Human Resource Management and Knowledge Transfer in Australian Subsidiaries of MNE’s Operating in the International Hospitality Industry

Roslyn Larkin B.Bus (Hons)

A thesis submitted for the degree of Doctor of Philosophy (Management) at the University of Newcastle, Australia.

Newcastle Business School
Faculty of Business and Law
University of Newcastle
February 2012
STATEMENT OF ORIGINALITY

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

Signed...........................................................................
ACKNOWLEDGEMENTS

While the completion of a doctoral thesis requires dedication, commitment and stamina from the PhD candidate, a successful outcome is often facilitated through the ongoing contributions of others. These contributions must therefore be given due acknowledgement.

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<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ACT</td>
<td>Australian Capital Territory</td>
</tr>
<tr>
<td>ANZSIC</td>
<td>Australian and New Zealand Standard Industrial Classification</td>
</tr>
<tr>
<td>ANZSP</td>
<td>Australia, New Zealand, South Pacific</td>
</tr>
<tr>
<td>ATSA</td>
<td>Australian Tourism Satellite Account</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CHR</td>
<td>Centre for Hospitality Research (Cornell)</td>
</tr>
<tr>
<td>CoPs</td>
<td>Community of Practice(s)</td>
</tr>
<tr>
<td>DEST</td>
<td>Department Education, Skills &amp; Training</td>
</tr>
<tr>
<td>DEWR</td>
<td>Department of Employment &amp; Workplace Relations</td>
</tr>
<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
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<tr>
<td>EPG</td>
<td>Ethnocentric, Polycentric, Geocentric</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GM</td>
<td>General Manager</td>
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<tr>
<td>GSM</td>
<td>General Site Manager</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquarters</td>
</tr>
<tr>
<td>HCN</td>
<td>Host Country National</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
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<td>HRD</td>
<td>Human Resource Development</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>HRS</td>
<td>Human Resource Staff</td>
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<tr>
<td>ICH</td>
<td>Inter-Continental Hotels</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technologies</td>
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<td>IHA</td>
<td>International Hotel Association</td>
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<td>IHRA</td>
<td>International Hotel &amp; Restaurant Association</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>IJV</td>
<td>International Joint Venture</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>JV</td>
<td>Joint Venture</td>
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<tr>
<td>KPO</td>
<td>Key Performance Objective</td>
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<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
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<tr>
<td>NIH</td>
<td>Not Invented Here (Syndrome)</td>
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<tr>
<td>NSW</td>
<td>New South Wales</td>
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<tr>
<td>PCN</td>
<td>Parent Country National</td>
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<tr>
<td>PM</td>
<td>Performance Management</td>
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<td>RSM</td>
<td>Regional Senior Manager</td>
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<tr>
<td>SARS</td>
<td>Sudden Acute Respiratory Syndrome</td>
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<tr>
<td>SCA</td>
<td>Strategic Competitive Advantage</td>
</tr>
<tr>
<td>SECI</td>
<td>Socialization, Externalization Combination &amp; Internalization (Nonaka &amp; Takeuchi 1995)</td>
</tr>
<tr>
<td>TAFE</td>
<td>Technical and Further Education</td>
</tr>
<tr>
<td>TCN</td>
<td>Third Country National</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
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<tr>
<td>U.K</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organisation</td>
</tr>
<tr>
<td>U.S.A</td>
<td>United States of America</td>
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CONFERENCE PAPERS PUBLISHED FROM THIS RESEARCH

Larkin, R, and Burgess, J. ‘HR Practices and the Knowledge Transfer Process in MNEs: The role of employee status and positioning within the organisation’. Cornell Hospitality Quarterly. (Under review)


ABSTRACT

The objective of this thesis was to examine the influences of Human Resource Management (HRM) practices on knowledge transfer between Australian subsidiaries of an International hotel chain. Generally, the research enabled understanding of the organisations commitment to knowledge transfer within and between its subsidiaries, the organisations use of knowledge transfer mechanisms including Information Technology Communication systems and socially constructed mechanisms, and the effects of HRM practices on each within the context of the organisations strategic and operating environments. The research used Gupta and Govindarajan’s (2000) knowledge transfer dimensions to establish a framework for analysis thereby incorporating both motivational and ability aspects of knowledge transfer behaviours.

The research used a qualitative, single complex case study approach which was chosen due to its ability to capture both human and situational influences impacting on the social phenomena. This approach was called for by commentators, for example Litteljohn (1997) in order to capture the complexity of the increasing internationalisation and geocentric nature of the hotel sector. Refer to Appendix 1 for the ‘mix’ of research constructs investigated in this study. Data collection involved interviews with 32 respondents from 3 primary groups. These were regional or executive management, site or hotel general managers and site, regional or state regional HR staff and managers.

Primarily, the findings demonstrated that a number of HR practices clearly influenced knowledge transfer across the organisations subsidiaries. Further, most practices were identified as influential to knowledge transfer across a number of dimensions. In many cases however, the key factor separating the influences was the actual transfer mechanism, that is, either Information Technology Communications or social systems. In all cases, the usefulness of the HR practice was either further facilitated or moderated by the organisations contextual factors and decision making processes, many of which were as a result of the decentralised HR system.

Aside from the findings that were established through the application of the framework, this study offers additional insight across a number of areas as a
consequence of the research. These findings included the need to consider the effect of HR practices on knowledge transfer as an interrelated system of practices, the potential negative effects of the organisations competitive or market strategy on knowledge transfer outcomes, and the requirement for purposeful integration of both knowledge transfer mechanisms when seeking to understand organisational knowledge transfers.
CHAPTER ONE

INTRODUCTION

1.1 Introduction

The definitive evaluation of the Multinational enterprise (MNE) as constituting a ‘bundle of knowledge’ “is now so widely accepted as to have become almost axiomatic” (Gupta & Govindarajan 2000, p. 473). That is not to say that an MNE does not have physical and human capital but rather, is increasingly viewed in its capacity to exploit intellectual capital. Knowledge and capabilities created by the subsidiaries must be exploited for the MNE to achieve strategic competitive advantage (SCA) (Almeida & Phene, 2004; Bartlett & Ghoshal, 1989). That is, the knowledge must be transferred throughout the organisation’s vast global network of subsidiaries. The aim of this research is to investigate the human resource management (HRM) practices that act as barriers or facilitators to knowledge transfer between MNE subsidiaries within the context of the international hospitality industry. More specifically, it is proposed that the nature of existing practices has a determining influence on the extent by which knowledge transfer and diffusion occur.

This chapter is structured as follows. The first section will introduce knowledge transfer within the context of the MNE and the key theoretical and practical considerations. This is followed by a brief introduction to the international hospitality industry concluding with an overview of the research questions and the chosen research methodology. The next section will outline the key contributions the research makes to the larger fields of HRM, knowledge transfer and the international hospitality industry. Finally, there is an overview of the ensuing chapters.

1.2 Background to the Research

1.2.1 Conceptualising knowledge transfer in MNEs

The management of organisational knowledge has captured the attention of academics and practitioners worldwide which has become evident through the rapidly increasing research publications over the past ten years. Early investigation into the nature of knowledge transfer produced theories that have, over time, been challenged and built upon in an attempt to further understand such forces and the systems that organisations put in place to deal with them. One of the earlier contributions to understanding
knowledge transfer was Cohen and Levinthal (1990) who introduced the notion of absorptive capacity. While the original definition, that is, “the ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128), has been widely recognised for some time, subsequent research has indicated that absorptive capacity is reliant on two distinct although interactive constructs: ability and motivation. While some researchers have focused on the characteristics of knowledge itself (for example, Holste & Fields, 2010; Newell, Robertson, Scarbrough & Swan, 2009; Nonaka & Takuechi, 1995), others have considered the mechanisms by which knowledge transfers throughout the organisation (Cohen, 1998; Davis, Subrahmanian & Westerberg, 2005). Yet others have concentrated on the dyadic exchanges between knowledge partners (Darr & Kurtzberg, 2000; Lane & Lubatkin, 1998; Lyles & Salk, 1996; Szulanski, 1996). All of these studies, however, are based on a fundamental premise that in order for knowledge transfer to occur then absorptive capacity must be present; that is, the receiver can decode and understand the knowledge.

Gupta and Govindarajan (2000) developed a framework for analysis that considered organisational predictors of knowledge transfer offering absorptive capacity and motivational constructs from the perspective of both knowledge senders/receivers and knowledge transfer mechanisms. Key to the findings was the inability to adequately support predictors of motivational disposition to share knowledge. This may be due to variables not yet examined. It has led researchers (for example, Lee Williams & Yin 2006; Minbaeva, Pedersen, Bjorkman, Fey & Park, 2003) to investigate organisational practices, such as HRM systems, in order to establish linkages between the HR system and its role in the development of the ability and motivation necessary to achieve absorptive capacity and consequently positively influence levels of knowledge transfer. Indeed, the findings of Gupta and Govindarajan’s (2000) study, and those of Minbaeva et al. (2003) and Lee Williams and Yin (2006), have been the key influence to this research. As a result, and focusing on this line of inquiry, this project will investigate human resource management practices and their impact on knowledge transfer between subsidiaries of MNEs operating within the Australian hospitality sector.

1.2.2 The hospitality sector: International and Australia

Internationalisation of the hospitality industry has been occurring in various ways for over 200 years; although it wasn’t until the end of the Second World War that increased
consumer mobility and cheaper air travel pushed the larger players to increase their
global presence across multiple continents (Barge, 1993). Considered as one of the
fastest growing industries globally, hospitality has demonstrated wide-ranging
resilience; for example, economic downturns, geological events (such as tsunamis and
earthquakes) and volatile aviation fuel prices that have been responsible for creating
polarised demand patterns (UNWTO, 2011). In Australia in 2010, the industry
employed in excess of 760,000 and contributed 5% to Australia’s GDP (ABS Cat. No.
5206).

The competitiveness of the industry, combined with the seasonality of employment
demands and its vulnerability to external influences, explains an organisational
orientation towards adopting a cost driven strategic focus (Knox, 2008; Timo &
Davidson, 2005). As a result of these pressures the industry adopts a flexible approach
to HRM exhibiting mainly industry-specific employment characteristics. For example,
the industry relies on a contingent workforce, and while there are a number of skilled
occupational groups, just under 56% of employees possess lower than average post-
school qualifications. Remuneration is significantly less than other Australian industries
(ABS Cat. No. 6302.0). Voluntary turnover for both operational and management
employees cost the Australian industry 19.5% of total payroll costs ($49 million) in
2006 according to Davidson & Timo (2006). This is a significant figure considered by
the International Labour Organisation (2001) to be unsustainable in the long term. In
addition, it is widely held (Davidson & Timo, 2006; Iverson & Deery, 1997; Taylor &
 Walsh, 2005) that the industry has been slow in providing human resource development
and largely fails to provide sound career structures (ILO, 2001).

The recent internationalisation of large hotels, however, has demonstrated a response to
the inherent human resource issues plaguing the industry. With the growing recognition
of the need for continued innovation, these large players have recognised the human
aspect as a key to achieving strategic competitive advantage through offering more
sophisticated HRM practices that facilitate employee involvement and motivation
(Verma, Anderson, Dixon, Enz, Thompson & Victorino, 2008). Furthermore, the
operating context of the international hotel is recognised as particularly complex
(Knowles, 2004), presenting additional challenges to the successful implementation of
new HR practices that will provide an enabling environment for innovation and a
consequent competitive advantage.
Drawn from the above discussion, the primary research question is:

- Within the context of the hospitality MNE, how do human resource management practices affect knowledge transfer?

In order to investigate this, a number of questions will drive the research. These are:

1. **How is knowledge transferred within and between hospitality MNE subsidiaries and/or Headquarters?**
2. **How are organisational processes used to facilitate knowledge transfer within and between hospitality MNE subsidiaries and/or Headquarters?**
3. **How are organisational practices aligned with the strategic objective to facilitate knowledge transfer within and between hospitality MNE subsidiaries and/or Headquarters?**
4. **How do HRM practices influence the successful transfer of knowledge between hospitality MNE subsidiaries and/or headquarters?**

In response to the last question the Gupta and Govindarajan (2000) framework will be utilised as a platform for analysis, that is: How do HRM practices influence the knowledge transfer dimensions of:

- **The value of the source unit’s knowledge stock?**
- **The motivation to share knowledge?**
- **The richness of the transmission channel?**
- **The motivation to receive knowledge?**
- **The absorptive capacity of the receiving unit?**

### 1.3 The Research

There is an overwhelming supply of quantitative questionnaire survey-based research into both the knowledge transfer field and the hospitality industry. This indicates a need for qualitative case study analysis that will provide a deeper understanding of the characteristics of the players and the organisation systems as they exist in their social context (for example, Johns, 2005; Thompson, 2007). Therefore, this study will begin to bridge the gap by undertaking a qualitative case study approach.

According to Yin (2002, p. 5), the applicability of the research strategy depends largely on the following three conditions: first, “the type of research question posed”; second,
“the extent of control an investigator has over actual behavioural events”; and third, “the degree of focus on contemporary as opposed to historical events”. Applying this framework, Yin (2002, p. 6) suggests that when seeking to answer questions such as how and why, qualitative case study analysis is preferred as the questions “deal with operational links needing to be traced over time, rather than mere frequencies of incidence”, which are largely applicable to quantitative analysis. Additionally, a case study is the preferred strategy when investigating “contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 2002, p. 13) and when the researcher has no control over the events.

This research uses a single intrinsic case study approach. That is, it researches a single organisation that is complex and operating across a number of contexts. According to Stake (2000) the complex case study investigates subsections and groups and requires research based on a holistic view in order to capture the human dilemmas and situational influences that impact social phenomena.

Clearly there are recognised limitations to the use of qualitative case study research. Central to the debate is the issue of generalisability of conclusions. Even so, the qualitative case study is considered suitable for this research as it is not intended to provide a statistical sample of a population but rather a generalisation in respect to theory (Yin, 1989).

1.4 The Contribution of the Research

As indicated, the theme of this research is to understand relationships between human resource management practices and knowledge transfer within the context of the international hospitality industry. Here, HRM practices are viewed as a strategic mechanism that potentially provides a bridge between MNE’s vast knowledge resources on the one hand and the desired outcome of exploitation of the knowledge resources on the other. In other words, if we developed an idealised static depiction of the research, we would see the organisation as having vast knowledge bases in its current state to being an organisation that exploits the knowledge for organisational purposes in its preferred state. Indeed, the following chapter provides an in-depth discussion on both the MNE as a vast knowledge enterprise and the factors involved in the organisation’s utilisation of that knowledge. This discussion, however, while establishing a useful platform for the research, does not by itself establish the central thesis. Rather, the
principal motivation for the research is to further understand the dynamic forces and constraints operating between the two states found in the form of human resource management practices.

While established within an international business environment, and respondent to the knowledge transfer paradigm, the implications of the research are contained within the principles of strategic human resource management. That is, the potential positive or negative implications for the organisation when human resource management practices interplay with a strategically focused knowledge transfer system.

1.5 Organisation

As an introduction to the increasing academic and practitioner interest into knowledge driven organisation’s, Chapter 2 primarily establishes the contemporary MNE as a global network whose primary existence is due to its ability to exploit its vast knowledge resources. Drawing from the primary fields of literature the chapter recognises the existence of tacit and explicit forms of knowledge and the wide debate surrounding the conversion of one to the other. It is here, also, that content and relational schools of knowledge and its transfer are widely discussed. Moving on to the characteristics of knowledge transfer, the chapter then exposes the inconclusive evidence of earlier investigations into the primary constructs and establishes the framework through which analysis for this research will take place. Finally, the chapter discusses the limited literature on the role of HRM practices toward knowledge transfer and the supportive evidence to date.

Chapter 3 introduces the international hospitality industry. Industry characteristics are exposed and considered in terms of the increasing internationalisation of the large chain hotel companies. The companies are afforded a contextual analysis identifying common trends between the internationalisation patterns and the structures of the largest industry players. Finally, current HR characteristics of hotel MNEs are examined on their ability to facilitate realisation of strategic competitive advantage.

Chapter 4 rationalises the use of an inductive qualitative case study as the preferred research methodology for this project. Starting with research design and strategy, the chapter further identifies the complex nature of international hotel operations and pinpoints several complexities associated with researching these organisations. Additionally, the chapter presents a critical discussion regarding data collection and data
analysis to arrive at the best approach for research of this nature. Finally, the limitations of the chosen methodology and strategies to avoid them (such as data triangulation) are discussed within the context of the research framework.

Chapter 5 situates the case study organisation, Emencorp (pseudonym), within the wider industry picture. That is, the chapter identifies Emencorp as a large global player that has undertaken a similar route to internationalisation as others of its kind. In addition, Emencorp is recognised as having a dedicated global HR system and HR practices aligned with the organisation’s overall strategic objectives. Finally, the chapter identifies Emencorp’s global commitment to knowledge transfer and concludes with a discussion regarding the organisation’s suitability for this research.

Chapter 6 offers an analysis of knowledge transfer in Emencorp through information communication technology (ICT). As part of the analysis, the organisational context is brought to bear in order to determine the effects of the operating context on the knowledge transfer environment. The chapter concludes with an application of the Gupta and Govindarajan (2000) framework to identify with, and to assess, the facilitating and moderating contextual factors on ICT knowledge transfer.

Chapter 7 mirrors Chapter 6 by providing a comparable analysis on the social mechanisms for knowledge transfer. Again, the organisation’s contextual factors are brought to bear as they are considered as facilitating or moderating forces. Similarly, the chapter concludes with an application of the analytical framework to assess the overall impact of knowledge sharing behaviours through the organisation’s social systems.

Chapter 8 provides an analytical account of HR practices’ effects on knowledge transfer in Emencorp. The practices discussed were derived from the analysis and discussion in the previous three chapters and are applied once more against the analytical framework. In so doing, the chapter identifies HR practices as being either explicitly identified by the organisation and directly linked with knowledge sharing behaviours (emergent as a result of organisational context), or longer term through their support of a knowledge sharing culture.

Chapter 9 concludes with an overview of the key research findings. Initially the findings are presented as applied to the analytical framework within the context of the organisation. Following is recognition of additional findings not directly relevant to the framework but important in terms of knowledge sharing for MNEs and knowledge
sharing within international hotels, thereby supporting the contribution of the research to knowledge. The chapter concludes with a brief discussion of the overall limitations of the findings and additional areas considered important for future research.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter locates the research questions within the wider research context. To do so, it is necessary to review the literature across a number of fields including: internationalisation and multinational organisations; knowledge and learning; knowledge management; knowledge transfer; social and network theories; and finally HRM within the knowledge management/transfer environment. The chapter is organised as follows:

- First, a brief review of the evolution of the MNE. This provides a critical starting point by supporting the notion that the contemporary MNE is a vast network of diverse units, potentially resource-rich but consisting of complex relationships and communication channels. This section establishes the consideration of the MNE subsidiary as vital to research and organisational strategy.

- Second, during the last two decades, there has been recognition that the knowledge contained within an MNE is an increasingly important factor in achieving a strategic competitive advantage. Broadly, this section considers the relationships between individually held knowledge and the creation of organisational knowledge. It further considers the primary factors surrounding the notion of “knowledge management” through a comparison of Eastern and Western philosophies. Within each framework, the knowledge management constructs discussed include: type of knowledge, storage of knowledge, and transfer of knowledge.

The following section directly addresses knowledge transfer in multinational organisations. It reviews the key literature to date in order to establish an analytical framework that will be applied throughout the following chapters. It begins by considering factors affecting knowledge transfer generally before providing discussion on the research concerning the effects of human resource management practices on knowledge transfer to date. The chapter concludes with the theoretical and contextual factors influencing the direction of the research.
2.2 Conceptualising the MNE

Over time, there have been numerous debates over exactly what characteristics are necessary for an organisation to be multinational. (For example: Bartlett, 1983; Johanson & Vahlne, 1997, 2001; Welch & Luostarinen, 1998; Welch & Pacifico, 2001; Young, 2001). This section initially considers some of the earlier themes of the debate and then extends the discussion to include more contemporary views. Key to this section is the recognition that while there remains definitional debate, there is a high level of consensus that the contemporary MNE is a complex diverse organisation requiring very different methods of control and coordination than its earlier forms.

Perlmutter’s (1969) analysis provides an evolutionary profile of the MNE until the late 1960s, which began with the identification of various “yardsticks” by which executives of firms with extensive overseas holdings previously measured their level of multi-nationality. Using direct quotes by the executives it is apparent that each, while similarly arguing that their organisation was truly multinational, described different criteria to support their claim. For example, one respondent relied on levels of ownership, while a second suggested that they were truly multinational due to the adoption of a worldwide product division structure stretching across four continents. Yet another claimed that they were multinational in accordance with the diversity of nationalities within their senior executive ranks, while another suggested that high levels of overseas investment defined their multinational status.

The inconsistencies contained within the descriptions led Perlmutter to draw two key conclusions. First, the adoption of single criteria to define multi-nationality is insufficient. Second, although useful, quantifiable measures cannot accurately provide clear definition. Rather, Perlmutter suggests, it is “the orientation toward ‘foreign people, ideas, resources’ in headquarters and subsidiaries, and in host and home environments, [that] becomes crucial in estimating the multi-nationality of a firm” (1969, p. 11). Therefore, Perlmutter concluded that it is the primary attitudes of the executives that produce the identifiable measures. Perlmutter investigated the role that headquarters prescribes to the subsidiaries through the construction of a framework based on three key attitudes comprising ethnocentric, polycentric and geocentric (EPG) orientations.
Perlmutter’s “ethnocentric” or “home country” orientation distinguishes the organisation as being highly complex within the home country but simple in the subsidiaries. Additionally, authority and decision making are retained by headquarters with the communication of commands or advice exhibiting a one-way directional flow from headquarters to subsidiaries. The nationality of the organisation is clearly identified throughout all foreign holdings. Perlmutter contends that while not directly expressed, the following view would be exhibited by executives demonstrating an ethnocentric attitude:

We, the home nationals of X company, are superior to, more trustworthy and more reliable than any foreigners in headquarters or subsidiaries. We will be willing to build facilities in your country if you acknowledge our inherent superiority and accept our methods and conditions for doing the job. (1969, p. 11).

While the view of the ethnocentric firm is largely held as consistent with the earlier forms of internationalisation, Perlmutter (later supported by Hedlund, 1986) argues that there remains a level of ethnocentrism in all international firms regardless of their evolutionary status.

Perlmutter’s second identified attitude, “polycentrism”, suggests a “host country orientation”. In this form, the organisation exhibits independency of the subsidiaries whereby decision-making and control are determined locally. Communication flows are limited between both headquarters and subsidiaries and between subsidiaries themselves. Further, the polycentric organisation is identified by the nationality of the host country rather than the owner. Again, while not directly expressed, Perlmutter suggests the attitudes of executives in the “polycentric” organisation would be akin to the following:

Let the Romans do it their way. We really don’t understand what is going on there, but we have to have confidence in them. As long as they earn a profit, we want to remain in the background. (1969, p. 13).

The polycentric attitudes of management were held to be apparent in the “second wave” of internationalisation attributed to the 1950s–1960s era. Perlmutter and other recent researchers (for example, Hedlund, 1986) have suggested that this form was starting to resemble an organisation more multinational in focus. However, the
nationally distinct subsidiaries created a “virulent ethnocentrism among the country managers” (Perlmutter, 1969, p. 13), and the lack of coordination and integration with headquarters suggested that this form was not a true form of multinational enterprise.

Perlmutter’s third orientation “geocentrism” identified with the concept of “world orientation”. Analysis suggests that within this form the organisation has become increasingly more complex and interdependent. There is a distinct collaboration between headquarters and subsidiaries, and communication flows both ways (vertically), and between subsidiaries (horizontally). Additionally, products know-how, money and people flow in increasingly complex patterns significantly different to the ethnocentric firm where flows are from core to periphery. The company itself is identified as a truly international company, one that also identifies with the interests of the national. The attitudes of executives in the geocentric organisation would be reflected as thus:

While I am paid to defend our interests in this country and to get the best resources for this affiliate, I must still ask myself the question “Where in the world (instead of where in my country) should we build this plant?” (1969, p. 14).

At the time of writing (1969), Perlmutter suggests that while the geocentric form is still rare, and that obstacles to the realisation of the geocentric firm are evident, organisations will be forced to make a decision of whether to grow or decline. If growth is the desired path then they will need to mobilize their resources on a world scale. Perlmutter’s view was reflected in the following quote:

I strongly believe that the future belongs to geocentric companies… What is of fundamental importance is the attitude of the company’s top management. If it is dedicated to “geocentrism” good international management will be possible. If not, the best men of different nations will soon understand that they do not belong to the “race des seigneurs” and will leave the business. (Perlmutter, 1969, p. 16).

While Perlmutter’s analysis provided a values-based platform from which to view the multinational, others (for example: Bartlett, 1981, 1984; Bartlett & Ghoshal, 1986; Chandler, 1980; Doz & Prahalad, 1980, 1986; Dunning, 1977; Hedlund, 1986;
Johanson & Vahlne, 1977; and later, Birkinshaw & Morrison, 1995; Jarillo & Martinez, 1990) began emphasising the changing nature of the MNE structure suggesting that the MNE can no longer be accurately depicted as hierarchical, and therefore further importance should be placed on understanding the MNE subsidiary. These debates led some (Bartlett & Ghoshal, 1986; Hedlund, 1986) to challenge the previously held assumptions surrounding the MNE and to begin to reconceptualise the MNE model.

Drawing from the work of others (for example: Bouvier, 1984; Koestler, 1978; Ogilvy, 1977), Hedlund argues that the hierarchy convention is abstruse and that although “many authors hail hierarchy as the dominant or even only stable form of organization of human as well as other systems… [there is some] support to the view that hierarchy to a large extent is in the eye of the beholder” (Hedlund, 1986, p. 10). While not entirely discounting the presence of some hierarchical form, Hedlund also argues that the hierarchical model is unable to capture the complexity of the MNE. Therefore, Hedlund’s argument positions the MNE as consisting of more “complex networks where vertical and horizontal connections intertwine” (1986, p. 11). In an attempt to provide understanding of the increasingly intricate nature Hedlund offers the following:

It is as if the sight of the foliage of the entwined branches in a forest made us forget that the branches originate in separate trees. The trees are vertical structures. The meeting points of branches from neighbouring trees form horizontal networks at several levels. Without the trees there could be no entwining, and no network. Without the networks each tree would be isolated and there would be no integration of functions. Arborization and reticulation seem to be complementary principles in the architecture of organisms. In symbolic universes of discourse arborization is reflected in the “vertical” denotation (definition) of concepts, reticulation in their “horizontal” connotations in associative networks. (Koestler, 1978, as cited in Hedlund, 1986, p. 11).

Hedlund argues that while useful, Koestler’s “tree metaphor” depicted above is not fully reflective of the contemporary MNE as it fails to include concepts of social organization whereby “any given unit may be a member of several (emphasis in
original) systems” (1986, p. 11). The view of the MNE as being a “social community” was further supported in later research by Kogut and Zander (1993) and is discussed in much more detail further on. Additionally, while acknowledging that older concepts and theories employed to understand global strategy can still be usefully applied, Hedlund argues that the emergent form of the MNE surpasses the notion of Perlmutter’s geocentric form both strategically and structurally. Rather, the newly emerged form of the MNE reflects that of an “heterarchy” (see characteristics in the table below), which is strategically distinguishable from the geocentric model by its ability to “exploit competitive advantages derived from a home country base on the one hand, and actively seeking advantages originating in the global spread of the firm on the other” (Hedlund, 1986, p. 20).

Further distinction is made between the heterarchical and hierarchical models in the following ways: first, resources and decision-making are no longer concentrated at the top of the organisation but dispersed throughout; second, relationships and knowledge transfers are depicted according to the horizontal model, that is, between subsidiaries as well as the vertical with HQ; third, the coordination of activities follow “multiple dimensions” (Birkinshaw & Morrison, 1995).

