world both household production and services (Shy & Stenbacka, 2003). However, there are a need to understand the cost and benefits or the advantages or disadvantages of outsourcing in Thailand towards hotel and service management. Moreover, costs and

benefits of outsourcing of hotel business in Thailand is still confined within a small group of hotels context rather than a whole industry or the whole economic system. Today, the costs and benefits of outsourcing has been studies and investigates in many countries in ASEAN Economic Community under the concept of economic integration, with the notion that economic integration will facilitate ASEAN Economic Community to be a single large market and large network of production in order to gain higher competitive advantages over other nations and other regions, to attract substantial more intra-regional investments and trading, and for each member nation to have high capability in creating more quality products and services with lower cost and be able to delivery on time. The major advantage of outsourcing is a reduction of costs such as raw material costs, set up costs, production process costs, inventory costs and labor costs, resulting in reduced of overall production costs. Without this major benefit, there is no use of utilizing outsourcing. Moreover, the promotion of understanding outsourcing between countries in ASEAN Economic Community will be mutual benefits to all member nations. However, the researcher is interesting in investigating and examining the positive and negative impacts of outsourcing in the hotel business service in the areas of Bangkok, Thailand.

## II. LITERATURE REVIEW

In general, many researchers have stated that there are many benefits, or many advantages, or many positive impacts of outsourcing included low cost of production, reduce the production time, low investment in building the facilities, no need for training and legal problems with labor forces, and have more time to focus on other things. On the other hand, there are also many costs, or many disadvantages, or many negative impacts of outsourcing included risk of losing technology and many company confidential data, many other hidden cost from outsourcing, and so forth (Katz-stone, 2000). In fact, Outsourcing is the way to have an operation of shifting a production of goods and services to external suppliers by utilizing the benefits of a long term contract (Quelin & Duhamel, 2003). Outsourcing originated in America, then the benefits of outsourcing outweigh the costs of outsourcing, therefore, this form of outsourcing innovation spread to all over the world very quickly in a few decades (Vining & Goberman, 1999). Certainly, the success of many firms in terms of financials and quality of production came from mainly the high competitiveness of outsourcing (Gilley & Rasheed, 2000). At present, many service business such as hotel, airline business, restaurant, and accommodation business have adopted outsourcing policy in many business units of their industries with an aims that outsourcing is a significant

mechanism in enhancing business core competency and reducing both time, and costs, while protecting businesses from seasonal uncertainties due changing globalization (Wells, 1996). The fact is that outsourcing can economically benefits to hotel businesses in various ways, it is vital to discuss, or to debate about the negative and positive impacts of outsourcing in details.

In hotel business, there still are many discussions, and debates that outsourcing causes some hidden costs and some problems such as issues concerning quality of finished goods and services, late delivery of goods and services, and standard of knowledge and skills of labors. Outsourcing in hotel business has apparently been viewed appropriate for particular positions such as security guard, housekeeper and cleaner and messenger.

### III. METHODOLOGY

The purposes of this research paper were to investigate and examine the key factors of positive and negative impacts of outsourcing in implementing customer relationship management successfully in different hotels in Bangkok, Thailand. This was a case study of 400 hotel employees in Bangkok, Thailand. The population of this study included all hotel employees who were working in hotels around Bangkok area during the first quarter of 2016. A Likert scale questionnaire was developed as the research tool. Based on 400 respondents who answered the questionnaire in detail of three parts, the data of their experiences and opinions was collected. Mean and Standard Deviation were utilized in analyzing the data. This research utilized qualitative methodology. The conceptual framework of this research was demonstrated in Figure I.

### IV. FINDINGS

From table 1, low cost was a major positive impacts to many organizations who used outsourcing. Whenever the technique offer a low cost of production or services to customers, it is considered as good technique and should be used more often. The second impact was risk sharing. This is important to share the risk of investment a huge money on something to the outsourcing who were presumably had more expertise in the area than our company. The third positive impact was to reduce the works of the company and allowed the company to concentrate on customers and how to satisfy their customers. The fourth impact was related with the third impact which means the company will have more time to concentrate on customer and other essential things. The last impact was the ability to deliver the product or service to customer on time, if not the outsourcing will bear costs and the responsibility to customers.

