Convention Services Manager’s Perception of the Strategic Outsourcing for Convention Services

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ABSTRACT

The purpose of this study is to capture the CSM’s perspectives and specific observations on benefits and risks of outsourcing. This study determines which convention service the convention departments outsource most. Existing CSM’s perception towards the main advantages and disadvantages of outsourcing is explored as well. Since this study is the first to examine the characteristics of outsourcing benefits and risks perceived by CSMs, it will discover the elements of outsourcing benefits and risks that are not included in the management literature concerned with outsourcing advantages and disadvantages.

The process of reflection and interaction with experts on this topic demonstrated the potential for development of new knowledge in this important field of study. The results of the study will contribute valuable information to the limited convention management literature. Based on the results of this study, an awareness of the issue of outsourcing convention services assists the CSMs in considering outsourcing options and helps the outside providers in meeting the CSMs’ expectations. When an organization evaluates outsourcing strategically in terms of outsourcing benefits and risks, outsourcing can be successfully implemented as an effective management tool. In conclusion, despite the importance of the results in this study, future research is necessary to eliminate the limitations stated in this study.

Keywords: Outsourcing, Convention Services, Convention Services Manager

I. INTRODUCTION

Convention service management within the hotel sector has received much attention in the hospitality industry. Conventions are a major contributor to the increase in hotel revenues. The Convention Industry Council (CIC) presented the most current findings of the economic impact of the meetings, conventions, exhibitions, and incentive travel industry in the United States. The meetings, conventions, exhibitions, and incentive travel industry generated $122.31 billion in total direct spending in 2004.

The industry’s spending and tax revenue ripple through every sector of the local economy, from
restaurants and transportation to retail stores and other services, while supporting 1.7 million jobs in the United States. It generates more than 36% of the hotel industry’s estimated $109.3 billion in operating revenue, and its attendees account for nearly 17% of the air transportation industry’s operating income. (Convention Industry Council, 2005)

Moreover, outsourcing has become a common strategy in the hotel industry. Many hotels combine and utilize the specialized resources of outside agents (Klein, 1999). Common areas to outsource include food and beverage, parking, housekeeping, landscaping, laundry, and maintenance (Fisher, 2005).

In general, outsourcing is defined as "the procurement of products and services from sources that are external to the organization" (Lankford & Parsa, 1999, p. 310). For services, outsourcing involves transferring operational control to the external suppliers (Lankford & Parsa, 1999). As industry is globalized and customers' demands are increasing, business management becomes more complex. Because the business environment changes daily, predicting such change is difficult. An organization needs to adopt measures to lead to better quality of services and greater flexibility in management. The reality for the future is not whether the organization should outsource but how the organization can best outsource (Bromage, 2000). Outsourcing allows the organization to concentrate on its core competences and to improve its activities (Quinn & Hilmer, 1994).

Many hotels develop strategic relationships with external suppliers which have the necessary expertise to operate certain functions (Lam & Han, 2005). Also, the use of external suppliers has been increasing in convention service management, because they can fill business needs for hotels that require more specialized and often less costly assistance with meeting management functions. In other words, the external supplier is an integral part of convention service management (Connell, Cuffield-Taylor, & Collins, 2002).

Most hotels have in-house suppliers such as catering, security, and technical services which include computer and furniture rentals, electrical installation, audio visual (A/V), and plumbing for meeting and convention. Services outsourced for convention service management can include, but not limited to, destination management company (DMC), registration desk staff, transportation, information system management, entertainment, audio visual, trade show decorators, and florist. A convention services manager (CSM) is in charge of administering contract with external suppliers to provide convention groups with meeting management services (Connell et al., 2002).

The main role of the external suppliers is to provide a wide variety of specialized services to hotels (Connell et al., 2002). Therefore, outsourcing enables organizations to take full advantage of their resources and reinforce their competitiveness (Espino-Rodriguez & Padron-Robaina, 2005). With the increasing trend toward outsourcing of meeting service activities, it is important to analyze the strategy of outsourcing in the field of convention service management within the hotel sector.

"Outsourcing is one of the most important management ideas and practices of the past 75 years" (Bromage, 2000, p.29). While most outsourced services in the past were component manufacture or information systems, many other functions such as human resources, customer services, telecommunications, and security have been outsourced in recent years. Especially in the hotel sector, the concept of service outsourcing has been used more in the area of information systems. Espino-Rodriguez and Gil-Padilla (2005) examined the determining factors in outsourcing hotel information system activities and the reasons of the outsourcing strategy. Although most research adopts a tactical or cost-related approach to explain the outsourcing decision, more recent studies analyze a strategic approach related to concentration on core activities, quality, and improvement of service (Espino-Rodriguez & Gil-