While there is extensive research supporting Hedlund’s notions of the MNE as a heterarchy, support is not universal. For example, Edwards (1998), commenting on findings from his own research and the significant research of others, that is, Leong and Tan (1993), suggests that MNEs remain a hierarchical institution, and that “the heterarchical international company remains more of an ideal than a reality” (Edwards, 1998, p. 701). Edwards continues to develop this theme offering empirical support for the notion that, largely, control is administered throughout the organisation by HQ rather than being dispersed among the subsidiaries as the other forms would suggest.
Table 2.1: Strategic and structural characteristics of the heterarchical MNE

<table>
<thead>
<tr>
<th>Competitive advantage</th>
<th>No longer resides in one country but in many, depicting the MNE to have many centres.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic role of subsidiary</td>
<td>The notions of “headquarters, centre, home country, and corporate level dissolve..., and subsidiary managers are given a strategic role, not only for their own company, but for the MNE as a whole”.</td>
</tr>
<tr>
<td>Coordination</td>
<td>Activities are coordinated across a range of dimensions (i.e., function, geography, product etc.). No one dimension is “superordinate” to the rest.</td>
</tr>
<tr>
<td>Institutional evolution</td>
<td>Continual creation of “new institutional arrangements, in the light of expertise concerning what works best for each specific purpose”, a subset of which is “internalising flows of information, products, and money within the bounds of the firm”.</td>
</tr>
<tr>
<td>Integration control</td>
<td>Rather than integration occurring through bureaucratic regulation, it is largely achieved through normative control.</td>
</tr>
<tr>
<td>Organisational knowledge</td>
<td>Much like a hologram. Information about the whole is contained in each part, allowing the firm to rapidly share information in the interest of the organisation as a whole.</td>
</tr>
<tr>
<td>Metaphor</td>
<td>“Firm as a brain”, in contrast to the “brain of the firm” metaphor, whereby, “thinking is not only restricted to one exclusive center, but goes on in the whole enterprise” (Beers, 1972).</td>
</tr>
</tbody>
</table>

Adapted from Hedlund (1986, pp. 21–27).

While the intricacies of the heterarchy/hierarchy debate remain outside the scope of this research, it must be noted that Hedlund’s argument is not that there is a total absence of the hierarchical model within the MNE, but rather it is no longer the dominant model in its purest form. In support for Hedlund, Birkinshaw and Morrison’s (1995) investigation of 578 MNE subsidiaries operating in 6 countries established that “the extent of lateral linkages observed for all types of subsidiaries is indicative of the multidimensionality and inter-affiliate interdependencies that heterarchy would predict”. This led them to conclude that the unifying concept of the heterarchy is valuable in understanding the contemporary MNE (1995, p. 749).

Further, as research continued to develop away from the traditional hierarchical, headquarters-to-subsidiary relationships, other organisational models were being offered. For example Prahalad and Doz (1987) investigated the MNE as a “multi-focal” institution while Ghoshal and Bartlett (1989) emphasised the “transnational” corporation. A point to note, however, is the commonalities evident among the findings. That is, each model, heterarchy, multifocal and transnational, were all
attempting to describe the ability of the MNE to respond to a dynamic global environment.

In 1989, Bartlett and Ghoshal introduced the concept of the MNE as a “differentiated network”. Underpinning this model is recognition of the diversity of the subsidiaries, each presenting “unique exigencies” that are “unable to be adequately addressed by a uniform organisational structure” (Bartlett & Ghoshal, 1989, p. 5). This model served to reconceptualise the MNE as an “interorganizational system rather than as an organisation” considering aspects of resource configuration, density of interactions across nations and regional groupings. The result of the adoption of the model is recognised as providing the impetus for researchers to begin investigating the MNE subsidiaries as a potential source of the MNE’s Strategic Competitive Advantage (SCA) (Ghoshal & Bartlett, 1990, p. 619). That is, research agendas changed significantly from viewing the MNE from the conventional top-down model to considering it from the “bottom-up” perspective. In this way, and in accordance with Ghoshal and Bartlett (1990), researchers came to view MNEs as “multi-local networks” rather than single entities (for example, see Kristensen & Zeitlin, 2004).

A primary theory put forward to support the subsidiaries link with SCA is the dual but simultaneous situation in two significant contexts from which resources can be accessed (Almeida & Phene, 2004; Andersson, Bjorkman & Forsgren, 2005; Doz, 2006; Foss & Pedersen, 2002; Mudambi, 2002).

First, they are embedded within the context of the MNE comprising the organisation’s headquarters and all other subsidiaries. Second, they are situated in an external environment consisting of host country and regional firms that “often embody social, professional and technological relationships” at the local or regional level (Porter, 1990, p. 146). Further, it is the propensity for the production of particular goods and services to form industry clusters, sometimes known as “spatial concentration” (Almeida & Kogut, 1997), especially geographic regions believed by some (e.g., Porter, 1990) to be a key source in the development of industry-specific knowledge. Such industry knowledge derived from different national institutional contexts is considered to play a vital role in a firm’s competitive advantage as it is here that patterns of innovation are often found (Nelson, 1993).
The relevance of local or regionalised innovation is significant if we assume, for example, Vernon’s (1966, as cited in Nohria & Ghoshal, 1997, p. 1) view that “the ability to innovate [is] the raison d’être for multinational corporations”. Significantly, researchers such as Gupta and Govindarajan (2000), Kogut and Zander (1992), Prahalad and Hamel (1990), and many others, maintain that the increased ability for innovation, and hence the realization of SCA, is a result of the increase in knowledge contained within the global networks.

Clearly, this contemporary view is in stark contrast to the former view, where host countries “were originally seen primarily as markets or as sources of cheap labour” (Dunning, 1994, p. 69). Indeed, Kristensen and Zeitlin’s (2005) polycentric focused case study (examining the influence of national contexts and individual strategies of different subsidiaries on the MNE) concluded that regional activities within the subsidiary location may have a wider impact on that subsidiary than head office activities. Consequently, Kristensen and Zeitlin (2004), in support for the interorganizational view, argue that the different subsidiaries within multi-local networks are most likely to influence the overall strategy of the MNE; and, therefore, the importance of the subsidiary is increased when the subsidiary is further considered in its situational context.

There is an extensive body of literature dedicated to understanding the global assets and resources of the contemporary MNE, much of which has been driven by the field of strategic management (Argote & Ingram, 2000). Here, the emphasis is on knowledge, with Davis, Subrahmanian and Westerberg (2005, p. 102) suggesting an emerging consensus that knowledge is “perhaps the most important source of sustainable competitive advantage in an increasingly turbulent global business environment”. This view, while only recently gaining consensus, has been in existence for some time. For example, Lippman and Rumelt (1982), adopting a “resource-based view”, attributed the competitive advantage of a firm to its unique knowledge. Indeed, within the “resource-based view” of the firm (e.g., Conner & Prahalad, 1996; Nahapiet & Ghoshal, 1998), knowledge is considered to be the most important resource, where “distinct knowledge should give the firm a competitive advantage” (Chakravarthy, McEvily, Doz & Rau, 2006, p. 306).

Nonaka (1991) argued that when faced with shifting markets and “rapid product obsolescence”, the organisation’s capability for embodying new knowledge in
products and services is critical. Prahalad and Hamel (1990), Kogut and Zander (1992) and Spender (1996) are united in the view that the organisation’s knowledge capabilities are the main source of its competitive advantage, while Davenport and Prusak (1998), Drucker (1993), Hansen et al. (1999), van den Hoof and Ridder (2004), and Simon (1996) view the management of knowledge as one of the most important challenges facing today’s organisations and managers.

The importance attributed to the value that can be created from knowledge has contributed to a change in attitude of the role of the subsidiary. Previously, “value from knowledge was conceptualized as a linear sequence” (Almeida & Phene, 2004, p. 848), whereby knowledge was created by headquarters and then disseminated throughout the organisation for exploitation by the subsidiaries. This process can be viewed as largely consistent with the more traditional ethnocentric view of the MNE discussed in the previous section (Perlmutter, 1969).

As with the evolution of the multinational form, and the growing recognition of the importance of the subsidiaries’ embeddedness within national contexts (also discussed above), the role that the subsidiaries play (in terms of how the MNE creates value from knowledge) has also evolved (Almeida & Phene, 2004; Birkinshaw & Hood, 2000; Dunning, 1994; Malnight, 1995; Porter, 1990). Birkinshaw and Hood (2000), suggest that these changes are a result of dynamic interactions between headquarters strategy, subsidiary decision making and strategy, and the internal characteristics of the host country. Key to the change is that while subsidiaries may continue to exploit knowledge from headquarters, they simultaneously engage in knowledge generation or augmentation (Cohen & Levinthal, 1990; March, 1991). This has resulted in the view that “the definitive evaluation of the MNE as constituting a ‘bundle of knowledge’ is “now so widely accepted as to have become almost axiomatic” (Gupta & Govindarajan, 2000, p. 473), and that investigation into MNE knowledge should consider both hierarchical and lateral knowledge flows.

Increasing recognition of the importance of the role of the subsidiary as a “potential source of MNE wide strengths” (Foss and Pedersen, 2002), and the requirement to “plug into and take advantage of local centres of competence and provide these locations with knowledge inflows from other parts of their multinational network” (Mudambi, 2002, p. 2), led researchers to emphasise “direct lateral mechanisms
between subsidiaries” (Moore & Birkinshaw, 1998, p. 51). Such research has resulted in the identification of three primary forms of linkage. These were most simply defined by Nohria and Ghoshal (1997, p. 4) as consisting of: “(1) the ‘local’ linkages within each national subsidiary, (2) the linkages between headquarters and the subsidiaries, and (3) the linkages between the subsidiaries themselves”.

In accordance with Bartlett and Ghoshal’s (1989) contemporary form of the MNE, knowledge and capabilities are created within the differentiated subsidiaries and transferred throughout the MNE network for the rest of the organisation to exploit, hence gaining efficiencies by avoiding costly replication (Almeida & Phene, 2004). Consistent with the view that innovation arises from existing knowledge (see Grant, 1996), Kogut and Zander (1992) suggest that facilitation of knowledge from different sources is a fundamental function of the contemporary MNE. Therefore, according to Gulati (1999), those firms with a greater opportunity to access knowledge are those with extensive knowledge resources in the network.

2.3 Conceptualising Knowledge in Organisations

With the increasing consensus that the contemporary MNE is a bundle of knowledge, and that to attain SCA such knowledge must be exploited and used for organisational ends, the key question arises: What is knowledge? In our attempt to seek an answer to this question, two clear perspectives emerge.

From the epistemology of “practice”, knowledge is regarded as something people “do”. “Knowledge is constructed and negotiated through social interaction ... and is therefore intrinsic to practices that people actually perform and not something that can stand outside those practices” (Newell, Robertson, Scarbrough & Swan, 2009, pp. 3–4). The organisation of knowledge is organic and derives from unity of mind and body (Davis, Subrahmanian & Westerberg, 2005, p. 14). From the tradition of Descartes, “Cartesian split”, that is, the separation between the knower/subject and the known/object/other (Nonaka & Takeuchi, 1995), draws from the epistemology of possession. Here knowledge is cognitive; or, something people “have”. Considered as the structural perspective, knowledge is identified according to its form; the two most common being “explicit” and “tacit” (Newell et al., 2009, p. 7).

The two perspectives of knowledge and the two forms of knowledge provide the basis for a continually and rapidly expanding critical field of literature. Much of this
has been established under the heading “Knowledge Management”. The following section provides an overview of the primary themes emerging from this literature stream. As indicated above, the structural perspective views knowledge as consisting of two distinct forms.

The first, *explicit* knowledge (or “knowing what”) relates to that knowledge that is “readily codified, articulated and communicated to others” (Newell et al., 2009, p. 7; Teece, Pisano & Shuen, 1997; Zollo and Winter, 2002). It is impersonal in nature and usually takes the forms of documents and reports, presentations, catalogues etc. (Holste & Fields, 2010; Nonaka & Takuechi, 1995; Tsoukas, 2006).

The other, *tacit* (or “know how”) is “associated with the skills that people develop through their own experience in specific contexts ... and has an essentially personal quality that makes it hard to formalize or communicate” (Newell, 2009, p. 7). It is considered personal in nature and is very difficult, if not impossible, to be reduced to textual form. Indeed, when tacit knowledge is shared it is most likely through “analogies, metaphors, stories or personal strategies that reveal insight into the ‘how and why’ underlying an approach to tasks or problems” (Holste & Fields, 2010, p. 128). Tacit knowledge resides in peoples’ minds and its use depends on personal relationships. It is hard to measure, and, unlike explicit knowledge, unable to be stored using technology (Choo, 2000; Nonaka & Takuechi, 1995).

The term ‘tacit knowledge’ was initially coined in 1962 by Polanyi. Since then, a vast and often critical literature has emerged regarding the concept. Central to the discussion and debate is Polanyi’s original representation of the term “we know more than we can tell”, which has without doubt clearly become the most influential to research in this area (for example: Brown & Duguid, 2000; Cook and Brown, 1999; Hedlund, 1992; Nelson & Winter, 1982; Nonaka & Takeuchi, 1995; Spender, 1996; Spender & Grant, 1996; Tsoukas, 2006; Wenger, 1998).

Within the structural perspective of knowledge a number of models have been offered which seek to identify knowledge creation through establishing relationships between “tacit” and “explicit” knowledge. Of these models, one of the most distinguished is the Socialization, Externalization, Combination & Internalization (SECI) model offered by Nonaka and Takeuchi (1995).
Nonaka and Takeuchi’s model seeks to establish the process by which knowledge is created through conversions between explicit and tacit knowledge. Arguing that an organisation’s ability to leverage new knowledge rests with the conversion of transforming tacit (or individual) knowledge into explicit to become collective knowledge, the SECI model is presented as follows:

Socialization – facilitates the sharing of tacit knowledge between individuals through direct interaction creating shared mental modes representing a tacit/tacit relationship (Nonaka & Takeuchi, 1995, p. 71).

Externalization – enables tacit knowledge to be converted into explicit knowledge through the use of metaphor and analogy allowing “organizational members to articulate hidden tacit knowledge that is otherwise hard to communicate” (Nonaka & Takeuchi, 1995, p. 71). Here the relationship is depicted as tacit/explicit.

Combination – ‘crystallizes’ newly created knowledge with existing knowledge leading to dissemination of explicit knowledge in the form of new products or services suggesting an explicit/explicit relationship (Nonaka & Takeuchi, 1995, p. 71).

Internalization – embodies explicit knowledge into tacit knowledge occurring when “explicit knowledge is embodied in actions and practices that facilitate experimentation and learning-by-doing” representing an explicit/tacit relationship (DeFillippi & Ornstein, 2006, p. 28).

Underlying the notion of the SECI model is that once tacit knowledge is mobilized by the organisation, it is “amplified through the four modes of knowledge conversion”, which Nonaka and Takeuchi refer to as “the knowledge spiral” whereby “the interaction between tacit knowledge and explicit knowledge will become larger in scale as it moves through the levels” (Nonaka & Takeuchi, 1995, p. 72).

The SECI model and the structural perspective of knowledge creation are widely supported. (For example: Ambrosini & Bowman, 2001; Davenport & Prusak, 1998; Spender, 1996. However, it has also attracted criticism: Brown & Duguid, 2000; Cook & Brown, 1999; Tsoukas, 2006; Wenger, 1998.) Much of the criticism is directed at two key assumptions arising from the viewpoint of “knowledge as possession”. The first surrounds the structuralist’s interpretation of Polanyi’s “tacit”
knowledge suggesting that this perspective fails to “take sufficient account of the more subjective, highly equivocal and dynamic nature of knowledge” (Newell et al., 2008, p. 12). The second argues that structural approaches to the separation of tacit and explicit knowledge “has been overstated and is not, in fact, a very accurate reflection of Polanyi’s original idea” (Gourlay, 2006, as cited in Newell et al., 2008, p. 12).

Tsoukas’s (2006) view of Nonaka and Takeuchi’s interpretation of Polanyi’s tacit knowledge highlights many of the views emanating from the critical camp. The basis for the criticism is Polanyi’s original definition, and that conversion of tacit knowledge into explicit knowledge is problematic as there always remains an indefinable portion of tacit knowledge that cannot be “captured, translated or converted, but only displayed and manifested in what we do. New knowledge comes about not when the tacit becomes explicit, but when our skilled performance is punctuated in new ways through social interaction” (Tsoukas, 2006, p. 410). Tsoukas (2006) further argues that rather than the common view that tacit knowledge is “opposite” to explicit knowledge, it is simply its other side.

In line with the above view, proponents of the perspective of knowledge as practice (Cook & Brown, 1999; Tsoukas, 2006) regard knowledge as sense-making created through interactions within social contexts where knowledge is:

- “Equivocal (subject to different meanings and interpretations);
- Dynamic (accepted meaning can change as actors and context change); and,
- Context-dependent (difficult, if not impossible, to separate from the context in which it is produced)” (Newell et al., 2009, p. 14).

By adopting a social constructivist view, the “practice” perspective argues that knowledge is a social activity where “actors interacting within particular social contexts come to negotiate understandings of the world. It is therefore context-dependent and difficult (or impossible) to separate from the context in which it is produced” (Newell et al., 2009, p. 14). This perspective depicts the importance of the role of social capital and networks, identifying knowledge work as “less about converting, capturing and transferring different forms of knowledge and more about
building an ‘enabling context’ that connects different social groups and interests” (Newell et al., 2009, p. 14).

The above discussion provides some background regarding knowledge; however, as indicated above, the interest in knowledge as an organisational resource is recent. Indeed, Spender and Grant (1996) suggest that although Polanyi’s concept of “tacit” knowledge had been around for some time, such “knowledge-oriented terms” were barely heard of prior to the 1990s (Spender & Grant, 1996, p. 5).

2.4 Knowledge within an MNE Context

One of the reasons for the increased interest, which has continued to expand, is clearly related to the evolving structure of MNEs. As introduced in the first section of this chapter, the contemporary MNE is a diverse structure of interconnecting networks and vast communication channels extending throughout the MNE’s global reach. The communication streams can be: localised within subsidiaries or geographic regions; nationalised across a number of subsidiaries operating within a specific country; or global across the entire network. While there may remain some existing debate regarding the actual structure of the contemporary MNE, there is obvious agreement that MNE communication flows are no longer best represented by the previous vertical model, but are now more closely represented by multi-directional networks of exchanges both within and throughout the entire organisation.

Commentators (for example: Bartlett & Ghoshal, 1989; Doz & Prahalad, 1991) have argued that as a result firms have been able to devise new means to stay competitive. Davis, Subrahmanian and Westerberg (2005) suggest that this has been increasingly achieved through the “adoption of new organizational capabilities for pooling worldwide knowledge and to transfer and adapt innovative ... know-how to international markets” (Davis et al., 2005, p. 102).

This, therefore, leads to the second point to come from the review in the earlier section, that it is strategically and competitively important to exploit the vast knowledge bases contained within the MNE. It is here that we have seen a shift in interest from individual knowledge to collective or organisational knowledge. The literature leaves little doubt that it is in the best interests of the organisation to convert the individual knowledge of its human resources into organisational
knowledge which will be used for organisational purposes. This proposition leads to yet another criticism of Nonaka and Takeuchi’s SECI model (see Cook & Brown, 1999; Tsoukas, 2008), in that its central assumption is that knowledge exists only at the individual level. Others (for example, Spender, 1998) contend (or argue) that while knowledge certainly exists at the individual level, it also resides within the social and collective, and that this knowledge “is the most valuable to organisations because this is a type of knowledge that other firms find difficult to understand and imitate” (Spender, 1998, p. 238). Indeed, it is argued by Spender (1996) that the pluralistic epistemology of knowledge, drawing from psychology, philosophy and positivist assumptions, “implies a theory of the firm as a system of knowledge types and processes” (Spender, 1996, p. 63). This is further supported by Goodenough (1971), who claims that tacit knowledge is most clearly evidenced as institutionalized organisational activities where knowledge has become transformed into habit. It is here, therefore, that Walsh and Ungson (1991, p. 61) and proponents of the resource-based theory of the firm (see above) view organisational knowledge as the summation of individuals' knowledge further producing “a body of shared knowledge and meanings that, abstracted, externalised, memorised and made available to new members, could survive the departure of the original individuals”.

Clearly, there is a divide between views on organisational knowledge and knowledge sources. However, the debate extends further. For example, Cohen (1998), reflecting on the opinions of “some of the most influential researchers surrounding knowledge management” (Cohen, 1998, p. 24), offers recognition of two strikingly different views: “The mainly American emphasis on the distribution and re-use of explicit knowledge, and the mainly Japanese focus on establishing conditions that encourage new knowledge creation through the direct social sharing of tacit knowledge” (Cohen, 1998, p. 22). Cohen offers an overview of the distinction in the following table:

<table>
<thead>
<tr>
<th>West (USA)</th>
<th>East (Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on explicit knowledge</td>
<td>Focus on tacit knowledge</td>
</tr>
<tr>
<td>Re-use</td>
<td>Creation</td>
</tr>
<tr>
<td>Knowledge projects</td>
<td>Knowledge cultures</td>
</tr>
<tr>
<td>Knowledge markets</td>
<td>Knowledge communities</td>
</tr>
<tr>
<td>Management and measurement</td>
<td>Nurturing and love</td>
</tr>
<tr>
<td>Near-term gains</td>
<td>Long-term advantages</td>
</tr>
</tbody>
</table>

Similar to Cohen’s analysis of the literature, Davis et al. (2005) offered two differently titled yet similarly themed views. The first identified by Coyne (1997) as the “system theoretical view” suggests that “essential knowledge is contained in the information content, and the subjective, inter-subjective, and spatial aspects are largely ignored” (Davis et al., 2005, p. 103). The second, championed by Dretske (1981), “acknowledges the importance of subjective factors … and their links to actions as well as the relatively tacit dimension of knowledge” (as cited in Davis et al., 1998, p. 103). Davis et al. (1998, p. 103) refer to this perspective as the “pragmatic view”. The following table offers a distinction between the two:

<table>
<thead>
<tr>
<th>Source</th>
<th>System theoretic view</th>
<th>Pragmatic View</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Documents, databases, systems, prototypes, processes and procedures, manuals etc.</td>
<td>People communities</td>
</tr>
<tr>
<td>Form</td>
<td>Codified or codifiable, explicit</td>
<td>Tacit, implicit, intuitive</td>
</tr>
<tr>
<td>Transfer</td>
<td>Exchange of documents, electronic means, formal training</td>
<td>Socialization, apprenticeship, osmotic, situated learning</td>
</tr>
<tr>
<td>Organization</td>
<td>Relatively mechanistic</td>
<td>Organic</td>
</tr>
<tr>
<td>Philosophical perspective</td>
<td>Cartesian, separation of mind and body</td>
<td>More holistic, unity of mind and body</td>
</tr>
</tbody>
</table>

Source: Davis, Subrahmanian and Westerberg (2005, p. 104)

Clearly, the fundamental differences between the divergent views, as represented in both of the above tables, are captured in knowledge creation and management. While the “West”, “American”, or “system theoretic view” demonstrates a clear focus on structural perspectives, the “East”, “Japanese”, or “pragmatic” view “emphasizes human centred processes” through socialisation (Davis et al., 1998, p. 104; see also Cohen, 1998).

In addition to that already identified above are the differing viewpoints in the way knowledge situated throughout the world may be mobilized and shared throughout the organisation. Indeed, the importance of the mobilization of knowledge is captured by Doz (2006) who argues that it is not enough to consider knowledge “stocks” in static terms, but rather it is critical to consider it as dynamic flows between subsidiaries and internal and external environments. Therefore, it is not as much the existence of knowledge per se that will derive SCA, more so it is the ability of the organisation to transfer that knowledge throughout its global network. Indeed, Kogut and Zander (1993) claim that “an MNE arises not out of the market failures for the buying and selling of knowledge but out of its superior efficiency as
an organisational vehicle by which knowledge is transferred across borders” (1993, p. 625).

Accordingly, Doz (2006, p. 31) argues that those MNEs best able to mobilize and meld knowledge from multiple sources are more likely to gain an advantage. Foss and Pedersen (2002, p. 50) argue that the differentiated MNE is in a more favourable position to do this due to its superior access to knowledge networks both internal and external, while Gupta and Govindarajan (2000, p. 473) advance this theme explaining that the “internalisation of intangible assets and the ability of the MNE to effectively transfer and exploit knowledge have been subjected to numerous confirmatory empirical tests, is now widely accepted as the ‘received theory’ on why MNEs exist” (2000, p. 473).

2.5 Knowledge Sharing Mechanisms

Akin to the differing viewpoints surrounding knowledge epistemology and characteristics, perspectives of knowledge transfer mechanisms are equally split. Again, distinctions are clear when viewed from either the West versus the East, or system theoretic versus system pragmatic. For example, the West views knowledge as a market commodity, explicitly focused and contained in documents and databases, and readily transferred through electronic means. The East focuses on tacit knowledge, driven by communities rather than the market, and transferred through socialisation practices (Cohen, 1998; Davis et al., 2005). This section examines the primary characteristics of each of the transfer mechanisms.

As identified above, research and debate surrounding knowledge management clearly focus on two distinct perspectives. The “content” perspective views knowledge as individual, codifiable, and able to be built upon, even in the event of employee turnover (Cohen, 1998). From this tradition arises the argument that organizations consist of knowledge markets, with buyers and sellers, where knowledge is viewed as an economic asset able to be stored and transferred throughout the organisation (Davenport and Prusak, 1998; Pan & Scarbrough, 1999). Within the content perspective, this “leveraging” of knowledge is seen as being achieved “through the development of shared databases and knowledge warehouses” (Hayes & Walsham, 2006, p. 55); and therefore research from within the content perspective has taken a predominately technical approach focusing on the design of information communication technologies (ICTs). Indeed the
association between knowledge management initiatives and ICTs is reflected in Easterby-Smith et al.’s (2000) review that 70% of knowledge management publications (until that time) had focused on the design of such technology.

Zack (1999) considers knowledge transfer through ICT as occurring through two forms of computerized applications. These are referred to as “integrative” and “interactive”. Integrative applications take the form of structured databases enabling employees to store and retrieve information. Interactive applications take the form of discussion forums, or conferencing, allowing views and experiences to be shared regardless of physical location (Leidner, 2000; Whitley, 2000, p. 55).

Alani and Tiwana (2006, p. 104) also considered the primary categories of ICTs as enabling devices for knowledge “creation, codification and retrieval, transfer, and integration and application”; and, similarly to Zack (1999), identified two models. Consistent with those described by Zack (1999), Alani and Tiwana (2006) named the models:

- **The “Network” Model** focuses on enabling synchronous exchange (for example, online chat, video conferencing)

- **The “Stock” Model** focuses on the transfer of codified knowledge through computerized knowledge repositories “through a central access point and a web browser interface” (Alani & Tiwana, 2006, p. 111).

Many (for example: Alani & Tiwana 2006; Cohen, 1998; Newell et al., 2009) claim that the acceptance of ICTs as a knowledge transfer device is recognised as constituting a prominent technical approach to the storage and retrieval of codified knowledge. This supports Holste and Fields’ (2010, p. 128) estimation that organisational investment in technology to assist analysis, storage and retrieval of knowledge has reached nearly “a trillion dollars annually”.

Even though the heavy financial investment in ICTs reported above indicated some confidence in the systems, limitations are readily exposed. First, the use of technology as a knowledge management and transfer device is limited to knowledge in the form of “documents, reports, ‘white papers’, catalogues, presentations, patents, formulas etc.” (Holste & Fields, 2010, p. 128). In other words, technology enables the storage and transfer of explicit knowledge, or knowledge that is able to be codified. Further, Mukherjee and Hahn (2008) found that while technology
driven knowledge management systems were able to produce short term efficiency gains, these are rarely sustained. The key emphasis of the findings is that unless these systems are deeply embedded within the organisations’ routines, and are operative in environments where employees have a high propensity to buy and sell knowledge, then the initial novelty of the system reduces over time and “the system falls into disuse even when the contents are updated frequently” (Mukherjee & Hahn, 2008, p. 14). McDermott (1998) further suggests that as a result the best practice database becomes little more than an “information junkyard”.

A contrasting view to the content perspective on knowledge transfer is that offered by those from the “relational” or constructivist perspective, and partially bound up within the organizational learning literature (for example: Brown & Duguid, 1998; Lave, 1988; Orr, 1990). From this perspective, it is argued that knowledge “is not an object that is passed physically from one to another, like bricks; [it] cannot be shared as persons would share a pie by dividing it into physical pieces” (Plaskoff, 2006, p. 163). According to this group, therefore, the exchange of knowledge as an economic asset through ICTs fails to account for the relativity and context-bound nature of knowledge. Therefore, relational writers, while agreeing that the use of ICTs has some use, suggest that a reliance on ICTs to transfer knowledge is problematic. This is supported through Brown’s (1998) research, which concluded that the use of ICTs to support knowledge is insufficient as the knowledge receiver must understand the logic or the rationale behind the information for it to be useful. This, therefore, indicates consistency with Galliers and Newell’s (2003, p. 5) thesis that knowledge management systems do not actually manage knowledge: “They process data, not information and certainly not knowledge [emphasis in original]”. Reflecting from the epistemology of “practice”, these writers argue that knowledge shared outside of its own specific context or locality may be misunderstood, unjustified or contentious (Galliers & Newell, 2000).