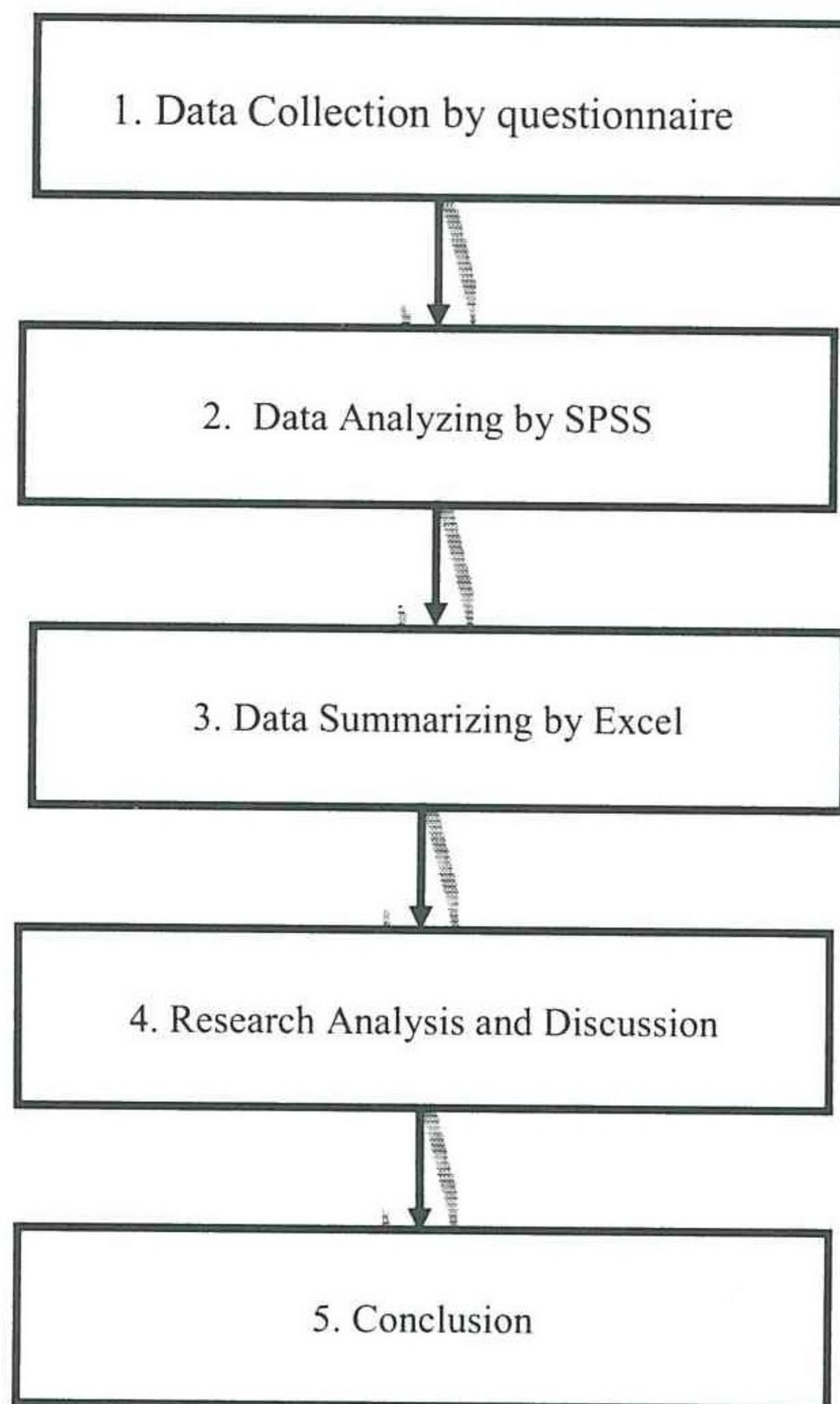


Figure 1. Five Steps of Research Process

TABLE I  
IMPORTANCE OF POSITIVE IMPACTS

	Mean	S.D.	Rank
1. Low cost	4.67	0.564	1
2. Risk sharing	4.64	0.949	2
3. Work reduced	4.44	0.700	3
4. More times	4.36	0.985	4
5. On time	4.33	0.952	5

TABLE II  
IMPORTANCE OF NEGATIVE IMPACTS

	Mean	S.D.	Rank
1. Risk confidential lost	4.77	0.884	1
2. Hidden cost	4.69	0.893	2
3. Lack of experts	4.34	0.981	3
4. Lack of customer focus	4.32	0.851	4
5. Imitation goods	4.31	0.845	5

From table 2, the first negative impact was the fear of high risk of confidential information and technology loss to outsourcing and then competitors in the long run. The second negative impacts was the fear of too many hidden costs such as poor quality of products, overestimated costs of material, any uncertainty and expected costs on the process. The third impact was that the outsourcing used at the beginning may not have the real expert and it needs a

few years to learn to work with each other effectively. The fourth negative impacts was the fear of lack of direct customer focus from the outsourcing since it often produces in a massive quantity. Finally, the negative impact which often happen to many firms who uses off shore outsourcing was that there would be an imitation goods and services everywhere due to the loss of confidential information and confidential customer focus.

#### V.LIMITATIONS AND FUTURE STUDIES

In this research, only same size of hotels in Bangkok in Thailand was surveyed, both outsourcing and production companies, were selected as the sample group by using random sampling method. Similar research may be conducted with hotels of other business sizes, as well as in other locations. Further studies for development of the negative and positive impacts of other outsourcing models can also be carried out to give different contributions to business competitiveness of companies in Thai hotel and service industry.

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