



### Article Title

Factors Influencing Hotel Outsourcing Decisions in Thailand: Modifications to the Transaction Cost Economics Approach

### Citation

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### Abstract

The article aims to examine the effects of variables on outsourcing decisions in the hotel industry in Thailand. It specifically seeks to test and evaluate a theoretical framework that combines transaction cost economics (TCE) factors with additional factors affecting the level of outsourcing that emerged from a preliminary study. There is evidence to suggest that TCE explains outsourcing effectively in developed countries, but it may have less explanatory power in developing economies. Drawing on a sample of 391 hotels, each offering three activities for analysis, the results provide little support for TCE. Supplier availability, hotel experience, and hotel size are the strongest predictors of outsourcing in this study. Furthermore, because the low level of supplier market competition in hotel supporting industries in Thailand does not normally offer more efficiency and lower production cost than in-house operations, as assumed by TCE, the theory fails to provide a clear explanation for hotel outsourcing practices.

### Conclusion

This study examined the effects of factors on hotel outsourcing by drawing on TCE and additional factors identified from the preliminary study. The results showed some support for TCE and mixed support for nontraditional TCE factors. The most dominating factors confirmed in this study were supplier availability, hotel experience, and hotel size. But probably the most significant finding of this research is the relative failure of this modified TCE model to explain outsourcing in the hotel industry in Thailand. This is despite the fact that it incorporated seven new factors that were derived from discussions with hotel operators. Given the results of previous TCE studies, it would seem that this is either to do with the business environment (i.e., Thailand) or the sector under investigation (i.e., hotels)