It is within this school of thought, represented by the “Eastern” or “Pragmatic” philosophy, that knowledge transfers (as depicted above) occur largely through socialisation mechanisms. Some, for example Hansen (2002, p. 232), found that socialisation mechanisms supported direct relations between the actors assisting to resolve “problems of transferring non-codified knowledge”. Thus, the emphasis here distinctly surrounds the notion of sharing tacit knowledge, where tacit knowledge
can be classed as either unable to be articulated due to it having become second nature or taken for granted (Nelson & Winter, 1982, Polanyi, 1962) or “personal”, deriving “from an inability to articulate the principles that affect the level of performance one achieves” (Chakravarthy, McEvily, Doz & Rau, 2006, p. 311). It is from the relational theorists, therefore, that the meaning of shared knowledge is constructed through social interaction. This perspective coincides with Zander and Kogut’s (1995, p. 76) theory that firms should be understood as a “repository of social knowledge ... which use their relational structure and shared coding schemes ... to replicate new knowledge [that] in the absence of a social community [would be] difficult”.

While the literature regarding socialisation mechanisms for knowledge transfer is vast, two key models appear to be the most widely supported. These are commonly referred to as “communities” or “networks”. The following section provides an overview of each of these models.

Communities

Communities have been identified by a number of forms depending on the nature of the research that was undertaken and the different characteristics ascribed to them. One such characteristic is the level of social interaction required by members. For example, “virtual communities” (Jones, 1995; Komito, 1998) have no face-to-face interaction but rather are based around the use of technology, and require “strong technical performance among members” (Von Krogh, 2006). “Communities of Interest” are based on shared interests and have some, although sporadic, social interaction (for example, see Hagel & Armstrong, 1997). “Micro-communities” are thought to have emergent collective identity, and are “ideal for sharing tacit knowledge” (Von Krogh, 2006). Of the many identified, however, “communities of practice” (CoPs) appear to have attracted the most attention.

Although CoPs have been identified with the groupings of craftsmen from ancient times (Wenger & Snyder, 2000), one of the most recently prolific and well cited works surrounding CoPs came from Etienne Wenger (1999). Drawing from social learning theories, Wenger’s initial representation of CoPs was of an informal grouping that people develop through shared interests over time. The underlying

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1 For a wider discussion on the residual tacitness of knowledge due to its distinctive personal nature, refer to Polanyi’s 1962 explanation of sharing knowledge of “how to ride a bicycle”.
theme of Wenger’s work was the nature of “shared identity”. Here Wenger argued for “profound connection between identity and practice ... where [community] members can engage with one another and thus acknowledge each other as participants” (Wenger, 1999, p. 149). Although Wenger’s original definition was that of an informal and self-organizing grouping, later research findings (for example, Wenger & Snyder, 2000) identified the need for management’s guidance in both the formation and continuation of the CoPs. This was metaphorically represented as follows:

Like gardens, [CoPs] respond to attention that respects their nature. You can’t tug on a cornstalk to make it grow faster or taller, and you shouldn’t yank a marigold out of the ground to see if it has roots. You can, however, till the soil, pull out weeds, add water during dry spells, and ensure that your plants have the proper nutrients. And while you may welcome the wildflowers that bloom without any cultivation you may get even more satisfaction from those vegetables and flowers you started from seed (Wenger & Snyder, 2000, p. 142).

Von Krogh’s (2006) published review of the literature on “communities” identified a number of common characteristics of CoPs. Briefly these are:

- Shared identity, language, artefacts, norms, and values
- Collective engagement and activities
- Shared knowledge
- Shared learning through narration and storytelling
- Members are “experts” in the area of practice

Also at this time, the notion of CoPs began to reflect those groupings not only exhibiting the above characteristics but also formally organised by management, partially representing the strength of reason behind Wenger and Snyder’s (2000) cultivation metaphor. Within this shift from the “informal” to the “formal”, recognition was given to the “intentional formation [of CoPs] as a way to consciously manage knowledge in companies”, and that “an increasing number of global corporations have started to develop and manage such communities” (Scarso, Bolisani & Salvador, 2009, p. 432). In other words, the formation of CoPs became
regarded as a deliberate knowledge management strategy, a key purpose of which was to develop and/or identify “best practices”, and to transfer the practices throughout the firm globally (Von Krogh, 2006; Scarso et al., 2009).

**Networks**

The second socialisation mechanism given prominence in the knowledge transfer literature is ‘networks’. Similar to CoPs, networks are recognised as taking a number of forms, including: *externally constructed*, originating from economics and institutional economics; *internally constructed*, considered to have originated from management of international business; and *socially constructed*, originating from sociology and anthropology (Van Wijk, Van Den Bosch & Volberda, 2006, p. 428). Similar to CoPs, a network has shared identity, norms and values. There can be, however, significant differences between the two. For example, unlike CoPs whose basic unit is “groups”, a network connects individuals. Moreover, the network structure can be: *open or closed*, able to grow through the establishment of personal “ties” and “trust” between members; or *limited in growth*, as a result of “ties” and “trust” between members (Newell et al., 2009).

For example, Granovetter’s (1973) work examining the strength of “ties” within a network provides an early analysis of this rapidly expanding area of interest. Here, Granovetter classified network “tie” strength as either weak or strong in terms of the levels of emotional intensity, mutual confiding and reciprocal services (Granovetter, 1973, p. 1361). Interestingly, Granovetter’s research resulted in establishing that when network ties are strong, information diffusion is confined “within groups” rather than “between groups”. Conversely, when network ties are “weak”, they become bridges for information flows between groups (Granovetter, 1973). The underlying theme to this argument is that “those to whom we are weakly tied are more likely to move in circles different from our own and will thus have access to information different from that which we receive” (Granovetter, 1973, p. 1371).

Drawing from Granovetter’s work, VanWijk et al. (2006, p. 432) refer to two models of networks being “open networks”, which include dispersed or “weak” but often “formal” ties, and “closed networks”, established and maintained through cohesive or “strong” yet often “informal” ties. The discussion on network ties, however, is not without further clarification. Here, it is the incidence and strength of “ties” that create trust between network members. This is particularly relevant when
considering that results of studies testing the relationship between trust and tacit knowledge transfer have found that the strength of ties in personal relationships and long standing work relationships are more likely than other factors to facilitate knowledge transfer between the co-workers (Smedlund, 2008). Therefore, it is widely held (for example: Locke, 1999; Lucas, 2005; Nahapiet & Ghoshal, 1998; and more recently, Holste & Fields, 2010) that the sharing of tacit knowledge not only depends on the formation and maintenance of networks but also interpersonal trust.

Knowledge transfer mechanisms—A collaborative approach?

One more recent evolution of the debate regarding the usefulness of either ICTs or socialisation practices as conduits for knowledge exchange is the proposal that instead of viewing the systems as operating in isolation of each other, they should be integrated to form a complete system (rather than “either/or”, as is largely depicted in the mainstream literature). Here, knowledge transfer does not solely belong in one camp, that is, either the content or relational, but is interwoven between the two. One of the first studies to support this idea was that undertaken by Davis et al. (2005) after researching knowledge transfer at Dupont. Here, while the ICT systems have laid the foundation for knowledge sharing, the benefits of the electronic system (such as efficiency and dissemination of documents and codified knowledge) have been captured along with the limitations. This research suggested that the organic formations of members with specialized skills, while benefiting from codified knowledge, should be “effectively and seamlessly interwoven with the computer networks and systems” (Davis et al., 2005, p. 109), and hence offers early support to examine both systems simultaneously.

2.6 Knowledge Transfer within the MNE Environment

The purpose of this section is to review the knowledge transfer literature from the perspective of MNEs. In order to do so, a logical starting point would be to define the term “knowledge transfer”. Consistent with the discussion so far, this seemingly simple task is far from simple. For example, the term “knowledge transfer” is often used interchangeably with the term “knowledge sharing”. While some (for example, Klein, 2008, citing King, 2006) have attempted to provide clear separate definitions of the terms, whereby “transfer” is associated with intention, and “sharing” occurs in unintended ways. Others (for example: van den Hoof & Ridder, 2004; Oldenkamp,
2001) suggest that knowledge sharing implies a process of both bringing knowledge and getting knowledge. Therefore, knowledge sharing is viewed as involving both a knowledge carrier and a knowledge requester further implying intention. Hsiu-Fen Lin (2007, p. 315) adopts the following perspective: “For an organisation, knowledge sharing is capturing, organizing, reusing, and transferring experience-based knowledge that resides within the organization and making that knowledge available to others in the business”. This view reflects that of Huber (1991) who equates knowledge transfer with sharing in that there is no condition that knowledge transfer must actually be “adopted” by the user. Others, however (for example, Darr & Kurtzberg, 2000, p. 29), argue that knowledge transfer has occurred when a contributor shares knowledge that is used by an adopter. This is taken one step further by Argote and Ingram (2000, p. 151) who claim that knowledge transfer has occurred when changes in the “knowledge or performance of the recipient units” can actually be measured.

Clearly, the perspective from which the process is viewed (for example, content, constructivist, organisational learning or knowledge management) creates confusion and debate regarding the correct interpretation. As it is not the purpose of this research to address the conceptual issues surrounding the exact meaning or interpretation of the terminology, from this point forward the term “Knowledge Transfer” will be used. Knowledge transfer for the purpose of this research may refer to either intentional or unintentional transfers, and to shared knowledge that may or may not have been “picked up” by an adopter or receiver.

2.7 Knowledge Transfer

The management of organisational knowledge has captured the attention of academics and practitioners worldwide. Encapsulated within the debate is the process of knowledge transfer within and between the MNE units and subsidiaries, and the associated facilitative and constraining forces that reside within the organisations’ processes, procedures and practices. Early investigation into the nature of knowledge transfer produced theories that have, over time, been challenged and built upon in an attempt to further understand such forces and the systems that organisations put in place to deal with them. Therefore, this section will provide a descriptive summation of the key research and debates presented
within the literature, identifying the areas investigated so far, and exposing the gaps and providing support for the necessity of further investigation.

In their seminal work, Cohen and Levinthal (1990) offered researchers a multi-level theory titled *Absorptive Capacity*. Identifying three primary constructs, argued to be critical to a firm’s realisation of its innovative capability, the authors originally defined absorptive capacity as the “ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (1990, p. 128). Applying concepts generated from studies into cognitive and behavioural sciences, the authors suggested that the underlying notion of absorptive capacity rests with the individual’s ability to acquire, recall and use knowledge to organisational ends. Therefore, the authors argue that it is the level of prior knowledge the individual holds that directly influences their ability to recognise new knowledge and to apply it.

Building on this basic premise, and shifting focus from individual level knowledge to organisational level knowledge, the authors continue that an organisation’s absorptive capacity is not simply the sum of absorptive capacity of its individual members, but its ability to exploit it (1990, p. 131) as in the following:

… An organisation’s absorptive capacity does not simply depend on the organisation’s direct interface with the environment. It also depends on transfers of knowledge across and within subunits that may be quite removed from the original point of entry. Thus, to understand the sources of a firm’s absorptive capacity, we focus on the structure of communication … among the subunits of the organisation, and also on the character and distribution of expertise within the organisation. (1990, pp. 131–132).

The underlying principle of the theory is somewhat critical regarding an organisation’s ability to “buy in” absorptive capacity through the employment of new staff. Rather, the authors argue that much of the knowledge required for innovation is “tacit”, and that “a critical component of the requisite absorptive capacity for certain types of information, such as those associated with product and process innovation, is often firm-specific and therefore cannot be bought and quickly integrated into the firm” (1990, p. 135). Here, prior related knowledge derives from prior organisational learning through experience and a shared language,
thereby avoiding the considerable time lags associated with the full integration of new staff into the organisation. “As a consequence, such critical complementary knowledge is acquired only through experience within the firm” (Winter, 1982, as cited in Cohen & Levinthal, 1990, p. 135). Therefore, for an organisation to realise absorptive capacity, it must retain a pool of internal staff familiar with the firm’s “idiosyncratic needs” (for example, see Lee & Allen, 1982).

The adoption of the absorptive capacity theme is widespread. Indeed, much attention has been given to not only the basic notion of absorptive capacity as defined by Cohen and Levinthal but even more so building on the concept (for example: Gupta & Govindarajan, 2000; Lane & Lubatkin, 1998; Lane, Salk & Lyles, 2001; Lyles & Salk, 1996; Szulanski, 1996). Hence, the following discussion will examine/summarise some of the findings generated by subsequent research efforts.

Lyles and Salk (1996) claim to be “the first to establish empirically that the absorptive capacity of … organizations [Cohen & Levinthal, 1990] has a strong relationship with both the ability to assimilate and apply new knowledge” (Lyles & Salk, 1996, p. 898). Drawing largely from the organisation learning literature, Lyles and Salk empirically investigated knowledge acquisition from foreign parents by International Joint Ventures (IJV). Primarily, the authors proceeded to investigate the influence that levels of absorptive capacity (Cohen & Levinthal, 1990) has on the effective transferral of knowledge. In particular, the study focused on the characteristics of the Joint Venture (JV) organisation and structural mechanisms that influence knowledge acquisition. In this case, the JV characteristics included: The capacity to learn in terms of “high versus low knowledge acquirers”; the presence of clearly articulated goals; and the active involvement of the dominant foreign parent (Lyles & Salk, 1996, p. 881). The results, consistent with earlier findings of Cohen and Levinthal (1990), found that organisational support for flexibility, creativity and the interaction of organisational members, including training programs, are instrumental in enhancing the capacity to learn, and, as a result, the likelihood of knowledge transfer (Cohen and Levinthal 1990, p. 896). Although there was some debate regarding the contextual arrangements of this study (Meyer, 2007), it cannot be contested that this study has provided what many assume to be an empirically sound critical starting point for further investigation (for example, see: Minbaeva, 2005; Minbaeva, Pedersen, Bjorkman, Fey & Park, 2003; Simonin, 2004).
Szulanski (1996) also considered the role of absorptive capacity in his study, which examined knowledge related factors that act as a barrier to an organisation’s ability to transfer knowledge. Szulanski refers to this as “Internal Stickiness” (1996, p. 27). While not conducted within the MNE environment, the general constructs can be similarly applied due to two quite distinct characteristics. First, it considers the transfer of best practice to be a “dyadic exchange of organizational knowledge between a source and a recipient unit”. Second, it recognises that the exchange of organizational knowledge consists of a “web of coordinating relationships connecting specific resources so that a different but similar set of resources is coordinated by a very similar web of relationships” (Szulanski, 1996, p. 28). In other words, both the recipient and the source of the knowledge must be simultaneously investigated if a greater level of understanding is to be achieved.

Consistent with the findings of Cohen and Levinthal (1990) and Lyles and Salk (1996), Szulanski (1996, p. 31) suggests that absorptive capacity is largely a “function of their (receivers’) pre-existing stock of knowledge … which will manifest in their ability to value, assimilate and apply the knowledge …”. Further developing this argument, Szulanski reintroduces the role of “tacit knowledge”, suggesting that it is the presence of the undefinable portions of knowledge that is a key factor to causal ambiguity. In other words, the sender may tacitly understand the purpose for the need for transfer; however, this need is tacit and not explicit. Therefore, the receiver may reject or fail to imitate the practice as the purpose for implementation has not been made clear. Gupta and Govindarajan (2000, p. 474) support this view, suggesting that “the ‘tacitness’ or ‘causal ambiguity’ of knowledge is one of the most widely recognized barriers to its transfer and replication”. Therefore, Cohen and Levinthal (1990, p. 132) argue that the “firm’s absorptive capacity depends on the individuals who stand at the … interface between subunits within the firm”, or the knowledge gatekeepers.

In addition to tacitness, motivation is also argued to influence the interchange of knowledge. Motivation can come from a number of sources and may be either extrinsic or intrinsic (Mukherjee & Hahn, 2008). For example, Cyert (1995, p. 23) argues that if the uniqueness of the knowledge is considered valuable, and power struggles within the organisation are apparent, then the source unit will hoard the information to create an “information monopoly within the corporation”, as it is
widely held that information loses value when diffused to a greater number of people (Granovetter, 1973, p. 1372). Szulanski (1996) continues this theme, suggesting that fear of losing privilege or status within the organisation and lack of an adequate reward system linked to the sharing of information can further decrease the unit’s motivation for information sharing with other units of the organisation. Motivation to share knowledge, however, is not idiosyncratic to the sharer but also encompasses the receiver. For example, Mukherjee and Hahn (2008), investigating knowledge transfer through an ICT, argued: “It is important to consider both the knowledge seeking and sharing propensities since the propensity to sell or share knowledge influences how organization members contribute knowledge ... whereas the propensity to buy or seek knowledge determines if and how this knowledge is utilized”. The underlying factor here is that even when knowledge has been codified and stored it will not create value for the organisation unless it is accessed and used. Therefore, the source of the knowledge must in some way be regarded as influential to the receiver. This may occur through virtue of the position that they hold within the organisation, or they may be recognised as experienced or knowledgeable in the area (Szulanski, 1996).

One theme to arise in accordance with the motivation (or lack thereof) to receive literature is the Not Invented Here (NIH) syndrome (for example, Katz & Allen, 1982). According to commentators (e.g., Pfeffer, 1981), there are two key drivers of the syndrome: (1) Ego-defence mechanisms, whereby managers may not accept the information, as they feel that by doing so they may support the idea that others are more competent than them; and (2) Power struggles that are inherent within organisations, whereby the target unit downplays the information to reduce its relevance and value. According to Szulanski (1996, p. 31), the incidence of NIH may result in “foot dragging, passivity, feigned acceptance, hidden sabotage, or outright rejection in the implementation and use of the new knowledge”. In later research, Gupta and Govindarajan (2000) argued that these forces can manifest through the paucity of knowledge stock and incentives for managers to learn from peer subsidiaries, and also pressures from HQ.

Lane and Lubatkin’s (1998, p. 461) research into the role of absorptive capacity, however, suggested that the original definition (see Cohen & Levinthal, 1990) inferred that there was an “equal capacity to learn from all other organisations”.

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Applying a three-dimensional re-conceptualised construct “relative absorptive capacity”, Lane and Lubatkin examined the role that partner characteristics play in interorganizational learning. Analysing from a dyad-level, the results provided empirical support to the notion that one firm’s ability to learn from another rests with three common similarities: First, similarity of knowledge bases, or common understanding of basic organisational knowledge and norms; second, similarity of organizational structures and compensation policies and the influence they have on a firm’s innovative and problem-solving ability; and third, dominant logics which are instrumental in determining how new knowledge is applied. This theme is expanded by Darr and Kurtzberg (2000, p. 30), who maintain that partner similarity increases the likelihood of knowledge transfer whereby similarity may manifest through strategic, customer or geographic similarity.

Additionally, reflecting the earlier ideas, Lane and Lubatkin argued that it is the attractiveness of the knowledge that influences whether the other subsidiaries wish to receive it. Hence, it is also important that the receiving unit not only have enough prior knowledge to recognise the importance of the new knowledge, but also whether the receiving unit will be able to assimilate or duplicate the knowledge therefore creating value (Lane & Lubatkin, 1998).

Concurrent with this theme is Zahra and George’s (2002) distinction between a firm’s “potential” capacity and its “realized” capacity to absorb knowledge. Here, potential capacity refers to acquisition and assimilation, while the transformation and exploitation constructs determine realized capacity. It is within this model that direct linkages with social integration mechanisms are raised, as the authors claim that it is the social mechanisms that reduce the gap between potential and realised absorptive capacity.

Interestingly, much of the research surrounding absorptive capacity does not only revolve around the ability of senders and receivers (for example, Lane & Lubatkin, 1998), but also the forces that serve as motivators for knowledge transfer (for example: Cyert, 1995; Szulanski, 1996). It is here, therefore, that the concept of motivation is intrinsically linked to the concept of knowledge transfer, and more specifically absorptive capacity. Thus, it is the integration of the two areas ability and motivation that is capturing the attention of researchers.
This shift of focus is particularly highlighted in the study by Gupta and Govindarajan (2000), whereby it was argued that both knowledge outflows and inflows would be positively associated with not only the “richness of transmission channels” (see Ghoshal & Bartlett, 1990) but also “the value of the subsidiary’s knowledge stock [and] its motivational disposition” (p. 473).

Accepting the pre-established notion that “knowledge transfers within the MNE take place within the context of an interorganizational ‘network’ of differentiated units” (see: Ghoshal & Bartlett, 1990; Hedlund, 1986), Gupta and Govindarajan (2000) adopted a nodal or subsidiary level of analysis. This is consistent with Nohria and Ghoshal’s (1997, p. 4) earlier inclusion of the importance of investigating “local” linkages within each national subsidiary. The research predictions, that is: (a) Value of source unit’s knowledge stock; (b) Motivational disposition of the source unit; (c) Existence and richness of transmission channels; (d) Motivational disposition of the target unit; and (e) Absorptive capacity of the target unit; were tested through a combination of questionnaire surveys and secondary sources on 374 subsidiaries within 75 MNEs operating within a diverse range of industries. The following framework was devised by Gupta and Govindarajan (2000: 477).

Of interest to the researchers were the “lateral” knowledge flows (between peer subsidiaries) and the “hierarchical” knowledge flows (between the subsidiary and
the parent corporation). Additionally, the author’s key focus was the transferral of procedural rather than declarative knowledge. Or, as they stated: “This study focuses on the transfer of knowledge that exists in the form of ‘know-how’ rather than on the transfer of knowledge that exists in the form of ‘operational information’” (Gupta & Govindarajan, 2000, p. 474). As mentioned previously, it is widely held that it is the tacitness of operational knowledge that contributes to the existence of barriers to knowledge transfer and replication (for example, see Zander & Kogut, 1995).

Data analysis resulted in four of the five predictions being supported. This outcome proves important in two quite distinct ways. First, the complete or partial support regarding the importance of the value of knowledge stocks, richness of transmission channels, motivational disposition to acquire knowledge, and the absorptive capacity on knowledge inflows was established. However, the research was unable to provide support for factors influencing the motivational disposition to share knowledge; a construct that the authors anticipated would “counterbalance any ‘hoarding’ tendencies [mentioned above] and thereby have a positive impact on the magnitude of knowledge outflows” (2000, p. 475). These results led the authors to conclude that there may be more incentive for the target unit to acquire knowledge than there is for the source unit to share knowledge, and that this may be attributed to variables not yet investigated (Gupta & Govindarajan, 2000, p. 490).

These conclusions have provided a platform for further research stimulating others to include a new dimension; that is, to begin investigating the nature of organisational systems and practices, and the impact that these practices have on the effective transferral of knowledge within the MNE. Therefore, the following section discusses the limited empirical research undertaken so far into the effect that an organisation’s Human Resource Management system has on knowledge transfer. While there is much literature on the impact of HR practices on organisation performance, the key distinction here is the impact of HR practices on employee ability and motivation. It is proposed that the findings generated will support this research in two ways. First, it will establish links between HRM practices and knowledge transfer. Second, it will expose not only the infancy of this line of inquiry but will also identify the need for additional research to be conducted.
2.8 Organisational Mechanisms and Knowledge Transfer

Recognition of the importance of subsidiaries found in the interorganisation model (Bartlett & Ghoshal, 1989) has not only added to the complexity of researching the MNE (Ghoshal, Korine & Szulanski, 1994; Gupta & Govindarajan, 2000; Kogut & Zander, 1993), but also from a practical sense identified by an increasing complexity in communication and co-ordination at several levels. Predominately, it is noted that the need for extensive coordination and integration is due to the interdependence between the geographically dispersed subunits (Ghoshal et al., 1994; Ghoshal & Bartlett, 1990; Prahalad & Doz, 1987). Foss and Pedersen (2002, p. 50) claim that the organisation must choose “organizational instruments of control, motivation and context in such a way that 1) subsidiaries actually access and produce knowledge, for example, through tapping into local knowledge bases, 2) communication is established between those who need and those who possess knowledge, and 3) the relevant subsidiary knowledge is actually made available to those MNE units that need it”. Ferner (2000) advocates that in an increasingly complex MNE environment, instruments of bureaucratic and social control may be found within HR practices.

2.9 HRM Practices and Knowledge Transfer

Until 2003, most studies into knowledge transfer and absorptive capacity have been isolated from organisational practices. Due to the complex and dynamic environments, however, it is considered that in order to compete successfully organisations must tap into the understandings of its members (Chakravarthy, McEvily, Doz & Rau, 2006, pp. 306–307).

Minbaeva, Pedersen, Bjorkman, Fey and Park (2003) appear to be the first to have extended the previous studies by undertaking exploratory research into the impact that organisational mechanisms in the form of HRM practices have on absorptive capacity and knowledge transfer; and thereby, for the first time, including Human Resource Management as an endogenous part of the knowledge transfer model. The framework supports the ability construct as a result of an employee’s “educational background and acquired job-related skills”. However, drawing on motivational theories, for example, Vrooms (1964) expectancy-valence model, the authors go further to suggest that there should be a level of “organisational aspiration” that will motivate employees to “want to contribute to organisational effectiveness”.

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The authors further suggest that if motivation is low or absent then “the organisation’s ability to utilize the absorbed knowledge will also be low” (Minbaeva et al., 2003, p. 588). Thus, it is argued that “both aspects of absorptive capacity (ability and motivation) need to be present in order optimally to facilitate the absorption of knowledge from other parts of the MNE” (2003, p. 589). Further, from an equity theory perspective, the authors note that there must be a perception by the employees that the effort performance linkages are supported by adequate rewards. Combining the results of Huselid’s (1995) factor analysis on high performance work systems with the motivational factors of absorptive capacity, the authors propose a positive relationship between performance-based compensation and in-house career progression (or internal promotion) and levels of knowledge transfer.

The study investigated 241 subsidiaries of MNEs located in 40 different countries. While only three host countries were included in the survey, they were carefully selected due to their diversity in terms of history, culture and management style in order to test hypotheses across different contexts. The hypotheses were developed around the ability and motivation constructs, and covered: transfer of knowledge, employee ability, employee motivation, training, competence/performance appraisal, merit-based promotion, performance-based compensation and internal communication (Minbaeva et al., 2003, pp. 590–91).

Data analysis on the relationship between HR practices and ability provided mixed results. While a significant relationship between training and ability was found, the effect of performance appraisals and ability was only marginally significant. Moreover, the relationship between HR practices and motivation also delivered mixed results. For example, a highly significant positive relationship was found between performance-based compensation and internal communication and the effect on motivation, while merit-based promotion was found only to be marginally significant. Nevertheless, the results supported the need for both ability and motivation to be present, as it is the interaction of motivation and ability that impacts absorptive capacity and facilitates knowledge transfer. The authors suggest that method bias may be responsible for inconclusive results due to the limitations of only one respondent per subsidiary. This suggests that further research is needed to extend the current model and further develop the field of knowledge management (Minbaeva et al., 2003, p. 595).
Drawing from research fields, including international HRM, innovation, strategy and international business, Minbaeva continued to investigate the influence of HR practices on knowledge transfer. In this second study, Minbaeva argued that “HR practices that affect absorptive capacity of knowledge receivers … is positively related to the degree of knowledge transfer to the subsidiary”. Further, Minbaeva argued that a “higher degree of knowledge transfer is expected when HRM practices are applied as an integrated system of interdependent practices” (Minbaeva, 2005, p. 125); thus looking at the system, or complementarity effect, of a wide range of HR practices rather than individual practices and their isolated effect common in the previous literature. The primary purpose of the study is to expose what Minbaeva refers to as “knowledge-driven HRM practices”; that is, to “determine those HRM practices organizations could employ to enhance knowledge-related outcomes” (2005, p. 127).

Constructing hypotheses around staffing, training, promotion, compensation, performance appraisal, corporate socialisation mechanisms and flexible working practices, data was generated from 92 subsidiaries of Danish MNEs located in 11 countries using a questionnaire survey.

