

ABSTRACT

This research aims to critically evaluate the application of Transaction Cost Economics theory (TCE) to outsourcing decisions in the hotel industry in Thailand. The main themes of the research involve developing an outsourcing theoretical framework from the TCE perspective and then testing the framework. Mixed methods are used as the research methodology, to investigate six different outsourced activities – restaurant, laundry (guests), laundry (hotel), guest transportation, security, and bedroom servicing/cleaning. These were selected to ensure some activities were profit-generating and some not, customer-facing or not, and different levels of investment. In order to develop the appropriate theoretical framework, the relevant literature is reviewed. This is combined with the results of a qualitative study involving critical incident technique interviews with 22 hotel managers in Thailand, leading to 64 separate sourcing incidents for analysis. The findings of the first study verify the initial conceptual framework and identify a number of additional new variables which give rise to the hypotheses. The hypotheses are then tested by an industry-wide postal survey to 391 hotel managers in Thailand.

The results indicate that TCE does not provide sufficient explanation for outsourcing in the hotel industry in Thailand due to the differences in the environments surrounding the industry compared to those in developed countries. A key factor for this is the shortage of competent suppliers in local markets. Significant factors that influence outsourcing in this study include supplier availability, location of hotel, hotel experience, level of profit of the activity and size of hotel/activity. In addition, the findings show that each activity under study is influenced by a different mix of factors.

The research makes a number of academic contributions. Firstly, it provides an informed outsourcing framework to the literature with new variables identified. Secondly, it introduces the critical incident technique to outsourcing research. Thirdly, it proves that TCE is of little use in explaining outsourcing in an economy that lacks supplier competition and confirms that TCE needs to investigate both direct and indirect effects. The results also provide practical guidance to the hotel managers in Thailand when making outsourcing decisions. They are advised to carefully evaluate the contractors and form outsourcing committees to examine outsourcing practices. The government is also advised to create programmes and incentives to support the development of industries to support the hotel sector, in order to provide the quality services needed by hotels in Thailand.