Particularly significant was the finding that complementarity exists for some HRM practices which affect absorptive capacity, substantiating earlier views (Ichniowski, 1997) that a combination of HRM practices will produce a greater effect on outcomes than the sum of the effects from individual practices alone. For example, the results indicate that “interaction effects between ‘compensation’ and ‘training’, and ‘promotion’ and ‘appraisal’ were positive and significant” (Minbaeva, 2005, p. 141). Noticeably, each of the constructs contained one practice (training and appraisal respectively) designed to enhance ability, and another (compensation and promotion respectively) designed to enhance motivation. Positive results therefore support the earlier proposition generated from Minbaeva et al. (2003) that both ability and motivation must be present, and in this case, interactive, if they are to influence levels of absorptive capacity and knowledge transfer. The effect of “corporate socialization mechanisms” and flexible work practices was not supported by the data. However, subsequent research has demonstrated links between both knowledge inflows and outflows and such mechanisms. This is discussed below.
Lee, Williams & Yin (2006), influenced largely by the work from Gupta and Govindarajan (2000), Minbaeva et al (2003) further established the links between an organisations HR system and knowledge transfer within MNCs. Applying Pfeffer’s (1998) framework of “seven practices of successful organisations”, hypotheses were constructed around “employment security, selective hiring, self-managed teams, comparatively high compensation contingent on performance, extensive training, reduced status distinctions and extensive corporate information sharing” (Lee et al., 2006, p. 4). The focus of investigation was Taiwanese MNEs operating in the United Kingdom, Germany and the Netherlands, and was undertaken at the level of the subsidiary. Data was once again collected through questionnaire surveys. Each construct was tested in terms of its effect on information inflows and outflows.

Overall, positive associations with knowledge inflows were found to exist between performance evaluation, communication frequency and training programmes. In addition, and concurrent with earlier research findings (Minbaeva et al., 2003), was the positive impact that employee development and skill development had on an employee’s ability and motivation to accept new knowledge (2006, p. 21). Further, positive associations with knowledge outflows were related to performance evaluation, communication frequency, empowerment, training and the reduction of status distinctions. Again, these results were consistent with earlier findings (Gupta & Govindarajan, 2000).

Interestingly, however, was the lack of support for job security, recruitment, empowerment and status distinction with knowledge inflows. The authors suggest that either these constructs may not be as important as others (e.g., Pfeffer, 1998) have argued, or that inconsistencies between subsidiaries practices (i.e., recruitment) may be accountable. Ideally, the impact of this variable would be considered in future research. Further, there was a negative relationship between job security and knowledge outflows, once again contradicting the views of others (Pfeffer, 1998). In accordance with previous findings (Gupta & Govindarajan, 2000), and in contrast to others (e.g., Minbaeva, 1995), the research failed to provide a positive link between knowledge outflows and performance related compensation. Of particular note here, however, are differences in research constructs. For example, in this study, Lee et al. (2006) examined the HR practices individually as they related to knowledge inflows and outflows. Minbaeva (2005), however, examined the HR
practices as an integrated system of interconnected parts. The differences in findings, therefore, may be less attributed to the constructs of the practices themselves than if they were operationalised as an overall integrated system. While it is noted that Lee et al.’s (2006) findings do not absolutely verify the need for the practices to be viewed as a system, they certainly lend support to Minbaeva’s (2005) view for necessary further investigation into this area.

Since these preliminary investigations, research efforts surrounding the link between HR practices and knowledge transfer have increased. Much of this centred on HR practices and the social aspects of knowledge transfer (for example: Foss, Minbaeva, Pedersen & Reinholt, 2009; Gagne, 2009; Kase, Paauwe & Zupan, 2009; Yamao, DeCieri & Hutchings, 2009). Largely deriving from a social network perspective this research adds interest in two related ways.

First, as already discussed, social mechanisms are useful for transferring knowledge. From the HR literature, therefore, we initially derive the importance of group training (for example: Kase, Paauwe & Zupan, 2009) as a means of knowledge transfer, and, from the perspective of the MNE, the expatriation or overseas transferring of key staff as another. Indeed, the literature examining the influence of overseas assignments is becoming quite significant (for example: Banache & Oberty, 2008; McNulty, DeCieri & Hutchings, 2009; Simonin & Ozsomer, 2009; Welch, Steen & Tahvanainen, 2009).

The second area of interest surrounding HR practices that serve as knowledge transfer mechanisms is the association with the increase in the organisation’s social capital. This relationship is interesting in the way that an increase in social capital is regarded as positively associated with an increase in intellectual capital. For example, according to commentators (see Welch et al., 2009, p. 1334), intellectual capital consists of “human”, “structural” and “social” capital suggesting three interdependent components (Bontis & Fitz-enz, 2005, p. 43).

Here, human capital is developed through “company training programs, work experience and the acquisition of additional knowledge”. Structural capital, according to Youndt, Subramaniam and Snell (2004, p. 86), is codified knowledge and information, and is “the knowledge left behind when human capital walk out the door each night”. Social capital is a private good; and is described as “the sum of the actual and potential resources embedded within, available through, and derived from
the network of relationships possessed by an individual or social unit” (Nahapiet & Ghoshal, 1998, p. 243). Further, Nahapiet and Ghoshal (1998, p. 250) suggest that social capital “facilitates the development of intellectual capital by affecting the conditions necessary for [knowledge] exchange”. Further, Ehin (2008) argues that the level of social capital is reliant on self-organization rather than hierarchical or bureaucratic control if it is to contribute appropriately to levels of intellectual capital.

An additional characteristic of more recent investigation is the creation of alternative views on the benefits of some HR practices purported earlier to be instrumental in knowledge transfer. For example, Hansen et al.’s (1999, as cited in Edvardsson, 2007, p. 554) claim that extrinsic motivators such as performance reviews should be linked to contributions to knowledge sharing ICTs was moderated by Gagne (2009), where it was claimed that “the application of some extrinsic reward systems may harm intrinsically derived forms of motivation to share knowledge”.

Finally, Case et al. (2009) went some way to establish that while social networks may indeed increase the likelihood of knowledge transfer, the interpersonal relationships within the network, created as a direct effect of HR practices, may ultimately affect the quality and quantity of such transfers.

2.10 Implications for Research

Studies into the evolution and nature of the MNE have been influenced by a variety of theoretical perspectives in attempting to develop an understanding of the existence of the MNE. For example, early studies applied “transaction cost” theories in an attempt to understand the organisation from a parent-child perspective. Later, researchers began applying “institutional” based theories and “internalisation” theories to gain insight into the increasingly complex web of networks consistent with the evolution of the organisational form. More recent literature has assisted the development of understanding by operationalising “resource-based” theories and developing an overarching theoretical perspective aptly referred to as “MNE theory”.

In an attempt to understand knowledge management and knowledge transfer within the MNE environment, researchers again drew from “resource-based” and “internalisation” theories, leading to the development of the “knowledge-based
theory of the MNE”. Research into strategic HRM and its link with organisational performance has applied “agency theory” and motivational theories such as “expectancy” and “equity”. More recent investigation into a system’s view of HRM has again drawn from “resource-based” perspectives, also including “best practice”, “contingency based” constructs and “dynamic capability theory” in order to overcome the perceived inadequacies of “resource-based” theory. Further, theoretical perspectives surrounding knowledge transfer draw from social constructivist perspectives through to the theory of absorptive capacity in an attempt to understand organisational learning.

Arguably, this research, exploratory in nature, accepts both the essence and debate of each theoretical construct by informing each of the essential perspectives from which it draws. In terms of the analytical frameworks presented, Gupta and Govindarajan’s appears to be the most widely tested; and therefore, as it also draws from many of the theoretical perspectives informing this research, it will continue to be used as an organising framework consistent with that of Minbaeva et al (2003) and Minbaeva (2005).

The research questions to be drawn so far are:

   Within the context of the MNE as a differentiated network, what are the effects of Human Resource Management practices within subsidiaries on:

   • The value of the source unit’s knowledge stocks?
   • The motivation to share knowledge?
   • The richness of the transmission channels?
   • The motivation to receive knowledge?
   • The absorptive capacity of the receiving unit?

   Of course, the MNE is viewed as a differentiated network consisting of complex relationships, each analogous to its own specific organisational, social, economic and political context. Hence, if it is to be adequately applied, the framework requires application within the context of the organisation and industry. Contextual factors to be considered are:

   • The ability of the MNE to develop and exploit internal knowledge stocks and sources is dependent on the decisions, principles and policies generated by head office, the MNE context.
• The necessity for organisations to innovate their HR practices is a result of existing and changing external and internal conditions, thereby encapsulating the *industry context*.

Clearly, context is important to the study of organisational behaviour; a dimension that recent commentators argue is increasingly missing from contemporary quantitative, although statistically significant, research into organisational behaviour (for example: Johns, 2005; Thompson, 2007). Therefore, for the purpose of this research, context will be defined according to Johns (2000, p. 386); whereby, context means “situational opportunities and constraints that affect the occurrence and meaning of organisational behaviour as well as functional relationships”.

2.11 Conclusion

This chapter defines the contemporary MNE as a differentiated network of diverse subsidiaries operating in diverse national environments. Additionally, the existence of the contemporary MNE is widely attributed to its ability to develop and exploit organisational knowledge. In accordance with this, knowledge flows within the contemporary MNE assume multi-directional dimensions; that is, not only hierarchical flows (HQ-to-subsidiary, subsidiary-to-HQ), but also lateral knowledge flows (between the subsidiaries themselves). The result of the multi-dimensionality of resource linkages lends support to the investigation of MNE subsidiaries; and, more specifically, from a dyadic level (subsidiary-to-subsidiary relationships).

This chapter also recognises the characteristics of knowledge transfer, the transfer mechanisms and the theoretical underpinnings (including the importance of absorptive capacity as a key construct in understanding the factors acting as either barrier of facilitator to successful transfer). Such factors in particular ability and motivation have recently been tentatively linked to the practices employed by the organisation’s HR systems.

To date however, much of the key literature surrounding the effects of HRM practices on knowledge transfer while informative has been inconclusive. What is also evident within the studies undertaken so far is that understanding is often limited to single constructs. That is, most studies evaluate knowledge transfer either through the ICT or the social system, rarely through both. Additionally, most studies have limited responses to one particular employee group ultimately considering the
effects of practices from only a single perspective. As a result, this study differs by providing an empirical assessment of the influence of HR practices on knowledge transfer in both formal organisational practices and informal inter-subsidiary relationships. Therefore, the research adopts both top-down and bottom-up perspectives. This research additionally considers the role of HR practices on both the transfer of *explicit* knowledge through ICTs and *tacit* knowledge through social mechanisms across a range of employment categories. By capturing inter-subsidiary linkages this study adds to the understanding of the complexities of the MNE at the local level.

As indicated above, an organisation’s operating context is influential in determining behaviours. Therefore, the following chapter will introduce the international hospitality industry as the chosen background for this research. Whilst providing a contextual analysis, the chapter will identify key characteristics of the industry, discuss the internationalisation of the industry and examine HR characteristics of the industry.
CHAPTER THREE
CONTEXTUALISING THE HOSPITALITY INDUSTRY

3.1 Introduction

The purpose of this chapter is to provide a contextual analysis of MNEs operating in the global and Australian hospitality industry. In so doing, the key features of the industry will be identified including the structures and employment characteristics considered by many as somewhat unique to the industry. Of importance to this chapter is the increasing recognition that hospitality MNEs must identify with their international nature and therefore implement HR practices consistent with an international HRM model rather than the more generalised HR model that has traditionally formed a large part of the industry. Similar to the MNEs discussed in the previous chapter, recognition of the chance to capture SCA through knowledge management and transfer has also been identified.

The chapter is structured as follows. First, the discussion will establish the hospitality industry as part of the larger tourism sector. This provides an important starting point due to the need to recognise the effect of external factors on growth and demand. Next, the employment characteristics inherent in the wider industry context will be examined, drawing on empirical evidence to evaluate their general effect on hospitality organisations. Then follows a discussion on the industry structure pertaining to its competitive base and overall importance in terms of employment and income. It is at this point that the discussion departs from the industry generally to focus more specifically on the international hotel industry. Finally, HR characteristics of hotel MNEs are examined in terms of their importance to knowledge transfer, and the realisation of SCA in the international environment.

3.2 The Hospitality Industry

The Australian and New Zealand Standard Industrial Classification (ANZSIC), Division H, classifies the hospitality industry as consisting of businesses trading in: Accommodation; Pubs, Taverns and Bars; Cafés and Restaurants; and Clubs (Hospitality). These categories are consistent with the International Standard Industrial Classification of all Economic Activities, Revision 3 (1993).
Identified as a subset of “tourism”, the hospitality sector is part of what is reportedly one of the fastest growing industries globally. Patterns of growth and decline in the industry are captured and reported tri-annually by the United Nations World Tourism Organization (UNWTO, 2011). Their reports indicate that even when affected by the 2008 economic downturn the resiliency of the tourism sector was demonstrated by its 2009 rebound. Indeed, the 6.6 per cent increase in the 2009 figures showed growth that “more than offset the decline” (UNWTO, 2011). Further, UNWTO predicts continued global industry growth with the international tourism arrivals indicator expected to double between 2010 and 2020 (UNWTO, 2011).

Such resiliency is a fortunate characteristic of the tourism industry, which is often the victim of external events that create polarised demand patterns; for example, occurrences of international terrorism, the outbreak of Sudden Acute Respiratory Syndrome (SARS), avian influenza, geological events such as tsunamis and earthquakes, and the volatility of aviation fuel prices. These have all negatively impacted tourism growth. To illustrate, in 2003 the industry was combating the effects of the Asian economic crisis, the conflict in Iraq and SARS. UNWTO data provides an overall indication that the impact of accumulated events was held largely responsible for a decrease of 1.7 per cent in the international arrival indicator. Similar to the economic downturn example above, however, within a year the data indicated a timely recovery and a return to positive growth (UNWTO, 2006).

From a more localised perspective, Australia posted on overall growth rate in 2010 of 5 per cent. While this figure is reasonably consistent with the world average, the entire “Asia and Pacific” region (of which Australia is a part) was recognised as the first region to recover from the economic downturn posting an overall growth double the world average (UNWTO, 2011).

In Australia, the Australian Tourism Satellite Account (ABS, 2005-2006) identifies the tourism industry as Australia’s largest service export industry accounting for $32.6 billion of total Gross Domestic Product (GDP). In 2005, the industry directly employed in excess of 550,000 people, 5.6 per cent of the workforce, demonstrating an 8.1 per cent increase between 1997–98 and 2004–05 (ABS, 2005-2006). By 2010 this number had increased to 760,000 (ABS, 2010a) contributing 5 per cent to Australia’s GDP (ABS, 2010b).
As indicated above, demand is often uneven. Factors affecting demand, however, are not limited to global events and changing economic environments, but regularly occur due to seasonal variations according to geographic location. The highs and lows that are created by such variations place pressure on organisations to maximise profit when available and to minimise costs when demand lessens. These associated factors, along with the highly competitive nature of the industry, result in most organisations adopting cost cutting and cost leadership strategies (Timo & Davidson, 2005). This cost minimisation focus, though, adds a continuing challenge as organisation management try to balance low costs with a constant provision of quality service (Knox, 2008, p. 231). Consequently, demand fluctuations and cost minimisation strategies require flexible human resource management practices; thus we see specific employment characteristics largely particular to this industry.

3.3 Employment

Within the industry, the previously mentioned categories “Cafes and Restaurants” and “Accommodation” account for the two largest sectors. In 2005, these two sectors combined employed just under 490,000 people accounting for 5per cent of total employment across all industries, and representing a 5.4per cent growth rate over the previous two years (ABS, 2005-2006). By May 2007, this figure had increased to 534,000 employees (ABS, 2007a).

3.4 Workforce Characteristics

3.4.1 Contingent workforce

Employment within the industry is characterised by the heavy use of casual and part-time labour. Undertaking comparisons with selected European countries, the ILO reported that in Australia part-time or casual work in the service sector had been growing “faster than full-time employment…” demonstrating a relatively high incidence by international standards (ILO, 2001, p. 61). More recent (2007) ABS data indicated that part-time employment within the sector accounts for just under 50per cent of all employment. Also of interest is the structure of female employment in this category. For example, while females represent over 60per cent of total employment within the sector, they also represent approximately 75per cent of the total part-time figure. Comparatively, males represented over 60per cent of fulltime employment (ABS, 2007a).
3.4.2 **Skill levels**

The hospitality sector consists of a number of occupational groups with positions ranging from very low-skilled through to technical and highly skilled. These groups range from back-of-house positions through to face-to-face customer service positions. Some positions are highly technical (for example, chefs) and require several years training before realising qualification. Depending on the size and nature of the organisation, there are a number of supervisory positions and management positions similar to those of any organisation. Generally, however, the majority of employment within the sector is located within those positions classified as lower skilled. For example, according to the Department of Employment and Workplace Relations (DEWR), the top three positions in terms of number of employees are kitchen hands, food and beverage attendants and (for accommodation) room attendants. The low skilled nature of these positions requires the employee to have little or no post-school qualifications (apart from mandatory legislative requirements). Therefore, substantial employment within these areas goes some way to explain the lower than average post-school qualifications for the larger number of employees in the industry. In fact, this figure sits at just under 56 per cent, which is almost 10 per cent higher than the across all industry figure (DEWR, 2006).

3.4.3 **Remuneration**

In terms of income, data indicate that employees within the “Accommodation, Cafes and Restaurants” sector earn significantly less than employees across all other Australian industries. For example, ABS (2007b) reported that average fulltime adult total earnings across all industries are $1,136 per week. In the hospitality sector, however, the average full time adult total earnings are $868.40 per week. Of further significance, and in line with the above discussion, the gap between males and females earnings is significant. For example, male total weekly earnings are reported as $912.90, while female total earnings are reported as $801.20, thus indicating above average industry earnings for males and below average industry earnings for females (ABS, 2007b).

3.4.4 **Age**

The industry is quite attractive to the younger age group. In fact, 25.5 per cent of all employees are aged between 15 and 24. This compares to an all industry average of 16
per cent for the same age bracket (DEWR, 2006). There are numerous reasons offered to explain this mix; however, one significant factor is the ease of mobility that can occur within and between organisations operating within the industry. That is, once gained, the skills associated with a large number of positions within the industry are easily and readily transferred to other organisations whether they operate within the same locality, the same nation, or internationally. This ease of skills transfer is reported to suit the younger age group as young people require employment mobility as they are more likely to travel abroad and can easily obtain work in other countries. Additionally, it is widely held by the younger generation that hospitality is a “job of entry” into the workforce as they are “passing through” on their way to a career in another industry (HMAA, 2006; Woods & Macaulay, 1989).

3.4.5 Turnover and retention

This transient nature of employment within the industry is captured by recent ABS labour mobility statistics where the percentage of employees who had been with their current employer for less than 2 years was 15.9 per cent. This figure reduces to 8 per cent of employees who had been with their current employer for 10 or more years. When compared with data across all industries, the hospitality industry has the lowest proportion of workers who remain with an employer for any significant length of time, and also the highest levels of turnover (ABS, 2006).

For the purpose of this discussion, the term “turnover” is not inclusive of events such as retirement or internal transfers within organisations. Nor is it concerned with involuntary events such as dismissals and retrenchments. Rather, turnover is used to apply to voluntary resignations; that is, relating to those leaving the organisation to pursue opportunities in other organisations or industries. Davidson and Timo (2006, p. 3) reported that data generated by their investigation suggested that the “primary reason for industry turnover was voluntary”. This finding is consistent with ABS data. The following graph indicates that over 80 per cent of operational staff and over 60 per cent of managerial staff exits are voluntary in nature.
As indicated by ABS (2006) statistics, the industry experiences the highest level of voluntary turnover across all industries. Research has delivered some alarming figures that provide an indication of the substantial financial costs incurred by the industry as a result. For example, in the USA, annual combined (operational and management) turnover exceeded 60 per cent. It was estimated that replacement costs were approximately US$3,000 – US$10,000 per person for operational staff (ILO, 2001; Taylor & Walsh, 2005). Costs for replacing management positions, though, have been estimated at the equivalent of a full year’s salary. In 43 per cent of the cases studied this figure was between US$51,000 and US$100,000 per employee. In a further 14 per cent of cases this figure increased to between US$100,000 and US$130,000 (Taylor & Walsh, 2005, p. 15). Available data from Hong Kong, the UK and Australia provided similar results. For example, Davidson and Timo’s 2006 study into hotel turnover in Australia reported an annual combined rate of 50.74 per cent and a management turnover rate of 39.19 per cent (Davidson & Timo, 2006, p. 3). Replacement costs for operational staff were reported as approximately $9,591 per employee, while managerial staff were reported as $109,000 annually for each hotel surveyed. In total, the 64 hotels surveyed reported a combined annual employee turnover cost of $49 million equating to 19.5 per cent of total payroll costs (Davidson & Timo, 2006, p. 4).

Previously, high levels of turnover have been associated with operational staff. As the above graph and figures indicate, however, the industry is also experiencing increases in management turnover, leading some commentators and national governments to
question the overall sustainability of the industry (Davidson & Timo, 2006; ILO, 2001; Taylor & Walsh, 2005). For example, the ILO indicated their concern about the issue in 2001 describing the trend as “alarming”, and calling for national governments and industry leaders to investigate the nature of the causes (ILO, 2001, p. 54). Warnings notwithstanding, hospitality managers are very aware of the issues. For example, 50 per cent of all management responses to an enquiry into USA hotel issues reported an annual turnover averaging 60 per cent. It was noted that it was these “human-capital challenges… [that] are the problems that ‘keep them awake at night’” (Taylor & Walsh, 2005, p. 7).

In an effort to more clearly understand the nature of turnover several explanations have been offered. For example, Iverson and Deery (1997, p. 71) discussed the notion of the industry having a “turnover culture” where “the acceptance of turnover is part of the work-group norm”, or, that there is a belief among employees that turnover is an acceptable practice. In addition, Krackhardt and Porter (1986, as cited in Iverson & Deery, 1997, p. 79), suggested “employees are more likely to leave if they see their peers quitting” leading to the conclusion that turnover is “self-aggravating and self-generating”; a view originally put forward by the Tavistock Institute in the 1950s and more recently by Denvir and McMahon (1992).

Sitting closely alongside the “culture” literature is the ongoing debate regarding levels of commitment. While some (i.e., Simms, Hales & Riley, 1988) argued that the organisations or the industry itself fail to evoke or promote commitment from their employees, others, (i.e., Williamson, Harris & Gent, 2008) argued that it is the employees themselves who fail to commit to the organisation and industry. For example, Williamson et al. (2008, p. 465), commenting on data from “exit interviews”, argued that there is “little indication that the organisation has done, or failed to do, something that has resulted in the employee deciding to leave”. Therefore, they concluded, the key to the issue is not to be found within the reasons why staff leave, but it is more likely to be found by investigating the reasons for lack of commitment.

Clearly, the above discussion indicates that the issue requires more than a unilateral investigation. This conclusion is supported through data obtained by the ILO (2001) that exposed a disparity between supply side and demand side evaluations. For example, it was found that employers commonly cite “the transient nature of the workforce, namely students, young mothers and young people as a whole…” as the cause of the problem,
while employees cite low wages and lack of career structure, irregular and long working hours and non-standard employment conditions as the primary reasons (ILO, 2001, pp. 55–57). The results from Davidson and Timo’s (2006, p. 10) study further supported the demand side argument whereby “low pay, poor working hours and seeking better career opportunities elsewhere” were cited as key contributing factors.

The desire for career structures within the industry is reflected globally. For example, the Centre for Hospitality Research (CHR) at Cornell University conducted studies into the causes of high levels of management turnover in the USA hospitality sector indicating that “hospitality professionals… are looking for challenging jobs that offer growth opportunities, competent leadership and fair compensation”, and that if this is not forthcoming, the industry will continually lose good people (Taylor & Walsh, 2005, p. 4). The authors concluded that the retention of hospitality managers “may be linked to specific job features that enable professionals to develop their careers ‘in-house’”, which may be linked to enhancement of the “individuals’ organisational and industry commitment levels and reduce their turnover intentions” (Taylor & Walsh, 2005, p. 9).

Indeed, Woods and Macauley (1989, as cited in Iverson & Deery, 1997, p. 80) noted that “hotels and restaurants which have developed supervisory and management career path programmes, along with a ‘hire-from-within’ policy, have reduced turnover”.

The ILO, on the other hand, commenting on the issue of career development within the hospitality sector, offered the following (2001, p. 85): “Truly structured careers, in which workers have genuine prospects of career development, are not numerous in the hotel, tourism and catering sector, and efforts to retain employees through incentives or promotion are the exception rather than the rule”.

With such high levels of employee turnover the issue of skills availability within the industry is becoming more pronounced. It is widely recognised that in such a labour intensive industry access to an available skill base and to skill development is an important link with attaining competitive advantage. This is particularly so in economic periods of growth where previous “skills shortages” have led governments from some countries to pay more attention to the training and re-training of employees in the industry (DEST, 2005). For example, a 2005 report into skills shortages and training within the Australian industry identified a number of challenges that will need to be met if the industry is to satisfy demands and requirements. Briefly, these consist of the need for longer-term career opportunities; constraints on employers to hire apprentices and
trainees; forcing organisations to consider the longer term effects of staffing decisions; and an alignment with training and industry requirements (NQC, 2005).

The growing trends of globalisation and regionalisation are forcing organisations to adopt new competitive strategies. As consumption patterns shift, regional and interregional competition increases. In light of this, the ILO (2001, p. 26) suggested that it was time for organisations to take up these challenges “in terms of investment needs and human resources development, especially with regard to training and labour mobility”. This view is reflective of the agenda of the Association of Southeast Asian Nations (ASEAN) where emphasis is on Human Resource Development (HRD) in terms of increased education and training to ensure that skill levels within the industry reflect the need for quality and professionalism (ILO, 2001, p. 27).

While investigation by the ILO (2001, p. 87) suggested that the take up of training is generally slow within the industry, it is recognised that certain larger organisations or MNEs operating within the industry demonstrate some trend toward training and development. For example, the Radisson Hotel Group “acknowledges that the success of the company depends on the knowledge, skills, abilities, motivation and dedication of its employees”, and hence established the Radisson SAS Management School. Further examples from the UK and the US report some measure of success, as they have recognised that impediments within their systems prevent staff from moving up into management or more senior management positions. Providing external training opportunities for selected staff and implementing “annual readiness assessments” for those wishing to “move up” have allowed particular organisations to realise some benefits from these incentives (ILO, 2001, p. 88). Nevertheless, the ILO concluded that “while careers are possible in the sector, and it is theoretically possible to progress from waiter to managing director of a major hotel chain, the increasingly flat management structures can only make this increasingly difficult” (ILO, 2001, p. 89).

### 3.5 Composition of the Industry

A key characteristic of the hospitality industry is the high incidence of small businesses where a small business is defined as those operations employing less than 10 people (ABS, 2005-2006). The following table provides structural data according to the two largest sectors: “Cafes and Restaurants” and “Accommodation”.

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58
Table 3.1: Structural characteristics: “Cafes and Restaurants” and “Accommodation”

<table>
<thead>
<tr>
<th></th>
<th>Small Businesses &lt; 10 people</th>
<th>Medium – Large Businesses &gt; 50 people</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cafes and Restaurants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per cent of all businesses in sector</td>
<td>63.4 per cent</td>
<td>1.2 per cent</td>
</tr>
<tr>
<td>per cent of all business income</td>
<td>20.6 per cent</td>
<td>32.4 per cent</td>
</tr>
<tr>
<td><strong>Accommodation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per cent of all businesses in sector</td>
<td>74.3 per cent</td>
<td>5.4 per cent</td>
</tr>
<tr>
<td>per cent of all business income</td>
<td>17.8 per cent</td>
<td>57.9 per cent</td>
</tr>
</tbody>
</table>


As indicated by the data, the overall percentage of businesses within both the “Cafes and Restaurants” and “Accommodation” sectors demonstrates a preponderance of small business. While these figures demonstrate only the Australian experience they can be considered as somewhat representative of the industry globally: for example, Slattery (1992); Litteljohn (2004).

What is also obvious, however, is the inverse relationship between number of businesses and income generated. That is, while the incidence of small business is much higher in both sectors, the generation of income is higher in large business in the restaurant sector and significantly higher in the accommodation sector. An explanation widely attributed to this phenomenon is the growth of international hotel chains (to be discussed below), and the level of horizontal integration that has been a feature of the past 20 years (Litteljohn, 2004, p. 19). Indeed, Teare and Olsen’s (1992, p. 137) depiction of a business typology for these firms identifies a mix of traditional functions such as operations, food and beverage, and housekeeping, supported by a number of ancillary functions such as stores and supplies, leisure-linked promotions and reception/telephone/cleaning activities. It is here, therefore, that we see a further, although not absolute, distinction between the smaller and larger operators in terms of the relative number of products and services provided. In Australia, these characteristics are captured by AAA Tourism who “owns and manages… Australia’s official STAR Rating Scheme which provides consistent STAR Ratings for over 11,000
accommodation properties located throughout Australia” (AAA Tourism, 2007a, p. 1). Over 500 criteria are used to assess a property with allocated gradings based on the amenities and facilities that an establishment provides (AAA Tourism, 2007a). There are 5 grades depicted by the assignment of stars from 1–5, with 5 being the highest (or offering the most facilities) according to the criteria. As a result of the aforementioned horizontal integration activity, the larger players are more often represented by a higher number of stars as the two key sectors become merged within the one business unit. The following table identifies the items for inclusion for those establishments in the 4–5 star categories.

In 2006, there were 448 international hotel establishments operating in Australia under a 4–5 star grading (Jones Lang LaSalle, 2006); a number that identified this form of hotel as dominating the 4–5 star hotel market (AAA Tourism, 2007a). In addition to, and consistent with, the provision of a higher number of products and services, organisations operating in this category accounted for 71 per cent of employment, that is, employment in the 4–5 star categories numbered 83,399 persons out of 116,839 across all star categories (ABS, 2006).

Knowles (2004, p. 218) suggested that the internationalisation or “globalisation” of the hospitality industry through international hotels had brought on a “host of organisational challenges”. Unlike manufacturing organisations, service organisations “internationalize through overseas market presence... [and therefore] the service is produced where it is consumed”. As such, the increased role of labour responsiveness requires innovative human resource management policies, “in particular, training models adopting international standards but delivered with local application; deployment and flexible hiring policies; knowledge and information dissemination; talent identification and development” (Knowles, 2004, p. 218).

Indeed, the focus of capitalizing on human resources in the international hotel industry appears to have gained some ground (Go & Pine, 1995). This has been partially identified in the previous section through the response from multinational hospitality organisations to Human Resource Development (HRD) needs. Further, van Barneveld (2006), Timo and Davidson (2005), and Davidson and Timo (2006) have found that the larger organisations or foreign-owned MNE hotel chains are more likely to have a designated HRM department and undertake a more formalised HR strategy (Hoque, 2000).
Table 3.2: Star rating categories

<table>
<thead>
<tr>
<th>Essential Items</th>
<th>5 Stars</th>
<th>4.5 Stars</th>
<th>4 Stars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score outstanding for maintenance/cleaning/appearance</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Score very good for appearance/cleaning/maintenance</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Video or multichannel or “pay for view”</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air conditioning, heating and cooling</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Ensuites to all rooms</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Reception staffed 24 hours</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Reception staffed 16 hours</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Licensed restaurant/café (7 days – 3 meals)</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Licensed restaurant/café (7 days – 2 meals)</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Housekeeping 24 hours</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Housekeeping 16 hours</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Room service 24 hours</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Room service 16 hours</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Business facilities in room/in house/secretarial service</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Comprehensive in room snacks/mini bar</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Porterage and valet Parking</td>
<td></td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

It is here, therefore, that discussion departs from the hospitality and tourism industry generally, and focuses more on the internationalisation, characteristics and HR practices of multinational hotel organisations.

3.6 The International Hotel Industry

3.6.1 Drivers of internationalisation

Since the 1800s, increasing levels of consumer mobility have influenced the internationalisation of hotels. Firstly, from Europe emphasis was on the export of luxury and was driven from the increase in leisure travel following the Industrial Revolution. This model was to address the needs of “a travelling class of wealthy business and industrial people, in addition to the landed aristocracy... Grand hotels were constructed which were palatial villas with suites of rooms designed to provide private accommodation for entire families” (Barge, 1993, p. 117). Although the original model of the provision of “suites of rooms” has significantly altered to the provision of individual rooms, due to the increasing drive to cater to more customers, the focus on maintaining the tradition of excellence and luxury has become synonymous with many of those hotels operating within the 5 star environment; for example, Ritz (see Olsen & Merna, 1993).

In the USA: “The end of the Second World War saw an explosion in travel between countries and continents” (Barge, 1993, p. 119). Additionally, cheaper air transport provided affordable travel options for business and the “more price sensitive consumer market segments that were previously unable to afford to travel” (Air Transport Action Group, 1994, as cited in Knowles, 2004, p. 227). This increase in mobility for both business and leisure markets influenced the owners of hotel “chains”, that is, “hotel companies with two or more properties” (Go & Pine, 1995, p. 33) like InterContinental Hotels Corporation (ICH) owned by [former] Pan American World Airways (Pan Am), to enter the global market. Considered a “pioneer of global expansion”, ICH established hotels along Pan Am routes initially in South America in 1946, Africa and the Middle East in 1961 and Europe by the mid-1960s (Go & Pine, 1995, p. 23). Increasing internationalisation is regarded as leading to systematic management efficiencies (Hilton Hotels), expansion orientation (Sheraton), and “concept standardisation for operational control and consistency of guest experience” (Kemmis Wilson for Holiday Inn; Barge 1993, p. 119).
High levels of expansion since this time are largely attributable to the entry of new players and the market value of opening establishments in other countries (Olsen & Merna, 1993). The following table offers an insight into the owners of the most “multinational” organisations in terms of the number of countries in which they operate.

Table 3.3: Number of countries where hotels operate

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Number of Countries 2000</th>
<th>Number of Countries 2005</th>
<th>Number of Countries 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Hotels and Resorts* InterContinental Hotels Group**</td>
<td>98*</td>
<td>100**</td>
<td>100**</td>
</tr>
<tr>
<td>Best Western International</td>
<td>84</td>
<td>80</td>
<td>78</td>
</tr>
<tr>
<td>Accor</td>
<td>81</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resorts</td>
<td>80</td>
<td>82</td>
<td>98</td>
</tr>
<tr>
<td>Carlson Hospitality Worldwide</td>
<td>57</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Marriott International</td>
<td>56</td>
<td>66</td>
<td>69</td>
</tr>
<tr>
<td>Hilton International*/Hilton Hotel Corp**/Hilton Group plc.***</td>
<td>53*/20**</td>
<td>78***</td>
<td>78**</td>
</tr>
<tr>
<td>Forte Hotel Group</td>
<td>51</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Club Mediterranee SA</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Choice Hotels International</td>
<td>36</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Hyatt Hotels/Hyatt International* Global Hyatt Corp**</td>
<td>35*</td>
<td>43**</td>
<td>44**</td>
</tr>
<tr>
<td>Sol Melia</td>
<td>27</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Airtours Group</td>
<td>23</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cendant group</td>
<td>23</td>
<td>44</td>
<td>N/A</td>
</tr>
<tr>
<td>Le Meridien Hotels &amp; Resorts</td>
<td>N/A</td>
<td>56</td>
<td>N/A</td>
</tr>
<tr>
<td>Golden Tulip Hospitality</td>
<td>N/A</td>
<td>47</td>
<td>49</td>
</tr>
</tbody>
</table>


By the 1980s, many hotel firms had engaged in rapid expansion, often through avenues such as joint ventures, strategic alliances, and merger and acquisition activities. Olsen and Merna (1993, p. 89) claimed that “it seemed that there was almost a corporate footrace to see who could join forces with whom”. Further, increasing competition...
pushed many organisations to achieve economies of scale through merger and acquisition activity. This became a key driver in the overall trend for MNEs to switch from “independently owned and operated hotels... to the creation of major hotel chains” (ILO, 2001, p. 47) that were recognised by their ability to “create and sustain a competitive advantage” (Go & Pine, 1995, p. 25) through innovation and in creating a major change in ownership patterns (Barge, 1993, p. 123). The following table provides an indication of continued merger and acquisition activity into the late 1990s.

Table 3.4: Hotel industry mergers and acquisitions, 1995–99

<table>
<thead>
<tr>
<th>Year</th>
<th>Company Acquiring</th>
<th>Company Acquired</th>
<th>Value (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>Hilton</td>
<td>Bally Entertainment</td>
<td>3.00</td>
</tr>
<tr>
<td>1996</td>
<td>Granada</td>
<td>Forte</td>
<td>5.90</td>
</tr>
<tr>
<td>1996</td>
<td>Doubletree</td>
<td>Red Lion</td>
<td>1.00</td>
</tr>
<tr>
<td>1997</td>
<td>Starwood</td>
<td>Westin</td>
<td>1.80</td>
</tr>
<tr>
<td>1998</td>
<td>Patriot American</td>
<td>Wyndham</td>
<td>1.10</td>
</tr>
<tr>
<td>1998</td>
<td>Bass</td>
<td>InterContinental</td>
<td>2.95</td>
</tr>
<tr>
<td>1998</td>
<td>Starwood</td>
<td>Sheraton</td>
<td>14.60</td>
</tr>
<tr>
<td>1999</td>
<td>Hilton</td>
<td>Promus</td>
<td>4.00</td>
</tr>
</tbody>
</table>

Source: IH&RA (2007, p. 6)

3.6.2 Operational structures

Traditionally, “hotel property and buildings were usually owned by individuals and families” (Go & Pine, 1995, p. 27). By 1995 it was estimated that “the average cost of building a hotel exceed[ed] US$100,000 per room in many markets and much more in areas where real estate is more expensive” (Go & Pine, 1995, p. 27). Consequently, the capital intensive nature of the industry combined with rapid expansion, increased competition, the global recession and a “crash in the real estate market in the early 1990s brought an abrupt end to the heady days of reckless growth and expansion” (Olsen & Merna, 1993, p. 89) instigating a period of real estate divestiture. Many of the major hotel chains began a process of “selling off the hotels real estate to investors” (Go & Pine, 1995, p. 106), but maintaining management rights through the use of alternative operational structures such as franchising arrangements and management contracts. As a
result, such globalisation strategies have become increasingly common throughout the global industry. The following section will provide a brief overview of each form.

3.6.2.1 Franchising

According to the ILO (2001, p. 40), franchising is a “contractual agreement whereby one company allows another to sell and use its products for a fee… presenting a number of advantages”. Such advantages for the franchisee include: the ability to use local management and staff, taking advantage of the reputation of the international hotel, and a readymade market (ILO, 2001). In the international hotel sector, the hotel company, or “franchisor”, may provide additional resources including “central reservations, training, advertising and technical advice” (Litteljohn, 2004, p. 17). Athiyaman and Go (2004, p. 145) claimed that “franchising is one of the most common and preferred forms of expansion for international hospitality firms”. The following table identifies hotel companies that most use franchising arrangements.

3.6.2.2 Management contracting

It is through the use of management contracts that the distinction between real estate ownership and hotel management is most clear. Management contracts allow for the separation of asset ownership and business operation (Litteljohn, 2004, p. 17). A management contract is a strategic alliance which “enables the owner to employ an operator to assume full responsibility for the professional management of the property” (Athiyaman & Go, 2004, p. 145). It provides distinction between the owner and the manager, although the “divorce between ownership and operation may not be complete” (Watson & Litteljohn, 1992, p. 153). As the advantage of management contracting allows faster growth than an asset-owning company, “management contracts have become an increasingly popular means of hotel operation” (Athiyaman & Go, 2004, p. 145).

The leasing of properties through management contracts is widely attributed to belonging to the 1970s, a time that Barge (1993, p. 119) claimed “major hotel chains grew up”. Identified as the first to engage in this form of business, InterContinental Hotels adopted the management contract which offered the “fledgling company” flexibility and the “ability to extend into new markets with reduced financial risk” (Barge, 1993, p. 119). This system of standardized management practices, while initially confined to the USA, quickly extended across the rest of the globe by hotel
chains that provided “insurance through the managers’ skills and knowhow to local investors with little hotel experience” (Barge, 1993, p. 119). This arrangement has appeal. It requires little capital investment by the management company while providing the property owner an established reputation for management and a property identified with the name of the established management company (Tse & West, 1992, p. 131).

Table 3.5: Companies that franchise the most hotels

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>2000 Franchised</th>
<th>Total Hotels</th>
<th>2004 Franchised</th>
<th>Total Hotels</th>
<th>2007 Franchised</th>
<th>Total Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cendant</td>
<td>6258</td>
<td>6315</td>
<td>6402</td>
<td>6402</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Choice Hotels International</td>
<td>4248</td>
<td>4248</td>
<td>4810</td>
<td>4810</td>
<td>5376</td>
<td>5376</td>
</tr>
<tr>
<td></td>
<td>Bass Hotels &amp; Resorts* (InterContinental Hotels Group)**</td>
<td>2563*</td>
<td>2886*</td>
<td>2926**</td>
<td>3520**</td>
<td>3204**</td>
<td>3741**</td>
</tr>
<tr>
<td></td>
<td>Hilton Hotels Corp</td>
<td>1357</td>
<td>1700</td>
<td>1808</td>
<td>2173</td>
<td>2242</td>
<td>2935</td>
</tr>
<tr>
<td></td>
<td>Marriott International</td>
<td>998</td>
<td>1880</td>
<td>1765</td>
<td>2718</td>
<td>1784</td>
<td>2832</td>
</tr>
<tr>
<td></td>
<td>Carlsson Hospitality Worldwide</td>
<td>581</td>
<td>616</td>
<td>852</td>
<td>881</td>
<td>905</td>
<td>945</td>
</tr>
<tr>
<td></td>
<td>Accor</td>
<td>568</td>
<td>3234</td>
<td>964</td>
<td>3894</td>
<td>1121</td>
<td>4121</td>
</tr>
<tr>
<td></td>
<td>US Franchise Systems</td>
<td>374</td>
<td>400</td>
<td>470</td>
<td>470</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Societe du Louvre</td>
<td>372</td>
<td>990</td>
<td>360</td>
<td>896</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Starwood Hotels &amp; Resorts Worldwide</td>
<td>299</td>
<td>716</td>
<td>N/A</td>
<td>N/A</td>
<td>360</td>
<td>871</td>
</tr>
<tr>
<td></td>
<td>Best Value Inn Hotel Group* (Vantage Hospitality Group)**</td>
<td>N/A</td>
<td>N/A</td>
<td>318*</td>
<td>318*</td>
<td>699**</td>
<td>699**</td>
</tr>
<tr>
<td></td>
<td>Wyndham Hotel Group</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>6441</td>
<td>6473</td>
</tr>
<tr>
<td></td>
<td>Global Hyatt Corp</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>425</td>
<td>749</td>
</tr>
</tbody>
</table>

Over the past twenty years, the use of management contracts has given the larger organisations a competitive edge as they continue to sell off the real estate portions of their business to both private and public investors and focus on its management. A further example of the continued use of management contracts can again be found with the InterContinental Hotels Group, who, between 2003 and 2006, divested 168 hotels raising US$4.4 billion. In 88 per cent of these cases InterContinental retained the management rights (ICH, 2007). The following table provides a snapshot of some of the key global companies that manage the most hotels.

**Table 3.6: Global Companies that manage the most hotels**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marriott International Inc.</td>
<td>759</td>
<td>1880</td>
<td>858</td>
<td>2718</td>
<td>947</td>
<td>2832</td>
</tr>
<tr>
<td></td>
<td>Societe du Louvre</td>
<td>565</td>
<td>990</td>
<td>345</td>
<td>896</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accor</td>
<td>456</td>
<td>3234</td>
<td>475</td>
<td>3894</td>
<td>547</td>
<td>4121</td>
</tr>
<tr>
<td></td>
<td>Tharaldson Enterprises</td>
<td>314</td>
<td>314</td>
<td>360</td>
<td>360</td>
<td>351</td>
<td>351</td>
</tr>
<tr>
<td></td>
<td>Westmont Hospitality Group Inc.</td>
<td>296</td>
<td>296</td>
<td>332</td>
<td>332</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Starwood Hotels &amp; Resort/Starwood Hotels &amp; Resorts Worldwide</td>
<td>204</td>
<td>716</td>
<td>243</td>
<td>738</td>
<td>426</td>
<td>871</td>
</tr>
<tr>
<td></td>
<td>Hyatt hotels/Hyatt International* (Global Hyatt Corp.)</td>
<td>191</td>
<td>195</td>
<td>N/A</td>
<td>N/A</td>
<td>186</td>
<td>749</td>
</tr>
<tr>
<td></td>
<td>Marcus Hotels &amp; Resorts</td>
<td>185</td>
<td>185</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Bass Hotels &amp; Resorts* (InterContinental Hotels Group)**</td>
<td>175*</td>
<td>2886*</td>
<td>423**</td>
<td>3520**</td>
<td>512**</td>
<td>3741**</td>
</tr>
<tr>
<td></td>
<td>Hilton Hotels Corp</td>
<td>173</td>
<td>1700</td>
<td>206</td>
<td>2173</td>
<td>343</td>
<td>2935</td>
</tr>
<tr>
<td></td>
<td>Westmont Hospitality</td>
<td>N/A</td>
<td>N/A</td>
<td>332</td>
<td>332</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Extended Stay Hotels</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>681</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>Interstate Hotels &amp; Resorts</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>219</td>
<td>223</td>
</tr>
</tbody>
</table>

The separation of hotel ownership and management allows organisations to focus on the business while investors take care of the real estate. In Australia, this trend similarly reflects that of the USA and Europe. The purchasers of the real estate portions typically consist of private equity firms and real estate investment trusts (Jones Lang LaSalle, 2006). Many of these firms establish business relationships with professional service organisations specialising in investment management and property consultancy. Therefore, investment decisions are able to be made based on sound market analysis including competitive environment, projected sustainability of location and general trends in management agreements; for example, owners obligations, dispute resolution and matters relating to financial obligations (Jones Lang LaSalle, 2006). The following table identifies the top 10 hotel owners in Australia.

Table 3.7: Top ten hotel owners in Australia – 2006

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Investor Type</th>
<th>Origin</th>
<th>Rooms</th>
<th>Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tourism Asset Holdings Ltd</td>
<td>Private Company</td>
<td>Australia</td>
<td>6,047</td>
<td>42</td>
</tr>
<tr>
<td>2</td>
<td>Thakral Holdings Limited</td>
<td>Developer</td>
<td>Australia</td>
<td>2,557</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>General Property Trust</td>
<td>REIT</td>
<td>Australia</td>
<td>2538</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>Stamford Land Corporation Limited</td>
<td>Hotel/SA operator</td>
<td>Singapore</td>
<td>2,206</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Eureka Funds Management</td>
<td>Investment Fund</td>
<td>Australia</td>
<td>2,193</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Grand Hotel Group</td>
<td>Public company</td>
<td>Australia</td>
<td>2,171</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>JF Meridien and NRMA trust</td>
<td>Institutional investor</td>
<td>Australia</td>
<td>1,621</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Schwartz Family Company Pty Ltd</td>
<td>HNW – High Net Worth Individual</td>
<td>Australia</td>
<td>1,517</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>Toga Group of Companies</td>
<td>Hotel/SA operator</td>
<td>Australia</td>
<td>1,454</td>
<td>12</td>
</tr>
<tr>
<td>10</td>
<td>Commonwealth Property Hotel Fund</td>
<td>Investment fund</td>
<td>Australia</td>
<td>1,332</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle, Hotels, 2006

Although it does exist, “interest in the use of the management contract as an [internationalisation] strategy is limited beyond the hotel sector” (Olsen & Merna, 1993, p. 94). Such peculiarities, added to the further recognition of differences between
service organisations internationalisation and that of manufacturing (see, for example, Olsen, Tse & West, 1992), have provoked debate regarding the applicability of the term “multinational” to hotel companies (i.e., Buckley & Casson, 1996). Many of the challenges surrounding the debate have arisen from application of an either/or approach. That is, either an external or an internal perspective in understanding the nature of international hotel companies (for further discussion, see Litteljohn, Roper & Altinay, 2005, p. 167). In an attempt to address the debate Dunning and McQueen (1982) applied an “eclectic theory of the multinational enterprise” to shed further light on understanding. In principle, the theory identifies three conditions to be satisfied. These are listed as ownership specific advantages, location-specific advantages, and internalization advantages. Dunning and McQueen’s basis for recognising hospitality firms as multinational enterprises resided with the assumption that “traditional ideas about the nature of international production”, derived from equity-based control over resource allocation, should be “remodified” to include the existence of “contract based control” (Dunning & McQueen, 1982, p. 80).

While it is beyond the scope of this research to intensively deliberate on additional factors surrounding the debate, this research rests on the conclusions that international hotels are indeed multinational identities in accordance with the following advantages:

Ownership advantages: “International hotel chains operate on a superior production function to local hotels... [with] a wider learning process and wider sourcing of inputs improving quality and competitiveness. Economies of size and logistical skills, knowledge and expertise... that is, the human and physical resources and co-ordinating ability are able to be supplied to a newly associated hotel at a much lower marginal cost than that of a new entrant into the market” (Dunning & McQueen, 1982, p. 104)

Location-specific advantages: While differences regarding location choices between manufacturing and MNE hotel chains are recognised, “locations are often chosen carefully to appeal to certain types of user” (Litteljohn, 2004, p. 6). Therefore, it is argued that the “approach is to maximize the firm’s presence in as many key areas as possible throughout the world... in order to have presence in as many market areas as possible, regardless of the competition” (Olsen & Merna, 1993, p. 93).

Internalization advantages: Whereby the transferor of resources continues to exercise control with distinction being made between “de jure” control, consistent with “equity based perspectives”, and “de facto” control established through the contracts (Dunning
& McQueen, 1982, p. 104). More commonly, this has been associated with the “development of technology designed to maintain control over the capacity of room inventory, and to improve customer service and overall operations (Olsen & Merna, 1993, p. 93).

3.6.3 Segmentation and branding

In 1988 the International Hotel Association (IHA) identified emerging patterns regarding hotel products. One pattern was segmentation, which allowed hotel companies to operate a range of products from the luxury (high-end) through to midscale and economy. Consumer recognition has been achieved through the use of “brands” attributed to each form of product (Go & Pine, 1995, p. 33).

In order to recognise the varying perspectives of the definition of “brand”, this research adopts the definition offered by Wood (2000, p. 666, as cited in Knowles, 2004, p. 91) which integrates both owner and customer perspectives. That is: “A brand is a mechanism for achieving competitive advantage for firms, through differentiation (purpose). The attributes that differentiate a brand provide the customer with satisfaction and benefits for which they are willing to pay (mechanism).”

The concept of “brand” denotes a “capabilities based approach” (for example, see Dev, Erramilli & Agarwal, 2002), whereby the firm’s “physical, human and organizational competencies are bundled to produce a relationship with the customer” (Knowles, 2004). The relationship builds a “brand association” with “anything that is directly or indirectly linked in memory to a brand”, which includes both products and services (Knowles, 2004, p. 91). These associations enable consumers to identify with the brand by building a “brand image” or personality through which the firm may “obtain a sustainable competitive advantage through differentiation” (Knowles, 2004, p. 92).

In order to capitalize on “branding”, international hotels have adopted a strategy of “brand extension” or “brand expansion”. Within this industry, organisations adopt a vertical approach to brand extension through the “introduction of products/services in the same category as the core brand, but in a different quality and price class (Kim & Lavack, 1996, as cited in Knowles, 2004, p. 95). This contrasts with “horizontal extension” (discussed earlier in this chapter) where “the organization takes on additional related products/services to the existing brand” (Knowles, 2004, p. 95).
As a result of the vertical extension, differing brand personalities ensure a “fit between the positioning of the brand and perceptions of the consumers” in all markets (Knowles, 2004, p. 95). This is achieved through a multi-brand strategy designed for products and services to reach “various market segments, with various values and/or lifestyles” (Kotler, 1997, as cited in Knowles, 2004, p. 95). According to the ILO (2001, p. 41), branding has become a significant factor within the industry and has been linked to merger and acquisition activity (see, for example, Stamos, 2000; Travel & Tourism Analyst, 2000). Indeed, operators are increasingly recognizing “that it is the name of the brand under which a hotel trades that carries weight, rather than its ownership and management structure” (Travel & Tourism Analyst, 2000). Therefore, many large organisations carry a range of brands, each targeted to a specific industry demographic. The following table derived from the Accor website (one of the larger international hotel organisations by number of countries; refer back to Table 3.3 in this chapter) provides an example of branding from the Australia and New Zealand region in association with star ratings accorded to each brand.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Star Rating</th>
<th>Number of hotels in Australia</th>
<th>Number of Hotels in New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sofitel</td>
<td>5 Star</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Pullman</td>
<td>4-5 Star</td>
<td>6</td>
<td>N/A</td>
</tr>
<tr>
<td>Grand Mercure</td>
<td>4-5 Star</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Novotel</td>
<td>4-5 Star</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Mercure</td>
<td>3-4 Star</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>All Seasons Premier*</td>
<td>4 Star*</td>
<td>20 (total)</td>
<td>2</td>
</tr>
<tr>
<td>All Seasons**</td>
<td>3 Star**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ibis</td>
<td>3-4 Star</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Hotel Formule 1</td>
<td>2 Star (Budget)</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>124</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

Source: Accor website (2007)

3.7 International Hotels – Human Resource Management Challenges

As previously identified, multinational hotel companies exist within the larger category of the hospitality industry; therefore, they are inextricably tied to many of the same constraining forces that the larger industry presents. This was made apparent through
the demonstration of consistency between turnover levels in the hospitality industry and those in hotels (Davidson & Timo, 2006). Also presented, however, was the recognition of a response by international hotel companies to the increasing need for HRD and formalised HR practices (Hoque, 2000) indicating not only differences between HR in hospitality generally, and HR in international hotels, but also a shift in HR practices between the two. Therefore, this section will provide a more focussed discussion on HR in international hotels.

In Chapter 2, early discussion evolved around the international orientations that a multinational enterprise can assume. This was presented in terms of Perlmutter’s framework consisting of “ethnocentricity”, “polycentricity” and “geocentricity”. This framework is equally useful in identifying strategic alternatives to HR strategies in international organisations. The following framework, offered by Watson and Litteljohn (1992), provides an overview of differing HR characteristics in terms of international orientation.

Table 3.9: Human resource management strategies

<table>
<thead>
<tr>
<th></th>
<th>Ethnocentric</th>
<th>Polycentric</th>
<th>Geocentric</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>The same strategies and practices are employed in all countries</td>
<td>HRM is decentralized on a country-by-country basis</td>
<td>HRM is managed on a global basis</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>A high degree of authority and decision making at head office</td>
<td>Authority and decision making devolved to take account of local environments</td>
<td>Harmonizes the overall management of HRM while at the same time responding to local environmental factors</td>
</tr>
<tr>
<td><strong>Management Development</strong></td>
<td>Managers are recruited and developed in the company’s home country for anywhere in the world</td>
<td>Local managers are trained and developed for key positions within their own country</td>
<td>Allows for the development of the best person within the company as a whole</td>
</tr>
</tbody>
</table>


Where international hotels are concerned, Goss-Turner (1993, p. 155) claimed that “most organizations will find themselves somewhere between categories”. This response is due to the unique position of the industry in that while it is international it does business at a very local level. Thus it must address two sets of managerial challenges: those that exist from a multinational perspective and those that exist at the local level (Olsen & Merna, 1993, p. 102). Consequently, while headquarters maintains tight control of “the handling of corporate human resources” (Olsen & Merna, 1993, p.
95) so that the function fully integrates with strategic considerations, HR itself at the local level must “be flexible and responsive enough to be able to provide the level of input and influence required” (Goss-Turner, 1993, p. 154).

Key to these differences is the increasing recognition that the HR function must adapt to the needs of a “world-scale” organisation. That is: “HR must be a proactive involved contributor at the strategic level, not just a reactive administrative support service. HR must have significant input into strategy; into organisational structure; into the development of management style, as well as into the traditional and highly influential HR technicalities of recruitment training and management development” (Goss-Turner, 1993, p. 153). Goss-Turner (p. 156) continued by stating that in order for a hotel company to transform internationally the following conditions must be met:

*Image:* “Human resource departments need to move from a bureaucratic utility to a customer-oriented, market-driven enterprise. The employees of the company need to become customers. This premise has to invade the HR philosophy and influence its every action”.

*Specialist expertise:* Development of additional skills enabling an ability to revise and implement new policies especially within the “nuts and bolts” of international transfers. The revision of procedures to include “contents of expatriate contracts, compensation and benefits packages, relocation plans... and family-oriented matters...”

*Team development:* Changing the composition of HR team members to include expertise “bought in” from other service industries and not just hospitality. This contrasts with the “typical model where the HR team members have worked in the industry, or even the same company, for most or all of their careers”.

*The cultural awareness factor:* The inclusion of “sophisticated and educated approaches to being an international organization”. Such “embracing of changes of a symbolic and procedural nature [is] necessary to nudge the organization from an essentially ethnocentric culture to a more regionalized, polycentric model”. This goes further to address the requirement for international standards to be delivered with local application as identified by Knowles (2004, p. 218) in an earlier section of this chapter.

Primary to the change is the emphasis on the skills of unit managers (Gannon, 2004). Indeed, it is argued that competitive advantage is based on managers’ actions (Go & Pine, 1995, p. 201) and that HRM must be the “guardian” of management style (Goss-
Turner, 1993, p. 159). Key to this theme is the role of management development and succession planning to enable long term success. Goss-Turner (1993, p. 160) argued: “From graduate trainee onwards, HR must be sure that the company’s management development programs nurture an appropriate resource for the future. High quality, focused training linked to performance and potential reviews are means to this end... that will aim to secure the right person in the right job at the right time. This company-wide, global approach to management progression, a basic ingredient of the geocentric structure, allowing for the development of the best person within the company as a whole”.

Clearly the above discussion indicates several key areas of HR focus for international hotel operations. For example, a continued emphasis on succession planning, in order to have available a pool of qualified managers with industry and organisational knowledge, focuses not only on training and development in establishing designated career paths, but even more so on retention of such staff who will fill future “Hotel General Manager” positions. The importance of such programs are clarified through UK research data identifying that it typically takes 10–11 years for an employee to attain the position of a “unit general manager”, with an additional 10 years needed for those managing upscale and luxury hotels (Gannon, 2004, p. 185).

Here, a focus on development and retention delivers two key advantages. The first is that the multinational hotel company can retain their key local managers operating in a host country, enhancing the efficiency of operations in local subsidiaries (Go & Pine, 1995, p. 22). The second is the benefits to be achieved by expatriation or international assignment of experienced managers. Commonly, such assignments are understood as belonging to one of the following two groups:¹

- **Parent country nationals (PCNs):** Managers of the same nationality as the parent company but working outside their home country

- **Third country nationals (TCNs):** “Managers who are working outside their home country for a company operating outside its home country” (Gannon, 2004, p. 184).

¹ These terms, although referenced to Gannon (2004, p. 184), in this instance are commonly applied without further distinction across all international human resource management literature. These two forms can be contrasted with Host Country Nationals (HCNs): “Managers who are working inside their own home country which is playing host to a foreign company’s subsidiary”.

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Here, international transfers are used to resolve staffing issues, to increase managers’ levels of satisfaction and motivation through mobility, and to develop a particular cohort of managers. Thus, the organisation is able to take advantage of the knowledge of local customs and language familiar to the HCNs while transferring “valuable operational knowledge and expertise” across the company through PCNs and TCNs (Gannon, 2004; Go & Pine, 1995, p. 222). Indeed, the increasing interest in knowledge within the international hotel industry has recently gained significance. Largely this has taken two forms. The first is consistent with the discussion above surrounding the increased interest in retention, succession planning and overseas assignments for managers, and the second in terms of the knowledge related advantages to be achieved through appropriate management of operational staff. The following section will provide a brief glimpse of the general themes relating to the second form.

3.7.1 HRM and innovation in the international hotel industry

Reflective of the discussion in the previous chapter identifying the link between HR practices and the management of organisational knowledge, hospitality and hotel researchers have made similar connections. For example, Knowles (2004, p. 217) stated that, as a result of the impact of globalization, hotel, catering and tourism, organisations must consider “new responses to the management of human resources” that “utilize the skills of the workforce to the full” if they are to cope with the impact of the knowledge-based economy. Knowles further stated that “this new paradigm for human resource management... is characterized by speed, flexibility, integration and innovation” (Knowles, 2004, p. 217).

Indeed the growing recognition of the need for continued innovation and the link with human resources within the industry has not only been the focus of academics but also of practitioners. For example, proceedings from a Cornell Center for Hospitality Research Roundtable identify service innovation surrounding effectiveness and efficiency as being essential (Verma, Anderson, Dixon, Enz, Thompson & Victorino, 2008, p. 4). Differentiating between product and service innovation, the participants identified the challenges of service innovation as:

1. “... Services are simultaneously produced and consumed. Since the development and delivery of a service innovation coincide, the testing of service innovations tends to occur in the actual marketplace... [unlike that of] product innovation
which can often be tested in a lab or tightly controlled focus group...” (Verma et al., 2008, p. 8).

2. “... Service innovations are easy to imitate... therefore what is today’s service innovation becomes tomorrow’s commonplace service”. That is: “Products can be patented and clearly ‘belong’ to the innovating firm, services are typically ‘viral’ and spread rapidly” (Verma et al., 2008, p. 8).

3. “While a single person can develop a new product, it takes a team to implement a new service... Service innovation tends to follow a democratic process where a leader needs to create a culture that motivates employees to innovate” (Verma et al., 2008, p. 9).

Within services, the “human aspect” is clearly recognised as key to continual and successful innovation. Further emphasis surrounds the use of employee compensation and rewards as motivators for innovation success, and similar to the previous section networking and social communities are recognised for knowledge sharing (Verma et al., 2008, p. 19). Overall the emphasis on generating and sharing organisational knowledge within the industry is with employee involvement and motivation.

3.8 Conclusion

This chapter has provided a contextual review of the international hospitality industry. In so doing it has identified the resilience of the industry to cope with external pressures, often achieved through cost reduction strategies and flexible human resource management practices. In response to these survival strategies the industry faces disproportionate labour turnover from a notable lack of focus on employee development and career progression opportunities.

Although the industry is heavily concentrated with small and medium size enterprises, the recent internationalisation of large chain hotel companies has created a shift in employment within the industry, with MNE organisations contributing substantially to employment and industry income. These organisations, although similarly constrained by industry factors like those of smaller national operators, experience additional challenges and benefits characteristic of multinationals.

It is within this context, therefore, that a platform for investigating the research questions can be established. First, the status of hospitality MNEs as truly multinational has been established according to the service organisation framework provided by
Dunning and McQueen (1982). Second, the operating context of the international hotel has been established as a differentiated network consistent with the characteristics established by Ghosal and Bartlett (1990, p. 619) in the previous chapter. Research is therefore conducted within the context of the organisation as an interorganizational system due to “aspects of resource configuration, and density of interactions across nations and regional groupings”.

Consistent with the general literature on MNEs, the ability to manage and exploit the vast knowledge bases within international hotel companies is considered instrumental in achieving SCA, the realisation of which is linked to the management of key knowledge resources through HR practices. Such practices consist of increasing retention rates through training and development; performance management; succession planning; international assignments and career development specifically; and recruitment and rewards generally.

It is here, consequently, that conceptual similarities emerge thereby even further substantiating the hospitality MNE as a suitable context for this research. Such conceptual similarities exist between the recognised need for these HR practices within the MNE and the recognised potential impact on knowledge transfer in terms of their relationship with the ability and motivational constructs with the Gupta and Govindarajan (2000) framework. As a result, the contribution of this research is extended from that offered in Chapter 2 to include a unique exploratory investigation into knowledge transfer in the international hotel industry, thereby offering the first comprehensive investigation of this nature into this high growth industry.
CHAPTER FOUR
METHODOLOGY

4.1 Introduction

The preceding chapters demonstrated that research examining the links between knowledge transfer and human resource management practices as a line of enquiry is in its infancy in terms of years of interest. To date, there is little or no information on knowledge transfer in service industries such as those in the hospitality sector. As a result this research is considered to be exploratory in nature.

Consistent with the understanding that research into multinational operations in the hospitality sector is complex, as presented in the preceding chapter, and in line with the research questions evolving from Chapter 2, this chapter will rationalise the adoption of an inductive qualitative case study as the preferred research methodology for this project. In doing so, this chapter will firstly locate the methodological framework within the wider methodological literature. Informed by this analysis, the chapter will then offer an explanation of the chosen method for this research, including the design and strategy of the research followed by a discussion of data collection and analytical techniques.

4.2 Research Design and Strategy

According to Plowman (1999, p. 31), research design is about the what, why and how of research. While the what (the topic) and the why (the importance of the topic) have been discussed in detail in previous chapters, this section will introduce the how. In doing so, it will consider social science research methods and techniques; in particular, the issues surrounding deductive and inductive reasoning. The latter part of this section will provide an extensive discussion regarding the applicability of the case study as the preferred research method.

4.2.1 Researching the social sciences

Research typically starts with a question that needs to be answered or a problem that needs to be solved. As such, research is planned around that problem or question: “In this way our research question, incorporating the purposes of our research, leads us to methodology and methods” (Crotty, 1998, p. 13). Strauss and Whitfield (1998, p. 9) stated that the two main approaches to research are the deductive-quantitative approach
and the inductive-qualitative approach. Each approach follows its own logic and each has advantages and disadvantages (Yin, 2002, p. 3). The following section will expose the inherent nature of each approach by evaluating the applicability of each to the research problem.

According to Crotty (1998, p. 8), epistemology deals with the nature of knowledge, providing a “philosophical grounding” to areas of inquiry. This section will consider two key epistemological views, objectivism and constructionism, and their relevance in accordance with each of the approaches.

Objectivism is the view that things exist as “meaningful entities, independent of consciousness and experience” and that “truth and meaning reside in them as objects”. Therefore, under the view of objectivism, meaning is produced as a consequence of an endeavour to “create” meaning (Crotty, 1998, pp. 44–55). This epistemology underpins the positivist stance consistent with quantitative method.

Quantitative or deductive methods describe the process of deducing hypotheses from a premise, the aim of which is to “proscribe the conduct of true scientific practice” (Gill, 1991, p. 293). This method lends itself to experiments where it is possible to conduct observation and replication of results using statistical analysis and quantification techniques. Therefore, the role of theory in deductive method is to deduce proposition from premise, which is then empirically tested.

The subject matter of the natural sciences draws premises from inanimate objects of the material world. In these cases conclusions can be deduced from premise because there is a degree of predictability in the subject matter of the physical sciences originating from its inanimate nature (Gill, 1991).

Traditionally, research into social sciences assumed a more “natural science” approach often favouring quantitative methods such as surveys and experiments. This was largely due to the assumption that while considered “useful” for developing hunches, qualitative methods were deemed to be “restricted”, not possessing “the solidity of research designed within a framework more obviously redolent of the scientific method” such as surveys and experiments (Bryman, 1988, p. 3). Therefore, although the history of “qualitative research” precedes the 1960s (Bryman, 1988), until this time, qualitative methods of research into the social sciences was regarded as “marginal in the
context of the social scientist’s armoury of data collection techniques” (Bryman, 1988, p. 1).

Controversy over the applicability of the natural science model and the use of quantitative methods of enquiry arose as social scientists argued that the underlying positivist assumptions of the natural science model were unable to account for the complexity and “special character of people as objects of inquiry” (Bryman, 1988, p. 3). Additionally, the acceptance of premise in deductive research was criticised. Social scientists suggested that humans make decisions between rational alternatives rather than inanimate objects (Gardner, 1999, p. 60), and that pure reliance on quantification may retard theoretical explanation of the unobservable and unpredictable (Godard, 1994, p. 4). Further, Kayrooz and Trevitt (2005, p. 110) argued that unless the researcher has considerable knowledge, quantitative method may miss major research factors. Accordingly, an expanding interest in qualitative enquiry began as a response to the inappropriateness of the “canons of scientific method to the study of people” (Bryman, 1988, p. 2).

A qualitative approach is one in which “the inquirer often makes knowledge claims based primarily on constructivist perspectives” (Cresswell, 2003, p. 18). According to Crotty (1998, p. 420), constructionism is the epistemological view that “all knowledge, and therefore meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context”. Therefore, constructionism rejects the objectivist view arguing that meaning is not discovered, but as a meaningful reality is socially constructed (Crotty, 1998, p. 9, p. 54). Clearly, the underlying premise of the constructionist view is that rather than creating a world, humans must make sense of a world already there; hence, “the very existence of social phenomena stems from human action” (Crotty, 1998, p. 56).

According to Denzin and Lincoln (2005, p. 3), qualitative research is a “situated activity that locates the observer in the world… meaning that qualitative researchers study things in their natural settings”. It is a value-laden nature of inquiry, which attempts to “make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln, 2005, p. 3). Induction or qualitative method is contrasted with deduction or quantitative method as a way of developing knowledge as it can accommodate changing contextual constraints and develop propositions based on prior
human knowledge and experience. This is qualitatively different from inanimate or natural objects (Cappelli, 1985). Further, Minichiello, Aroni, Timewell, and Alexander (1995) argued that qualitative researchers are most interested in studying how people attach meaning to their lives and thus seek to “uncover the thoughts, perceptions and feelings experienced by informants”. Therefore, “qualitative researchers challenge the assumption that human beings can be studied by a social scientist in the same way as a natural scientist would study things” (Minichiello et al., 1995, p. 10).

The following table identifies the key assumptions between qualitative and quantitative philosophies.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Question</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontological</td>
<td>What is the nature of reality?</td>
<td>Reality is objective and singular, apart from the researcher</td>
<td>Reality is subjective and multiple as seen by participants in a study</td>
</tr>
<tr>
<td>Epistemological</td>
<td>What is the relationship of the researcher to that researched?</td>
<td>Researcher is independent from that being researched</td>
<td>Researcher interacts with that being researched</td>
</tr>
</tbody>
</table>
| Methodological     | What is the process of research? | - Deductive process  
                      |                                                          | - Inductive process  
                      |                                                          | - Mutual simultaneous shaping of factors  
                      |                                                          | - Emerging design – categories identified during research process  
                      |                                                          | - Context-bound  
                      |                                                          | - Patterns, theories developed for understanding  
                      |                                                          | - Accurate and reliable through verification |
                      |                                                          | - Cause and effect  
                      |                                                          | - Context-bound  
                      |                                                          | - Emerging design – categories identified during research process  
                      |                                                          | - Context-bound  
                      |                                                          | - Patterns, theories developed for understanding  
                      |                                                          | - Accurate and reliable through verification |

Source: Adapted from Collis and Hussey, 2003

Drawing from the key assumptions, as identified in the above table, Bryman (1988, p. 64) argued: “Qualitative research exhibits a preference for contextualism in its commitment to understanding events, and behaviour in their context”. Additionally, Creswell (2003, p. 22) suggested that qualitative research is exploratory in nature, and is useful when little research has been undertaken on a phenomenon. Each approach, however, is seen to have significant strengths and identified weaknesses. Therefore, the
applicability of the approach must also be consistent with additional factors unique to the research.

According to Yin (2002, p. 5), the applicability of the research strategy depends largely on the following three conditions: (1) “The type of research question posed”; (2) “The extent of control an investigator has over actual behavioural events”; and (3) “The degree of focus on contemporary as opposed to historical events”. The following table identifies the appropriateness of research strategies to different research methods.

Table 4.2: Research strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of Research Question</th>
<th>Requires Control of Behavioural Events?</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin (2002, p. 5)

Using the above framework, Yin (2002, p. 6) suggested that when seeking to answer questions such as how and why, qualitative case study analysis is preferred as the questions “deal with operational links needing to be traced over time, rather than mere frequencies or incidence”, which is largely applicable to quantitative analysis. Additionally, a case study is the preferred strategy when investigating “contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2002, p. 13), and when the researcher has no control over the events. According to Punch (1998, p. 150), a case study is favourable when the “general objective is to develop as full an understanding of the case as possible”.

Areas for research identified in the previous chapters clearly indicate an emergence of how and why questions. Further, these questions focus on contemporary events where the researcher has no control over behavioural events. In accordance with the above discussion, therefore, there is a clear link between the purpose of the research and the
use of a qualitative case study approach. Additionally, the intention is to provide a comprehensive insight into the organisation’s knowledge sharing mechanisms and their linkages with HRM practices. According to Punch (1998, p. 150), when the research objective is to develop as full an understanding of the phenomenon as possible, the use of a case study will assist to “understand the case in depth, in its natural setting, recognising its complexity and its context”. Therefore, this research project, exploratory in nature due largely to the paucity of research efforts examining these links, the broadness of the research questions and the lack of clarity of surrounding issues, will use an inductive qualitative case study approach. This approach is deemed suitable when seeking answers to descriptive, explanatory or predictive research questions (Gardner, 1999, p. 59; Yin, 2002).

4.2.2 The case study

According to Kelly (1999, p. 119), a case study is “a thorough and planned investigation of a ‘real world’ phenomenon, which takes account of the contextual influences, and which draws on theoretical underpinnings in order to investigate systematically.” In the social sciences, a case study “in the researcher’s toolbox” assists in our understanding of complex human behaviour where experiments and surveys may miss significant elements. A case study allows the researcher to obtain rich valid data while situating and interpreting data within their wider context (holism) (Mitchell, 1989).

A case study is both a “process of enquiry about the case and product of that enquiry”. A case study has a conceptual structure organised around a number of research questions. These questions are not just informational; they are “issues or thematic lines… [whereby] issues are complex and situated” (Stake, 2000, p. 440). Gardner (1999) identified two forms of case study design: the single case study with a single unit of analysis; and the multiple case study with multiple units of analysis where several organisations are studied under the same protocol or design (Kelly, 1999). The case study may be simple or complex, but it is purposive, it is an integrated system (Stake, 2000, p. 436). A case may also be intrinsic (Stake, 2000, p. 437). Here the case is singular; however, it is complex, operating within a number of contexts. It has subsections and groups and requires research based on a holistic view in order to capture the human dilemmas and situational influences that impact social phenomena (Stake, 2000, p. 440).

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Case study limitations are widely discussed in the literature, with the main issues being identified as generalisation and replication (or reliability). Plowman (1999) and Gardner (1999) recognised these constraints arguing that generalisation is a major problem with case studies as the findings are specific to the situation observed. Additionally, while physical sciences use controlled experiments that are able to be replicated, social scientists are unable to control the research environment and therefore “find it difficult, if not impossible, to develop propositions which have been subjected to the same degree of testing” (Dabscheck, 1999, p. 21).

The issue of replication or reliability is cause for general concern as it relates to the method’s ability to reproduce the same result over and over again. Stenbacka (2001, p. 552), drawing on the classical definition of reliability, exposed two clear distinctions between qualitative and quantitative research that suggest the issue of reliability is irrelevant for case study method. First, Stenbacka suggested that the reliability construct stemming from the experimental traditions is based on the notion of “measurement method”, which is not relevant in qualitative research. Second, the classical definition locates the researcher as separate from the method. Qualitative method differs, however, as “it is impossible to differentiate between researcher and method (Stenbacka, 2001, p. 552).

The general theme surrounding the issue of generalisation is “whether the resulting conclusions are general for a population… due to the small size and inductive approach” (Sykes, 1998, as cited in Stenbacka, 2001, p. 552). While there is substance to these arguments it should be noted that not all research sets out to make broad generalisations. Yin (1989), for example, draws a distinction between analytical and statistical generalisation arguing that a case study is not intended to be a sample and that “results in a qualitative study are intended to be general in respect to theory, not to population” (Yin, 1989, p. 40).

Denzin (1989) and Stake (2000) further argued that generalisation should not necessarily be the objective of all research projects, whether case studies or not. According to Punch (1998, p. 154): “Sometimes it is not the intention of such a study to generalise, but rather to understand the case in its complexity and its entirety, as well as in its context”. As Mitchell (1989) suggested, when attempting to explain a phenomenon it becomes necessary to identify the causal factors; and that by conducting case study research it is often not the frequency of the phenomena being investigated,
but rather an explanation into the phenomena. Further, Connell, Waring and Lynch (2000, p. 2) argued that key criticisms of case study reliability “overlook the notion that the case study inferential mechanism relies upon the cogency of the theoretical reasoning rather than the typicality or representativeness of the case”.

Stake (2000) advanced an even stronger view arguing that an intrinsic case study “is undertaken because, first and last, the researcher wants better understanding of the particular case… not because the case represents other cases… but because, in all its particularity and ordinariness, this case itself is of interest” (Stake, 2000, p. 437). While Stake (2000, p. 439) conceded that in intrinsic case study researchers do not avoid generalisation, as even “intrinsic case study can be seen as a small step toward grand generalisation”, damage may occur if the commitment to generalise draws the researchers’ attention away from features that are important for understanding the case itself.

4.2.3 Approach

As discussed earlier, constructionism is the epistemological view that “all knowledge, and therefore meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context” (Crotty, 1998, p. 420). Additionally, qualitative research is a “situated activity that locates the observer in the world… meaning that qualitative researchers study things in their natural settings”. It is a value-laden nature of inquiry, which attempts to “make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln, 2005, p. 3). This research seeks a holistic view with an aim to understand the issues in depth in their natural setting and context where object and subject are brought together. Therefore, this research adopts a constructionist view that underpins a qualitative methodological approach. Additionally, the emergence of how and why questions to be investigated in a contemporary setting indicate that an intrinsic case study is the most suitable method for conducting this research.

Finally, while much of the research conducted into the hospitality industry has been empirically based, the largest proportion has been conducted using questionnaire surveys (Lockwood & Ingram, 1999). Olsen and Roper (1998, p. 112) argued that while these methods represent “rather rigorous attempts”, they do not capture the complexity of the increasing internationalisation and geocentric nature (see also Litteljohn, 1997;
Roper, Brookes & Hampton 1997) of the hotel sector, and as such have “only achieved marginal success in contributing to the body of knowledge”. Alternatively, the more recent use of case study investigation by hospitality researchers “has permitted in-depth analysis of several national and multinational hospitality firms... resulting in the formulation of propositions encouraging further research and theory building” (Olsen & Roper, 1998, p. 112).

4.3 Case Study Selection

In order to identify potential case study organisations it was essential to obtain a listing of the key multinational organisations operating within the global hospitality environment. Several organisations publish lists of international hotels according to various characteristics. Initially data was accessed from *Hotels*, a United States organisation providing comprehensive listings of companies operating in most countries; recent and historical merger and acquisition activity; style of ownership; and the largest organisations ranked by number of rooms. This data source was complemented through comparison with data from: International Hotel and Restaurant Association (IHRA); United Nations World Tourism Organisation (UNWTO); Economist Intelligence Unit (EIU); and the Cornell Center for Hospitality Research. Data was taken from reports generated from the above sources in 2007.

After inspection, approximately ten organisations were identified as belonging in the top fifteen of every list. This outcome suggested that these organisations could be considered as key industry players in terms of both activity and size. They were therefore isolated from the primary lists in order to assess their further compatibility with the research objectives.

In order to identify those organisations operating in Australia, a listing of each organisation’s countries of operation was obtained through their primary websites. In total, six organisations from the derived list had Australian sites. Combining data from the *Hotels* listing with further information obtained from the organisation’s websites, two companies were found to use franchising in 100% of Australian cases. Franchised operations are deemed unsuitable to this research due to the independent nature of management methods and the reduced linkages with the parent company; and, as such, were consequently removed from the list of potential organisations.
Informed by the discussion on researching MNEs in Chapter 2, this research analyses data at the “systemic” (behaviour of the network) level and the “nodal” (behaviour of individual units) level. Therefore, it is essential that organisations suitable for this research provide not only a reasonable number of individual operations, or units from which to gather data thereby fulfilling the requirements of nodal analysis, but also to have a level of geographical separation between those units. Reasoning for the latter is to reduce the influence that spatial proximity may have on increasing the homogeneity of operational context. It is not the intention of the research to investigate “clusters” of units within isolated regional boundaries, but rather to generate understanding of the wider organisational picture where, importantly, varying operational contexts in terms of geographical situation and separation may influence outcomes. In accordance with this condition, the websites of the remaining four organisations were again accessed in order to identify the number of Australian sites and their geographical locations.

Results indicated that in two organisational cases Australian sites were limited in both number and location, and therefore considered unsuitable in accordance with the above conditions. By contrast, the remaining two organisations were considered suitable for the research due to the significant number of Australian sites. Further, these organisations were widely represented across Australian states and territories adhering further to the requirement for geographical separation.

In addition to meeting the above requirements, the two remaining organisations consistently made the top 10 Hotels list in terms of number of countries of operation and number of rooms globally (Hotels, various reports, 2004, 2007) establishing them as large organisational players. Further, each organisation is foreign owned and recognised as a “hotel chain” operating a number of brands across market sectors including budget, mid-scale, upper scale and luxury establishments. Therefore, their relevance to this research is further supported in two distinct areas. First, in accordance with the suggestion by van Barneveld (2006), Timo and Davidson (2005), and also Davidson and Timo (2006), that it is the larger organisations or foreign owned MNE hotel chains that are more likely to have a designated HRM department which is an essential inclusion for the research. Second, the complexity found in the nature of operational structures, the level of internationalisation and market concentration, and the servicing of different sectors and markets (Lockwood & Ingram, 1999) provide further
support for an intrinsic (Stake, 2000) qualitative case study approach (as identified in
the previous section).

The most senior Australian HR representative for each organisation was identified by
position, title and name through that company’s corporate website. The senior HR
manager was considered more relevant than General Managers or Chief Executive
Officers due to the HR focus of the research. This person was either clearly listed on the
website or mentioned in company reports provided through the website. These key
organisational representatives were then contacted by phone by the researcher in
accordance with approved ethics standards\(^1\). Phone contact was instrumental in
introducing the research. Further communication was followed up via email where each
representative was forwarded a copy of the research information statement and the
relevant consent form (See Appendix 2 & 3) in order to provide additional project
detail.

Within two weeks, one organisation’s representative had declined any further interest in
the project. The other indicated willingness for their organisation’s inclusion in the
research and forwarded the necessary consent for the researcher to begin contacting
potential participants.

4.4 Participant Selection

Initially, criteria for participation were based solely on the individual having an HR role
within the organisation. Investigation of organisational websites, combined with
relevant organisational documents and reports obtained through the websites, indicated
two key functional groups for HR employees: operational and strategic. As HR
practices are a key area of investigation representatives from both levels were
considered necessary for this research. Further research (academic and organisational)
at this time, however, indicated that site and general managers play an important role in
the transfer of knowledge and innovative practice at both an HR and an organisational
level, and consequently these positions were identified as suitable for the research. As a
result, the combination of experiences of these two groups provided a more complete
overall picture of knowledge transfer within the organisation.

\(^1\) University of Newcastle Ethics Approval H-[2008-0064]
As indicated above, the organisation operates across a number of market segments through branding. Each brand is identifiable through the varying number and quality of services offered\(^2\). While not absolute, there are tentative links with varying levels of employee ability (see previous discussion on Absorptive Capacity in Chapter 2) as a response to differing market segments. It was therefore deemed necessary that each brand be represented.

The organisation’s internet presence has three levels of structure. The first is “corporate”, the second “brands” and the third “sites” (within each country). At the site level, all key managers are identified in relation to the position they hold with phone and email contact details available for each. This made identification of potential interviewees relatively simple. Initially, each potential interviewee was invited to participate by an email that included a full ethics approved project description (see Appendix 2), which briefly outlined the project, explained the voluntary nature of participation, and informed the participants that even after consent was granted they could withdraw from the project at any time without penalty or adverse consequences. In addition, all participants were offered the chance to review the interview transcript and each participant was provided a unique code known only to the researcher in order to protect their identification.

The ethical conduct of research information was repeated verbally prior to the start of each interview. Each potential participant was also informed that the researcher would follow up from the email by phone approximately two weeks later.

From a potential pool of 66 interviewees, a total of 32 accepted the invitation to participate, and a total of 30 of those who declined the invitation did so either immediately upon receiving the initial email or at the point of phone follow up. The remaining four indicated willingness to participate but poor timing between the researcher and the participants resulted in a failure to find a mutually convenient time. Of those that accepted, six contacted the researcher soon after receiving the initial email to establish an interview time. In all but four other cases, agreement to participate was given at the time of the follow up phone call. The other four indicated an exception to the above procedure, initially declining the invitation but later contacting the researcher to say that they had changed their mind. The consistent factors across this group was

\(^2\) In order to remain consistent with organisational language, hotels in this study will be referred to as ‘mid-scale’, upper scale and ‘luxury’. See chapter 5 for an explanation.
that each was in the position of HR coordinator, all were young (under 25), and they were all within two years of taking the role. Each (when eventually interviewed) indicated uncertainty about the process. It was only after the General Manager had discussed their own participation that these respondents felt comfortable participating in the research. In total, 32 interviews were conducted across three state regions, three brands and three categorised positions or levels including corporate or regional; site or general manager; and site human resource representatives.

The following table identifies the number of respondents represented from each brand. Due to the reduced number of luxury brand hotels operating within the selected Australian states, only the overall total of respondents has been included in order to further reduce the likelihood of individual respondent identification.

Table 4.3: Interview respondents by brand

<table>
<thead>
<tr>
<th>Brand</th>
<th>Management</th>
<th>Human Resources</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Scale</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Upper Scale</td>
<td>6</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Luxury</td>
<td></td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Finally, geographical separation was identified as necessary for this research. While the organisation is represented in all but one of the Australian states and territories, the bulk of the sites (over 80%) are located along the eastern seaboard stretching from Far North Queensland to the southern regions of Victoria. The predominance of sites located within this stretch is consistent with many of the primary tourism destinations found in Australia as well as the major city business hubs. It was therefore essential that key areas of each eastern state were represented. Further, some respondents were state representatives rather than brand representatives (i.e., NSW/ACT Director Human Resources). The following table identifies the number of respondents representing either hotels or the organisation from each state.

---

3 This table does not include 7 regional managers as they are not affiliated with a specific brand.
Table 4.4: Interview respondents by state

<table>
<thead>
<tr>
<th>State</th>
<th>Management</th>
<th>Human Resources</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>QLD</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>NSW</td>
<td>7</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>VIC</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

The following table identifies the final distribution of interviewees by position and hotel characteristics.

Table 4.5: Interview respondents by Total/Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of interviews</strong></td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total Regional managers</strong></td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total Site managers</strong></td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total HR managers</strong></td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total number of sites</strong></td>
<td>15</td>
<td></td>
</tr>
<tr>
<td><strong>Total number of respondents in corporate hotels</strong></td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total number of respondents in city hotels</strong></td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total number of respondents in regional hotels</strong></td>
<td>12</td>
<td>6</td>
</tr>
</tbody>
</table>

While there was no predefined sequence for the timing of interviews consideration was given to two factors:

1. The most appropriate time of year for the particular hotel or region in order to correspond with lower seasonal demand. Consideration of this factor increased the likelihood of availability of potential interviewees.

2. The reduction in overall travel expenses so that, whenever possible, visits to regions where hotels were “clustered” (two or more hotels operating within a close geographical distance) were minimised. This meant that, whenever possible, interviews with employees from clustered hotels were scheduled during the same visit to that region.

Largely as a result of differing high demand or peak periods depending on (1) primary market of hotel (business or tourism), or (2) geographical location of hotel, the interview stage of data collection extended from September 2008 until January 2010. The duration of each interview was typically one hour, with the exception of the first interview which was 2.5 hours and included background to the company, an
introduction to the organisation’s knowledge sharing intranet and provision of internal human resource management documents.

4.5 Data Collection

According to Cresswell (2003, p. 17): “The third major element that goes into a research approach is the specific methods of data collection and analysis”. Cresswell identifies a range of possibilities for data collection by methodology in the following table:

Table 4.6: Quantitative, qualitative, and mixed methods procedures

<table>
<thead>
<tr>
<th>Quantitative Research Methods</th>
<th>Qualitative Research Methods</th>
<th>Mixed Methods Research Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predetermined</td>
<td>Emerging methods</td>
<td>Both predetermined and emerging methods</td>
</tr>
<tr>
<td>Instrument based questions</td>
<td>Open-ended questions</td>
<td>Both open- and closed-ended questions</td>
</tr>
<tr>
<td>Performance data, attitude</td>
<td>Interview data, observation</td>
<td>Multiple forms of data drawing on all possibilities</td>
</tr>
<tr>
<td>data, observational data, and</td>
<td>data, document data, and</td>
<td>Statistical and text analysis</td>
</tr>
<tr>
<td>census data</td>
<td>audiovisual data</td>
<td></td>
</tr>
<tr>
<td>Statistical analysis</td>
<td>Text and image analysis</td>
<td></td>
</tr>
</tbody>
</table>

Source: Cresswell (2003)

4.5.1 Data triangulation

Consistent with the above methods for qualitative research, Gardner (1999) and Kelly (1999) proposed that case study methodology can provide a detailed account of what has happened in the case by incorporating substantial evidence from multiple sources. This view is reflected by Punch (1998, p. 153), who ascertained that a characteristic of case studies is that “multiple sources of data and data collection are used”. Plowman (1999, p. 41) further suggested that the use of the case study provides an “eclectic” approach to data collection through the utilisation of “historical surveys, interviews, questionnaires, official data, company records and participant observation… which permits the researcher to draw up a detailed set of relationships”. Yin (2002, p. 97) further suggested that when conducting case studies, the need to use “multiple sources of evidence far exceeds that of any other research strategy”. The argument is that by
using multiple sources of evidence, the researcher is able to develop “converging lines of inquiry” or a process of “triangulation”.

The concept of data triangulation is based around corroboration of events or facts of the case study, which are supported by multiple sources of data in order to strengthen the case study findings (Yin, 2002, p. 99). Stake (2000, p. 444) acknowledged that no observations or interpretations are perfectly repeatable, and argued that in order to reduce the likelihood of misinterpretation, data triangulation “serves to clarify meaning by identifying different ways the phenomenon is being seen”.

Further advantages of using multiple methods of data collection relate to the concept of adequacy, where it is assumed that when studying complex issues, one method is usually inadequate to gain depth of understanding, and that the quality of the data is improved when methods combine rather than being used in isolation (Buchanan, 1999, pp. 151–4).

As outlined above, case study analysis can involve a number of data collection methods, which include the use of interviews and documentary data (Punch, 1998). For the purpose of this study, data collection involved the researcher undertaking a series of interviews combined with the analysis of relevant documentary data, the reasoning for which is discussed below.

4.5.2 Interviews

“One of the most important sources of case study information is the interview” (Yin, 2002, p. 89). Or:

In order to understand other persons’ constructions of reality, we would do well to ask them... and to ask them in such a way that they can tell us in their terms (rather than those imposed rigidly and a priori by ourselves) and in a depth which addresses the rich context that is the substance of their meanings. Jones (1985, p. 46).

Therefore, the interview is one of the main data collection tools in qualitative research, and, as supported by Jones above, “one of the most powerful ways we have of understanding others” (Punch, 1998, p. 46).

A review of the literature identifies a number of “interview” variations for examples, see Patton (1990) and Minichiello et al. (1995). While the terminology differs slightly,
in general the variations refer to the degree of structure, the depth of the desired responses and the level of standardization across respondents and situations. Drawing from work produced by Babbie (1989), Bailey (1982), Kidder and Judd (1986), and also Taylor and Bogdan (1984), Minichiello et al. (1995, p. 62) demonstrated differences in form that interviews may take by producing the following continuum:

**Figure 4.1: Interviewing Methods**

<table>
<thead>
<tr>
<th>Structured Interviews</th>
<th>Semi-Structured Interviews</th>
<th>Unstructured Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardised Interviews</td>
<td>In-depth interviews</td>
<td>In-depth interviews</td>
</tr>
<tr>
<td>Survey interviews</td>
<td>Survey interviews</td>
<td>Group interviews</td>
</tr>
<tr>
<td></td>
<td>Group interviews</td>
<td>Oral or life history interviews</td>
</tr>
</tbody>
</table>

Source: Minichiello et al. (1995, p. 62)

At the left side of the continuum, the interview is tightly structured and standardised across different respondents and situations. This particular structure is often associated with formal surveys and questionnaires, where it is necessary that all respondents are questioned in the same way and in the same order to ensure that any “variations in replies respondents provide are not artefacts of variations in the way in which the questions were asked” (Ackroyd & Hughes, 1992, p. 103).

At the right hand side of the continuum, interviews are unstructured and use unplanned open-ended questions “to get the interview going and to keep it moving” (Punch, 1998, pp. 175–6). Furthermore, Sutcliffe (1999, p. 144) suggested that the use of open-ended questions facilitates conversation, which, when used in the early stages of research, assists in providing a “rich source of quotes” that are useful for the “development of ideas for analysis; eliciting new information; (and) assessing attitudes”.

Between these two extremes lie focused or semi-structured interviews. This style of interviewing allows the researcher to continue the use of open-ended questions while controlling the direction of the interview through standardised discussion categories (Sutcliffe, 1990), an approach that will assist in comparing participant responses (Ackroyd & Hughes, 1992; Yin, 2002). Here, an interview guide is developed around the key topics with neither fixed wording nor fixed ordering of questions. Minichiello et al. (1995, p. 65) suggested that this “allows for greater flexibility than the survey-style interview and, like unstructured interviews, involves an in-depth examination of people
and topics”. As the aim of this research project was to provide a meaningful insight into the usefulness of the organisation’s knowledge transfer mechanisms, both unstructured and semi-structured interviews were used to gain an indication of the individual opinions and beliefs of the interview respondents (see Appendix 2).

Minichiello et al. (1995, p. 65) provided a further distinction between structured and unstructured (or semi-structured) interviews by introducing the in-depth interview. The key to understanding the differences rests with technique, that being an interrogative technique consistent with structured, and a conversational process consistent with unstructured, which is also consistent with a case study approach. Minichiello et al. (1995, p. 68) suggested that when using an in-depth interview technique, there is an egalitarian concept of roles in the interview that focuses on the informant’s account in a language natural to them. Minichiello et al. (1995) provided a number of situations where in-depth interviewing can be used, two of which are key to this research: (1) “The in-depth interview is used to gain access to, and an understanding of, activities and events which cannot be observed directly by the researcher”; and (2) “By using this method, the interviewer attempts to elicit and understand the significant experiences in the informant’s life... as it is the individual informant’s subjective experience that is desired”.

As this research seeks to gain an understanding of the phenomenon from the informant’s viewpoint and experiences, an in-depth interview technique was chosen. This method allowed respondents to define situations and to share experiences through their constructed interpretations of their social reality.

Additionally, Minichiello (1995, p. 88), drawing on work from others (for example, Deutscher, 1973; Patton, 1990; Spradly, 1979; Taylor & Bogdan, 1984), identified a number of questioning techniques that may be used during an in-depth interview. For this research, the following questioning techniques were used:
Table 4.7: Questioning techniques used in in-depth interviewing

<table>
<thead>
<tr>
<th>Technique</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive questions</td>
<td>Relate to the type of information which they are supposed to elicit</td>
</tr>
<tr>
<td>Contrast questions</td>
<td>Enable the informants to make comparisons of situations or events within their world and to discuss the meanings of these situations</td>
</tr>
<tr>
<td>Knowledge questions</td>
<td>Determine what factual information the informant had</td>
</tr>
<tr>
<td>Probing questions</td>
<td>Used to elicit information more fully than the original questions which introduced the topic</td>
</tr>
</tbody>
</table>

Source: Minichiello (1995, p. 88)

While the first three techniques were used conversationally to gain an overall understanding of the phenomenon from the respondent’s view, the fourth is instrumental in differentiating in-depth interviewing from conversation and was used as a method of clarification. Throughout this process an additional technique of “funnelling” (see Minichiello, 1995) was applied, which allowed the researcher to control the flow and type of information, initially from a general and broad nature, and then moving towards a specific line of questioning as the interview progressed. As indicated, while interview questions were largely unstructured and emerging from the discussion as it progressed, some structure was evident through the themes that the questions explored (derived from the literature in Chapter 2), and consisted of the following:
<table>
<thead>
<tr>
<th>Theme</th>
<th>Purpose</th>
<th>Example question/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organisation’s perspective on knowledge transfer</td>
<td>This theme provided a useful starting point to gauge employee views on the organisation’s commitment to knowledge sharing. The responses provided a point of comparison to relevant organisational documents to establish what was viewed as rhetoric and reality. It also provided early insight into the systems in place.</td>
<td>Do you believe the organisation has a commitment to sharing knowledge throughout its global network? Why?/Why not? Does the organisation have mechanisms in place to support knowledge transfer? 1) ICT 2) Social systems</td>
</tr>
<tr>
<td>The employee’s experience with the knowledge transfer mechanisms</td>
<td>This theme enabled the researcher to learn about the knowledge transfer mechanisms from the perspective of the employee. It also helped to identify the number of systems in place either from a formal or informal perspective. This was achieved as different employment positions use different systems for communication. In addition, it enabled discussion about organisational changes overtime, and helped to differentiate between the attitudes and experiences of long serving employees and those newer to the organisation.</td>
<td>Tell me about your experiences with knowledge sharing through ICT mechanisms. Tell me about your experiences with knowledge sharing through social mechanisms. Are there any other mechanisms for sharing knowledge that you haven’t covered in your discussion?</td>
</tr>
<tr>
<td>HR practices organisational context</td>
<td>This theme enabled an additional depth to the research by establishing the effects of brands, regionalisation and geographic location on HR practices. Interviewees were able to discuss their own “brand” experiences enabling narrative through storytelling particular events.</td>
<td>Tell me about your experiences with inter-site transfers, either within brands or between brands. Organisational documents clearly identify that the organisation encourages international assignments. What is your perspective/experience with regards to international assignments?</td>
</tr>
<tr>
<td>Theme</td>
<td>Purpose</td>
<td>Example question/s</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| HR practices and knowledge transfer | This theme helped to identify HR practices that the employee personally considered as useful to knowledge transfer. Additionally, it assisted the process of triangulation in that it enabled the researcher to delve deeper into the practices that were articulated as identifying with knowledge transfer in documentary data and their actual application. | Which, if any, HR practices do you consider to influence the quality of the KT mechanisms you have identified?  
I note that in the documents providing the procedures for performance appraisal, HR staff are prompted to identify with knowledge sharing activities. Do you do this?  
Does your manager include this dimension when conducting your performance review? |

4.5.3 Documentary data

According to Punch (1998, p. 190), the use of both historical and contemporary documents provides “a rich source of data for social research…”. Yin (2002, p. 87) continues that when used in “conjunction with other data, documents can be important in triangulation, where an intersecting set of different methods and data types are used in a single project” (as discussed above). Additionally, according to Yin (2002, p. 86), the advantages of using documentary data include: stability (the data can be reviewed repeatedly); unobtrusiveness (the data is not created as a result of the case study); and the ability of documents to produce a broad coverage. For example, documents are often collected over a long span of time and as such reflect the impact of a diverse number of events within varied organisational settings.

According to Ellem (1999, p. 78), when selecting documentary data, it is necessary to evaluate the experiences and values they represent relative to the world around them. Jupp (1996, as cited in Punch, 1998, p. 191), and further supported by Scott (see May, 1997), suggested that there are four key questions when evaluating documentary data for use: (1) “authenticity” (is it original and genuine?); (2) “credibility” (is it accurate?); (3) “representativeness” (is it representative of the totality of documents of its class?); and (4) “meaning” (what is it intended to say?) Documentary evidence for this research consisted of internal organisational documents and publicly available documents (paper and electronic). It broadly included the following:
Table 4.9: Publicly available documents: Internet accessed

<table>
<thead>
<tr>
<th>Emencorp Corporate</th>
<th>Annual financial Reports 2007–10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shareholder information</td>
</tr>
<tr>
<td>Emencorp Brands</td>
<td>Global</td>
</tr>
<tr>
<td></td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>Emencorp General</td>
<td>Historical overview</td>
</tr>
<tr>
<td></td>
<td>Documents of interest including:</td>
</tr>
<tr>
<td></td>
<td>• Employment related matters</td>
</tr>
<tr>
<td></td>
<td>• Marketing and brand information</td>
</tr>
<tr>
<td></td>
<td>• Growth and marketplace</td>
</tr>
</tbody>
</table>

Table 4.10: Internal documents: Paper based

<table>
<thead>
<tr>
<th>Committee meeting minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise agreement</td>
</tr>
<tr>
<td>Australian Workplace Agreement</td>
</tr>
<tr>
<td>Employee survey – including results and analysis</td>
</tr>
<tr>
<td>Performance appraisal and management – Manager guide and toolkit</td>
</tr>
<tr>
<td>Succession planning guidelines</td>
</tr>
<tr>
<td>Staff induction documents</td>
</tr>
</tbody>
</table>

Publicly available documents were collected prior to the beginning of the interview process. Internal Human Resource Management and employment relations documents were provided to the researcher at the first interview. Early access to the documents enabled the researcher to seek clarification or validate the meaning applied to the documents throughout the interview process, which assisted the process of triangulation that will be discussed in further detail below.

4.5.4 Limitations of interview and documentary evidence

The above data collection methods are clearly articulated in the literature as consistent with qualitative case study research. While each has demonstrated advantages (as discussed above) there are also limitations to their use. These are most succinctly identified in the following table.
Table 4.11: Qualitative data collection types, options, advantages and limitations

<table>
<thead>
<tr>
<th>Data Collection Types</th>
<th>Options within types</th>
<th>Advantages of the type</th>
<th>Limitations of the type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td><strong>Face-to-face:</strong> One on one, in-person interview</td>
<td>Useful when participants cannot be observed directly</td>
<td>Provides “indirect” information filtered through the views of interviewees</td>
</tr>
<tr>
<td></td>
<td><strong>Telephone:</strong> researcher interviews by phone</td>
<td>Participants can provide historical information</td>
<td>Provides information in a designated “place” rather than the natural field setting</td>
</tr>
<tr>
<td></td>
<td><strong>Group:</strong> Researcher interviews participants in a group</td>
<td>Allows researcher “control” over the line of questioning</td>
<td>Researcher’s presence may bias responses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provides “indirect” information filtered through the views of interviewees</td>
<td>People are not equally articulate and perceptive</td>
</tr>
<tr>
<td>Documents</td>
<td><strong>Public documents</strong> such as minutes of meetings and newspapers</td>
<td>Enables a researcher to obtain the language and words of participants</td>
<td>May be protected information unavailable to public or private access</td>
</tr>
<tr>
<td></td>
<td><strong>Private documents</strong> such as journals, diaries and letters</td>
<td>Can be accessed at a time convenient to the researcher – an unobtrusive source of information</td>
<td>Requires the researcher to search out the information in hard-to-find places</td>
</tr>
<tr>
<td></td>
<td><strong>E-mail discussions</strong></td>
<td>Represents data that are thoughtful, in that participants have given attention to compiling</td>
<td>Requires transcribing or optically scanning for computer entry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>As written evidence, it saves a researcher the time and expense of transcribing</td>
<td>Materials may be incomplete</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The documents may not be authentic or accurate</td>
</tr>
</tbody>
</table>

Source: Cresswell (2003)

4.5.5 Validity

In addition to the limitations noted above, Yin (2002, p. 86) cautioned that “interviews should always be considered ‘verbal reports’ only as they are subject to problems such as bias, poor recall, and poor or inaccurate articulation”. Additionally, Gardner (1999, p. 56) argued that during the interview process there are limited controls “for bias or selective interpretation of evidence collected”. In accordance with these assumptions is the problem of “artificiality”, whereby the interview is not immune from respondent biases such as lying or saying things in order not to offend others (Ackroyd & Hughes, 1992, p. 111; Sutcliffe, 1999, p. 147). Additionally, there is the concept of “observer
bias, whereby in an unstructured interview, there is a mass of verbal and nonverbal data which can be misinterpreted by the interviewer’s own perceptions”. Sutcliffe (1999, p. 147) argued that observer bias or misinterpretation can happen either intentionally or unintentionally, and that when the interviewer changes or misinterprets the meaning of responses it will “affect answers, and thus outcomes”.

While the researcher was unable to totally control problems of artificiality, the analysis of documentary data had begun prior to the first interview, which allowed the researcher an early understanding of the structure of many of the processes before interviews began. Therefore, if a response to an issue differed from the researcher’s understanding derived from documentary evidence, clarification could be made at the time. Furthermore, and in order to check misinterpretation, additional clarifying questions such as “So you’re suggesting that? … So you believe that? …” were used throughout all interviews to establish a form of internal validity. To reduce the impact of varying levels of articulation and perception (see Cresswell, 2003, above), key research areas were categorised which enabled differences and similarities of views to be identified in the analysis process (see below). Additionally, all interviews were audiotaped, transcribed and offered to the interviewees for verification. According to Yin (2002, p. 92), this process is time consuming; but it helps to avoid misrepresentation bias as “audiotapes certainly provide a more accurate rendition of any interview than any other method”.

Yin (2002, p. 87) suggested that although documents are useful, it must be cautioned that they are not always accurate or lacking in bias. Such biases include selectivity bias and reporting bias, or the bias of the author when writing the documentation. The purpose behind this argument is that not all documents contain “the truth” and that behind each document there was an intended purpose and audience. In this sense, “the case study investigator is a vicarious observer, and the documentary evidence reflects a communication among other parties attempting to achieve some other objectives”. Yin (2002, p. 87) suggested that if the researcher is able to identify these objectives, then they will be “less likely to be misled by documentary evidence and more likely to be correctly critical in interpreting the contents of such evidence”.

As mentioned above, analysis of documentary evidence began prior to the start of the interview process and continued throughout. Such analysis provided important insights into the internal behaviour of the organisation and served to contradict or complement
interview responses, thus clearly establishing a valid method of data triangulation. For example, while the researcher was satisfied with the “authenticity”, “credibility” and “representativeness” of the documents (see Jupp, as cited in Punch, 1998, above), a question was raised as to the “meaning” or intention of one of the organisational documents titled *Performance appraisal and management – Manager Guide and Toolkit*. This document is produced at the corporate level and filtered throughout the organisation with the purpose of ensuring consistency of performance appraisal for operational staff globally. It is quite substantial in terms of both appraisal procedure and appraisal content. Included in the appraisal content are a number of measurements that assessors should apply in order to gauge an employee’s commitment to organisational strategic goals. One such measure, identified in two out of three primary areas for assessment, is the employee’s commitment to knowledge sharing. That is, a requirement for operational and junior supervisory staff to have demonstrated a commitment to organisational principles of knowledge sharing in two of the three designated areas for assessment.

Once interviews began, however, it became clear that different respondents interpreted the intention or meaning of the document differently. For example, while some viewed the document as a prescription to conducting performance appraisals, others claimed that they would rarely use it as a guideline only and they “don’t want to get bogged down in documentation”. (HRS8).

This example provides a clear indication of the usefulness of triangulating data sources to ensure validity between intention and outcome. That is, while the corporate intention was clearly articulated in the document its application in many cases became distorted through differing interpretations at the regional and site levels.

### 4.6 Data Analysis

“From the beginning of data collection, the qualitative analyst is beginning to decide what things mean, noting regularities, patterns, explanations, possible configurations, causal flows and propositions” (Miles & Huberman, as cited in Batelaan, 1993, p. 207).

Analytical induction is “an essential feature underlying qualitative studies”, which allows for ideas to emerge from the data as they are collected. Therefore there is a requirement that data collection and analysis are conducted concurrently (Minichiello, 1995, p. 13). The ongoing process that takes place allows the researcher to discover
conceptual themes and to arrange and rearrange the data so that it becomes meaningful for further analysis. One method to achieve this is “coding”.

“Coding” is a systematic method of discovering regularities in and summarising the data. According to Punch (1998, p. 204), it is the “specific and concrete activity” that not only starts the analysis but is also used as analysis. Collis and Hussey (2003, pp. 272–274) identified three levels at which “coding” may take place. These are classified as “open coding”, “axial coding” and “selective coding”. They are consistent with the technique used for analysis for this project, and with “grounded theory” analysis that “aims directly at generating abstract theory to explain what is central in the data” (Punch, 1998, p. 210).

4.6.1 Open coding

Initially, the researcher categorised the raw data labelling the individual elements and then organised these into a pattern of concepts and categories. This process is termed “open coding” or data reduction and is the first part of the analysis (Punch, 1998). Within the process of “open coding” the data is fractured in order to generate conceptual categories. As mentioned, each interview was audiotaped and transcribed, a process which generated large amounts of unstructured data. NVivo 8 was used as an aid to assist the management of the data (an off-the-shelf software package designed for qualitative analysis). Each transcribed interview was uploaded into the program and it was from here that the coding process began. Initially, as part of the open coding technique, interview transcripts were reviewed and data transferred into “free nodes”, as they emerged which are useful when the researcher is uncertain where the data fits into the overall project (Punch, 1998, p. 290).

4.6.2 Axial coding

“Axial coding” adopts a more conceptual framework and starts the process of restructuring the broken down data into common themes. Otherwise known as “theoretical” coding, axial coding assists in interconnecting the categories that emerged from the data through the open coding process. Interconnectedness of data may be identified through “the context in which it is embedded, the action/interaction strategies by which it is handled, managed or carried out, and the consequences of those strategies” (Punch, 1998, p. 216). NVivo 8’s “tree node” feature was particularly useful
in its ability to create an index system through which the researcher can build a hierarchy of codes and categories (Punch, 1998, p. 290).

4.6.3 Selective coding

Finally, “selective coding” allows the researcher to relate elements of the core category to other categories in order to validate relationships. Undertaking these processes allows the data to be organised in such a way that final conclusions can be drawn and validated (Miles & Huberman, 1994, p. 11). It was throughout the selective coding process that the data generated by the research and the categories and relationships generated through open and axial coding became “grounded”, and thus moved from description to conceptualisation and a higher level of abstraction where relationships could be validated against the data (Punch, 1998, p. 218). This was achieved as the free node categories were grouped by relationships. Several iterations occurred as additional categories were considered. These were, HR factors; knowledge transfer mechanisms; organisational context factors; knowledge transfer barriers; knowledge characteristics; knowledge transfer dimensions (refer to Appendix 1).

4.7 Conclusion

This chapter has developed the methodology for the research by reviewing epistemological views, which emphasise the relevance of constructionism to qualitative research. In line with the methodological literature, a qualitative, single complex case study approach was selected as the best method to answer the research questions when the objective is to answer questions such as “How?” and “Why?” The reason for this choice was the ability of the intrinsic case study to capture the human dilemmas and situational influences that impact social phenomena.

Data collection involved unstructured and semi-structured indepth interviews with representatives from corporate, hotel and human resource management. The broad-based and open-ended nature of the interview questions allowed the researcher to control the direction of the interview so as to draw comparisons between participant responses. Additionally, in order to support the interview findings, both historical and contemporary documentary data were investigated. This resulted in ensuring validity of results through a process of data triangulation. Analysis of the data was undertaken using a three layer coding technique. The management of such a large amount of unstructured data was assisted through the use of NVivo 8 software. Finally, limitations
of the chosen methodology have been exposed and dealt with wherever possible to ensure that they do not outweigh the advantages of this approach.
CHAPTER FIVE

THE CASE STUDY ORGANISATION: EMENCORP

5.1 Introduction

The purpose of this chapter is to introduce the case study organisation. As the identity of the organisation is to remain undisclosed by the researcher, it has been given the pseudonym “Emencorp”. In accordance with confidentiality requirements, any information identifying the organisation has either been generalised, or, where not deemed necessary for further analysis and discussion, omitted. All information contained in this chapter has been derived from internal documents; publicly available information on the organisation’s website; previous published research on this organisation; and interviews with employees. A discussion on the chapter structure follows.

Initially, the organisation will be presented in its global form by placing it within its much broader international context. Here, the organisation’s history and its pathway to internationalisation will be briefly discussed from its origins, then through its merger and acquisition activities, and finally until the present. This is followed by an overview of other global characteristics, such as structure, competitive strategy, culture and human resource management. Next is a snapshot of the organisation’s Australian structural and geographical characteristics, then a descriptive overview of its commitment to knowledge transfer in terms of strategies, cultural fit, and formal knowledge sharing mechanisms. The chapter will conclude with an evaluation of the representativeness of Emencorp for this research.

5.2 Emencorp – The Global Company

5.2.1 Emencorp - A historical overview

Emencorp’s history is consistent with the model of contemporary global hotel organisation’s as discussed in Chapter 3. Indeed, Emencorp’s past, which can be traced back as far as 200 years, depicts a number of changes where both horizontal and vertical mergers have produced goods and services. As accommodation is the primary purpose of the contemporary organisation, this section will not focus on other sector businesses
throughout Emencorp’s history but rather on the much more recent activity that has led to the organisation becoming a multinational hotel company.

Although Emencorp had been recognised as a significant national accommodation provider for some time, it was not until the late 1980s that it entered the international market. Internationalisation occurred through the purchase of a foreign owned hotel chain. Furthermore, the hotel chain itself (also considered large within its country of origin) was already owning and operating over 1400 hotels worldwide at the time of purchase (HO, 2010, pp. 1-5).

Following the purchase, and during the period 1990–1998, Emencorp significantly increased its international presence. Concurrent with this high growth cycle, the organisation became brand-conscious through the opening and developing of branded establishments in both the limited service and upscale hotel markets. Additionally, over this period, Emencorp continued to open and acquire significant “other” businesses, positioning themselves as large players in a number of both similar and diverse sectors. However, many of these other non-hotel enterprises were sold off during the mid-1990s due to Emencorp’s strengthening focus on international hotels (HO, 2010, pp. 2–3; BG, 2010, p. 1).

In 1997, Emencorp began what would become a ten year divestiture of the real estate portion of its business while simultaneously continuing to maintain control of an estimated 90 per cent of sold properties through management contracts and franchising agreements. Highly brand-conscious, the company began launching new brands in the upscale extended-stay market, as well as acquiring a significant United States (U.S.) owned hotel company; thereby, adding an “upper upscale” brand to its increasingly expanding brand portfolio. Again, the acquired company was mature, having established hotels around the globe and in Europe and Asia since the 1960s. This acquisition was later viewed as bringing noteworthy synergies and cost savings to the larger organisation (BG, 2010, pp. 1–3; HO, 2010, p. 4).

In 2000, Emencorp made further inroads into the Asian market and also entered the South Pacific region. It added a further 60 managed or franchised hotels (15 in Asia; 24 in Australia; 13 in New Zealand; and 8 in the South Pacific) by acquiring one of the biggest hotel companies operating in the Asia-Pacific region at that time. Further enhancing its now impressive global total was the acquisition of 112 hotels from a
U.S.A based hotel management company enabling Emencorp to significantly increase its management contract presence in the international hotel industry (HO, 2010, pp. 3–6).

Throughout the 2000s, Emencorp continued to acquire existing European and Asian hotel companies; introduced existing brands to new global region markets; and created new brands either independently or through joint ventures with other organisations. One particular joint venture, still in existence today, resulted in Emencorp becoming one of the largest international hotel operators in one of the largest hotel markets in the world (SHI, 2010, p. 1; HO, 2010, p. 6).

Additionally, the 2000s saw Emencorp listed on the U.K and U.S.A. stock markets and witnessed its rise to become one of the world’s largest branded hotel companies. In 2009, it had total revenue in excess of US$9.6 billion (AFR, 2007, 2010; SHI, 2010, p. 1). By the end of 2010, the organisation had 7 established key brands and over 4,500 hotels geographically dispersed across 100 countries, More recently (2010) there were approximately a further 1300 hotels in the immediate pipeline across all brands that were expected to be operational in the near future. Rather than continued growth through merger and acquisition, however, Emencorp’s current growth strategy is focused on “organic growth”, meaning that growth will occur through their existing brands. Additionally, Emencorp’s continued growth is firmly entrenched in management contracts and franchise agreements that simultaneously enable more rapid expansion and more predictable earnings. This shift in focus has resulted in the following business model (AFR, 2010):

**Franchised Hotels:** Currently, Emencorp has over 3,800 franchised hotels, which form the largest part (almost 86 per cent) of the business, although overall they account for less than 60 per cent of total profit. Primarily, franchising is most commonly used in the U.S.A. sites where franchisees are able to trade under Emencorp’s brands. They can use the larger organisation’s extensive reservation and booking system and tools, while still securing a large proportion of total hotel revenue (AFR, 2010).

**Managed Hotels:** The use of management contracts enables Emencorp to focus on its key business (running hotels) with little or no capital investment. That is, as discussed in Chapter 3, the physical buildings are owned by a third party (its business partners number approximately 2000 throughout the world) while Emencorp owns the
management rights, thereby maintaining control over quality and service standards. Emencorp has over 630 managed properties worldwide representing approximately 14 per cent of the overall business, 23 per cent of total rooms and 30 per cent of overall profit. According to the organisation’s website, when hotels leave Emencorp’s management it is generally on Emencorp’s instigation, which is due to their continual endeavour to maintain high quality across all of their brands. The use of management contracts is quite predominant in the Asia-Australasia region and will be discussed within this context a little further on (AFR, 2010).

**Owned hotels:** Of the 4500 hotels within Emencorp’s portfolio, only 15 remain “owned” by the organisation, that is, less than 1 per cent of all Emencorp’s properties. The net book value in 2007 of the 15 properties was over US$1 billion. The properties retained for ownership were largely acquired from the “upper upscale” international hotel company purchased in the late 1990s. These hotels were “purpose-built” for the luxury market, and considered avant-garde when constructed, with each still recognised as having a significant presence in cities such as London, Hong Kong, Paris and New York. These properties combined accounted for 11 per cent of Emencorp’s total profit in 2008 (AFR, 2010; CE, 2010, p. 1; HO, 2010, p. 1).

5.2.2 **Emencorp - Competitive strategy**

After shedding its side businesses and most of its real estate, Emencorp’s focus is now about brands. Emencorp’s strategic vision was adjusted in the mid-2000s to focus even more significantly on the scale and growth of existing brands. This adjustment was established by the new CEO, whose overall purpose is to see Emencorp as not only a leading global hotel company but also a leading global company in its own right (AFR, 2007; CE, 2010, p. 2). By 2010, it appeared that this message had filtered through the organisation with an HR supervisor in an Australian site offering the following:

> I think we’re doing things right. We want to be one of the best companies in the world; not just one of the best hotel companies, but one of the best companies, so we’re not just looking within our industry we’re comparing ourselves with Google and companies like that. (HRS4).

Emencorp’s seven brands are very well known throughout the world. They are diversified across a broad range of market segments largely defined by consumer income and consumer purpose. Brand diversification covers many market segments
ranging from budget hotels for the price-sensitive through to luxury hotels. Some hotels provide specific services for the business travellers’ market whilst others are family-oriented hotels providing value for family-related services (BG, 2010, pp. 1–4). As such, Emencorp’s hotel owners are given the choice to select the brand most likely to yield the greatest return for the hotel’s location, and they are offered flexibility to respond to a diverse range of hotel development opportunities (SHI1). Although part of the “star rating scheme” (as discussed in Chapter 3), Emencorp prefers to refer to their brands differently. For example, rather than a brand being recognised as three or three-and-a-half stars, Emencorp refers to this as “mid-scale”. Similarly, the four star category is referred to as upscale, while the brand consistent with the five star rating is referred to as either upper upscale or luxury. In December 2010, Emencorp’s brands were recognised as being in the top 3 in 7 of the world’s 12 largest hotel markets (Hotels, 2010).

Along with brand strength, Emencorp’s CEO considers scale to be the source of future competitive advantage. Currently, Emencorp is building what they believe to be “the strongest operating system focused on the biggest market and segments” in the world. The continued focus on the “biggest markets” stresses the importance of scale, and increases the chance of securing opportunities that will provide a high rate of return. Underpinning this drive for scale is a sales team of over 8,000 people, 10 global call centres and a customer loyalty program with over 50 million members worldwide supporting Emencorp’s relentless drive to convert competitor branded and unbranded hotels to their own brands (AFR, 2010; CE, 2010, p. 4).

5.2.3  Emencorp - Organisational culture

Emencorp presents a “guest” oriented culture based on the principle that “guests” who have had an enjoyable brand experience will drive the demand for more Emencorp hotels resulting in increasing scale, thereby closely aligning culture and strategy. This is simple to understand. However, the ongoing system of continued acculturation is reflected in every part of the organisation and is far from simple. In the back of every Emencorp hotel worldwide¹, away from “guest” view, the corridor walls are covered in notice boards filled with various internal paraphernalia on the “Emencorp” way (EBM, 2010).

¹ This is the view and opinion of every interviewee. The program is mandated by Head Office, and after viewing the system personally it is reasonable to assume that every Emencorp hotel adheres to the system.
Large posters serve as constant reminders of the appropriate way to behave, dress, and even to speak. While behaving in the Emencorp way is a minimum expectation, those employees who demonstrate behaviours that extend beyond basic expectations are quickly and publicly rewarded. Indeed, the entire reward system is based on employees exhibiting the “right” attitude rather than any notable emphasis on technical job skills (EBM; Various Interviews). The process of acculturation begins before a candidate is selected into the organisation and occurs for every position at every level (HRS4). This is discussed in a little more detail in the following section.

Finally, and quite significantly, each employee learns a “new Emencorp vocabulary”. Internally, the language is unique to Emencorp employees and a key part of “demonstrating belonging” to Emencorp. Its use or non-use quickly identifies those who belong and those who don’t. For guests, the globally consistent vocabulary used by every employee ensures that they are addressed uniformly and almost identically in every one of Emencorp’s hotels. This further reinforces Emencorp hotels in the minds of the consumer (IND, p. 1).

While the Emencorp culture provides the underlying basis of behaviour for every employee, there also exists an additional “cultural layer”, that is, the “culture of each brand”. While it is understood that the brands “bring the bricks and mortar to life”, it is equally recognised that it is up to Emencorp’s people to “bring the brands to life” (BG2; BAP, 1; CE, 2010, p. 1). Subtle cultural nuances are reflected according to the market positioning of each brand with every staff member undertaking what can be a lengthy process of brand acculturation. An employee’s level of “brand fit”, that is, their ability to internalise the brand culture and exhibit appropriate brand behaviour, has implications for both knowledge transfer and human resource management within Emencorp. These will be clarified and discussed in much greater detail in the following three chapters.

5.2.4 Emencorp – Human Resource Management programs

Emencorp employs in excess of 335,000 across their entire global network. While a significant proportion of this number are employed through franchised establishments,

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2 Early interviews with Emencorp’s managers were made somewhat difficult as the terminology that each uses freely while at work is somewhat alien in meaning to an outsider. In order to “keep track” of conversation and understand what was being said, I needed to undergo my own brief acculturation into the unique language and various terminologies.
there remain over 110,000 employees either directly employed by Emencorp or employed in Emencorp-managed hotels. Included in this number are 1,300 corporate and hotel general managers (AFR, 2010). As previously mentioned, this research does not cover franchised arrangements. Unless otherwise stated, the following discussion of global human resource management practices pertains to Emencorp employees.

Emencorp is committed to ensuring the recognition of human rights’ challenges prominent in some nations, especially emergent economies. Internal documents suggest an ethical commitment to addressing these challenges, identifying Emencorp as a signatory to the United Nations Global Compact, and stating that they “are committed to operating [the] company with integrity and in accordance with the highest ethical standards” (emphasis in original). Emencorp openly communicates support for the “UN declaration on human rights and the ILO core labour standards” (CE, 2010, p. 5; SHI, 2010, p. 4). Emencorp has also established “works councils” for employee representations across European, African and Middle East nations. Publicly available documents proclaim the larger organisation’s global support for labour unions (CE, 2010, p. 5; SHI, 2010, p. 4). Further, the company states that they have developed comprehensive methods to respond to human rights issues, one of which is the establishment of an internal “whistleblowers” line (CE, 2010, p. 4).

Generally, employment policies are developed from within Head Office and filtered through the global regions where they are adapted for compliance with local labour laws. Further, the development of employment policies at this level focuses strongly on the health and safety of all employees, and seeks to mitigate risks associated with low wages, long working hours and precarious employment, very common within the industry. To assist, a Human Rights policy is in place for all owned, operated and managed properties around the world (CE, 7).

While many HR practices are decentralised to the regional, and sometimes local, level (Australian examples will be discussed in detail below), there are some that are developed from Head Office and cascaded downwards throughout the entire

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3 There appears to be a level of discrepancy between the public declaration of global support for union involvement and the practices found in Australia. For example, Australian HR managers attempted to “push through” a new non-union Enterprise Agreement under the Howard Government Work Choices (2006) legislation before more “union friendly” changes could be implemented by the Rudd-Gillard government that ultimately required organisations to include unions in the negotiations.
organisation. These combined practices form Emencorp’s “employment brand”; which, complete with policies, principles and promises, has been clearly designed to further enable the internalisation of the Emencorp culture (EB 1-5). The articulated processes to be operationalised within the employment brand demonstrate a distinct alignment with the practices that have been developed to attain the larger organisation’s strategic directives. This is achieved by the establishment of a set of behaviours that define all employee interactions with all stakeholder groups (Ind1).

One of the more interesting programs within the employment brand is the worldwide commitment by the larger organisation to obtain feedback from each employee regardless of position and level; the only qualification being that the employee has been employed for more than 90 days (HRS4). Feedback is obtained via a survey administered online twice each year by an independent third party. Once administered, results are forwarded directly to Emencorp’s Head Office where they are further collated and disseminated back to each hotel. In the second 2009 survey, 89,000 employees responded. This represented response rates from each of Emencorp’s 5 regions/divisions exceeding 89 per cent (AFR, 2010). Some Australian hotel results were working examples, and therefore this survey will be referred to in the following chapters. Generally, the underlying impetus for running the survey is:

1. To measure employee opinions and attitudes as to whether Emencorp is delivering on its commitments;
2. To measure employee advocacy, retention and effort (employee engagement);
3. To track awareness and understanding of Emencorp’s basic principles (ES, 2009, p. 1).

While the second and third measures are significant from a more top-down perspective, the first measure is especially significant to each individual hotel as it forms part of the GM’s and HR manager’s performance as measured from the bottom up. For example:

It surveys our promises we make to them... to see if our promises are alive in our hotel as rated by our team, and if they are not, then we will be asked questions as to why. (HRS4).

In addition, and possibly more importantly, the survey results provide a partial measurement of hotel performance whereby each hotel is benchmarked across all others. Indeed, one respondent, previously employed by the Asia-Pacific company and
acquired by Emencorp in the 1990s, and therefore regarded as an existing employee for over 30 years, mentioned that the emphasis on measurement was one of the biggest changes encountered after acquisition:

They have a very strong philosophy that if you can’t measure it you can’t manage it and that was something new to me... And one of the things I noticed going from a dominant regional player to a dominant global player was the number of tools they introduced like guest satisfaction survey and employee survey⁴, and we benchmark against other hotels and everyone’s competing to be in the top 5–10 per cent. (GSM3).

The second area of global HR consistency is found within recruitment and selection. While some recruitment methods may vary between different global regions, three practices are consistent worldwide.

The first global practice is the establishment of an online recruitment system. Since its inception two years ago, over 620,000 CVs have been received and 14,000 applicants appointed as a result of their online applications (AFR, 2010).

The second global practice, in accordance with the drive for a strong culture, is the insistence that new staff members are, whenever possible, recruited on attitude rather than skill. This is somewhat summed up through the following interview response:

The key to our success is that we recruit purely based on attitude, because we know that we can train them to carry three plates or train them to make a bed. Obviously some roles are specialised like a chef, but attitudes are one thing we can’t train; that’s why we tailor our interview questions around attitude. For example, we could have someone from food and beverage with 20 years experience and worked for some amazing places but if they don’t have the attitude that we are looking for they won’t get the job. (HRS4).

The third global practice is an employee referral scheme. While the operation of this scheme can vary between global regions, and indeed, hotels situated in the same

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⁴ The results of the guest survey and the employee survey are combined with financial reports on shareholder returns to provide the full benchmarking indices.
country, the basic underlying principle is that existing employees are rewarded as a result of referring a potential employee to their HR manager (AFR, 2010). Although this scheme was developed prior to the 2009 economic downturn, when the industry was experiencing severe labour shortages, it has been retained to address predicted future needs.

In addition to the identified recruitment and selection policies, Training and Development programs designed within the employment brand appear to be directed to perform two key functions.

The first is acculturation, both introductory and ongoing. At the introductory level the process of acculturation subtly begins before candidate selection. Once engaged, employees undertake an intense induction program to bring them (at all levels) “on board”. The organisation estimates an approximate 6 months acculturation program per employee is needed in order to satisfactorily complete the on-boarding process (HRS4; HRS8; RSM5).

The second form of training centred on culture is that of ongoing brand training. These often comprehensive training programs are developed periodically “to ensure that all employees working in a particular brand ... receive ongoing training to help them deliver the service experience expected by the guest” (CE, 2010, p. 6). While actual training is undertaken at the hotel level, the brand training program is developed at Head Office and distributed to each hotel of that brand around the globe. Each region is notified of: the timeframe by which the training modules must be completed; the employee level for whom the training is targeted; whose responsibility it is to deliver the pre-developed training program; the due date by which training reports must be completed and returned to head office (CE, 2010, p. 7). Training delivery at the regional or hotel level remains at the discretion of hotel, regional and senior HR managers (HRS8; RSM5) and will be expanded with Australian examples in the following section.

Similar to the training content, succession planning assumes a top-down perspective driven by headquarters and filtered throughout the organisation. While there are some

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5 Typically, the differences identified between Australian hotels are found in the $AUS amount of the reward, although one senior Australian manager indicated late in the data collection period that there was currently a drive to equalise the amount of the payment across the board in Australia.
differences in the levels of importance placed on succession planning between senior and operational roles, the organisational commitment is clear throughout.

The succession planning process is a mandatory requirement for every employee holding a position of supervisor or higher. Similar to the employee referral program discussed above, succession planning guidelines were developed to help combat an increasingly shrinking labour pool prior to the economic downturn. Also similar to the employee referral program, these guidelines continue to operate in order to help alleviate the difficulties that future staffing demands in a stabilised economy will bring. This is reflected in the following excerpt taken from the succession planning document:

In the era where we are continually challenged in labour turnover, and with the downsize of our talent pool, it is critical for us to retain individuals with critical skills to the business ... All High Potential Talent are to be discussed at the Talent Review Meetings and it is the role of the Executive Committee of each hotel to ensure calibration surrounding the individual’s skills and capabilities. (SPG).

At the more senior level, the process has a number of key interrelated objectives. First, in line with organisational objectives, is the identification of “critical risk roles”. Such roles are defined in the succession planning guidelines as:

 Roles that are deemed critical in delivering success of Emencorp or Hotel Strategy, or roles that are proving to have an extremely high difficulty rating in finding the skill set internally/externally for replacement (SPG).

Second, is the identification of those employees holding such positions, and their current disposition toward continuing employment with the organisation:

 Any “high potential/high performing” contributor ... who holds a very specialised position who may represent a “flight risk”. (SPG).

Once a critical risk role/talent is identified, a retention plan is proposed in conjunction with succession option discussions with the position holder. The level of emphasis here is partly determined by the assessment of the staff member’s commitment to the company. For example, early succession planning intervention is regarded as critical if the employee holding the specialised position is considered a flight risk; that is,
someone who is exhibiting signs of unrest within either their current position or the organisation (SPG).

While the operational or the more junior roles within the organisation are rarely considered as “critical risk roles”, there remains an emphasis on succession planning through the biannual performance review process. Here, emphasis is on identifying high performing staff who demonstrate a level of technical skill; but more importantly, demonstrate a commitment to the Emencorp culture as identified in the following:

A high potential employee is someone with the aspiration, ability, and engagement to rise to and succeed in more senior positions (at least one level higher than current position) as measured by aspiration, ability and engagement. (PAM1).

In an attempt to ensure rating consistency across all organisational sites, the performance management document (PAM1), provides a clear definition of the measurement constructs, which are briefly:

**Aspiration:** Demonstration of personal drive, motivation and commitment to self-development;

**Ability:** Drive to exceed targets, to lead organisational change and to implement new initiatives;

**Engagement:** Going beyond the “call of duty” in support for Emencorp commitment, strategy and direction through sharing new initiatives/successes/best practices across departments and hotels.

While the underlying process is clearly structured around projected hotel needs, the review platform is designed in a way to identify those members of staff who will be targeted for advancement opportunities.

Employees rated as “star performer” or “advancement capacity” are further assessed in accordance with: the consideration given to the role they are likely to move into; their potential readiness to perform that role in terms of time frame; whether there is an identified successor to their position. These details are added to the global database in order to assist site General Managers and HR people to expediently fill upcoming positions.
Table 5.1: Staff Potential Rating System

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAR PERFORMER</td>
<td>A high performer who has the full commitment of senior management to quickly move to the next level and has demonstrated the potential and motivation for continued upward progression... An exceptional talent and future business leader.</td>
</tr>
<tr>
<td>ADVANCEMENT CAPACITY</td>
<td>A strong performer who has the capacity to move to the next job level or be given additional responsibilities.</td>
</tr>
<tr>
<td>SOLID CONTRIBUTOR</td>
<td>A strong contributor well placed in the organisation whom we would love to keep. This is a consistent and solid performer who helps keep the place running but may be unwilling or unable to progress to the next level.</td>
</tr>
<tr>
<td>WATCH LIST</td>
<td>This employee is considered to have good potential for Emencorp but current level of performance is a concern and needs to improve. This may simply be a “wrong fit” or an employee new to the role.</td>
</tr>
<tr>
<td>BELOW AVERAGE PERFORMER</td>
<td>This employee is currently performing below the expected standard and is showing little capacity for advancement. This employee needs to improve their performance, move to a more suitable role, or exit the company.</td>
</tr>
</tbody>
</table>

Source: PAM1

In review, this chapter has provided an overview of global Emencorp including its history, structure, culture and global Human Resource Management practices. The following section complements this by providing an overview of the relevant Emencorp Australian characteristics.

5.3 Emencorp – An Australian perspective

5.3.1 Operational arrangements

Each and every Emencorp Australian site operates under a management contract. While there is a small variance in ownership, almost all properties are owned under the same property trust\(^6\) managed by Jones Lang LaSalle Hotels, one of the “world’s leading

\(^6\) For a list of property trusts refer to the table in Chapter 3.
hotel investment services firms” (Jones Lang LaSalle, 2009, p. 2).

By all accounts, Australia is recognised as a mature market. As discussed above, the acquisition of an already established large player in the region has provided Emencorp with a portfolio of well-established properties. Consequently, the company also acquired the extensive knowledge base of the site managers and senior and junior staff, many of whom remain with the company today. The result of the acquisition, therefore, was a mature market with a management team that in several individual cases exceeded 20 years experience in running hotels (various interviews).

5.3.2 Structure

Emencorp currently operates across three global regions. These are identified as: Europe, the Middle East and Africa; the Americas; Asia, Australasia and Greater China. The following provides an account of Emencorp in relation to its Australian operations. In doing so, it considers elements of structure, geography and brands as they relate to the Australian sites. The following organisational chart offers a simplified account of Emencorp’s contemporary form.
The Australian markets are usually either predominately business or predominately tourism with the major exceptions being Sydney and Melbourne that have a large market for both segments. While Emencorp do not “choose” the hotel location, but rather tender their brands for the management rights, a solid relationship with the hotel owners has resulted in Emencorp’s presence in all but one Australian state or territory. Consistent with this type of business, Emencorp are more heavily represented in high business districts and popular tourism destinations.

Geographic dispersal of sites creates additional challenges to management since demographics and the number of competitor hotels differ in accordance with the chosen locality. These variances not only bring challenges for operational strategies but significantly impact people management strategies through the HR system. These will be discussed in more detail in the following section. Also, as discussed in Chapter 3, and adding further complexity to an otherwise already complex operating environment, consumer (and therefore hotel owner) demands result in the incidence of both clustered and standalone properties existing simultaneously within regions. For Emencorp, each state region has at least one geographical clustering of sites, with some having several, and each has at least one property geographically separated by hundreds of kilometres from any other Emencorp site.

5.3.3 Brands

In clustered situations all brands may be represented, and some a number of times. For example, in a peak tourist destination driven by continual rather than periodic high demand, it is not unusual to find two hotels of the same brand operating within kilometres of each other. Further, within this geographical proximity other Emencorp brands may be found, sometimes operating adjacent to each other.

Such situational proximity, while creating a level of competition between the sites, especially in terms of benchmarking as discussed above, also allows the organisation to develop some efficiencies since managers are able to share resources. This is particularly relevant for mid-scale and upper scale brands. Although the two brands target different markets, their shared history has resulted in similar structures and stressors. Therefore, staff transition to address short term or one-off needs, especially in terms of service delivery, which are generally regarded as easy (GSM3).
Even when operating in a clustered environment, however, the market for the upper upscale brand is not so commodity driven. It is therefore unlikely in the Australian environment to find more than one of this brand operating with any geographical proximity to another of its kind. As well, the different emphases surrounding service delivery between this and the other brands, plus customer expectations, further limits the luxury brand’s likelihood of resource sharing, even when operating in a clustered environment. One manager offered the following:

When you look at luxury brand consumer expectations there’s a vast difference... So am I a believer that you can integrate the luxury brand with the other two? No I’m not. There are differences and the brand must be protected from losing its lustre... I’m not saying that full integration of front of house products is impossible, but it’s like bringing it back to a commodity industry. It’s like BMW owning Mini Minor, you can’t put a BMW badge on a Mini Minor because you destroy your secure base, so there’s a little bit of that between the luxury and other brands, and as long as we recognise that and work on back of house processes, we can benefit all brands but we’ve still got some way to go. (RSM2).

For many, however, differences between the luxury and other brands extend beyond customer expectation and the need for “lustre”. Indeed, many reported that lack of mutual relationships was due to the elitist nature of the brand reflected in the attitudes of management and many staff. Magnifying this perception is the distinction placed on the luxury brand by the larger organisation, which is found reflected in differences of processes, procedures, and even reporting structures. The following provides an example of sentiments expressed by mid-scale and upper scale brand managers:

We have a regional structure as you know. Surfers Paradise GMs report to their regional manager. Sydney GMs report to their regional manager. No problems at all. That’s how it works except for the luxury brand. The luxury brand GM reports directly to the CEO. You see, so even from a reporting line… okay… even from a structural perspective, they are treated differently. They’re far from integrated, and while there have been some changes with the newest luxury branded hotel, which are a step in the right direction, he [the manager] is still a luxury brand GM. (RSM6).
Integration aside, there is an understanding that beneath the thin veneer of the luxury brand systems remain very similar. For example:

60 per cent of what the luxury brand is doing is aligned with what our company requirements are for that role ... So if we take away all the additional services that an upper upscale may provide, if we take away all the luxury environment and the uniform, the music that makes the luxury environment, the actual skeleton, the way we do business... the systems and processes are the same. (HRS8).

The above discussion clearly indicates operational challenges for both executive and General Managers within Emencorp. These challenges, however, are not limited to operational situations but extend to Human Resource Management practices. The following section will discuss some of these challenges as a response to the Australian operational context depicted above.

5.3.4 Emencorp – Human Resource Management: An Australian perspective

The presence of sophisticated HR systems and HR management practices do not absolve Emencorp Australia from many of the issues that plague this industry. As such, issues surrounding employee turnover and retention are just as prominent in Australia as they are within the wider industry. Indeed, on average, Emencorp’s turnover rates in Australia are consistent with industry averages previously identified in Chapter 3. Nevertheless, and notwithstanding similarities created by temporary influences (for instance, “teething problems” sometimes found with newly opened properties), turnover rates are largely inconsistent within the organisation; that is, between regions, and sometimes sites within regions. For example, while one hotel reported an average annual turnover of 50 per cent for the year preceding this research, another situated only 20 kilometres away reported an average annual turnover for the same period of only 11 per cent.

There are many factors attributed to such wide variances, with characteristics of the local labour market where the hotel is situated often cited as one of the key influences. That is, high retention and low turnover rates are the result of localised factors. The following example was offered for the hotel with the relatively low (11 per cent) turnover:
That hotel has the lowest turnover in the organisation due to a property that attracts employees that live in the area. They have a mature workforce and they have worked there a long time. They have parking onsite and they don’t have to go into the city, but if you look at the demographic in the city they are a lot younger, actively starting careers, and have that Gen Y stereotype who always look for change if you’re not rewarding them. (RSM7).

By way of a further example: three separate hotels, clustered, despite their distant physical proximity to each other, all reported low turnover levels yet all offered different reasons. For instance, one hotel, similar to that cited above, suggested local labour market characteristics were responsible because the hotel attracts local people who are interested in a job for life. Another suggested the lack of alternative work places nearby, and that people will stay if they want to remain in the area. The other cited the perceived attractiveness of working in an international hotel, responding with the following:

We’ve never had an issue here with staffing from any of the departments; I think predominately because we are the key international hotel in town so if they want to get to travel the world, we are it... People like working here and continue to be motivated, because in terms of international hotels, there is nowhere else to go. (GSM4).

Not surprisingly, most sites indicated a reduction in turnover in the wake of the 2009 economic downturn with one respondent commenting that in their region “turnovers dropped from 47 per cent to 28 per cent in the last year”. However, the biggest impression here was felt in the larger city operations, where international hotels abound and competition for both business and labour is fierce. For example, prior to the economic downturn, one manager commented that the attitude of people working in hotels in these major hubs is: “Hey, I can slacken off a bit. If I don’t want to stay with Emencorp, I’ll go work for [identified competitor] next door or just down the road” (RSM6).
Again, prior to the economic downturn, turnover as an issue was not only found with operational staff but also for supervisory and section management staff. One regionally located GM gave the following example:

We’ve had issues with talent when the economy was booming. For us it was more in the senior levels. We were in a position where I couldn’t find the right person for a senior placement, but the environment has flipped. Now when we advertise for housekeeping we get 250 applications, 18 months ago you would have been lucky to get 10. (GSM7).

Although there is a view by some that turnover generally is not only positive but required to maintain a healthy operation, the current increased labour pool is not enough to convince senior management overall to relax focus on retention programs. Indeed, it is widely held that to continue to provide development opportunities, and to operationalise long-term advantages to staff, may result in a reduction to retention problems that will arise when the economy turns back around:

We’re not great with retention. Our levels are not great but it depends on where you are. The city is tough but you have those other locations where it is a job for life. But retention is just as important now. Now’s the time to make them [employees] more loyal, so when it gets tough again they don’t go anywhere else. (GSM8).

The final reason for turnover being attributed to location is influenced by the local business or consumer market. Here, the strategic placement of the hotel creates by its very nature some of the most difficult challenges the organisation faces in terms of staffing. While there is evidence of the impact of local consumer markets in relation to turnover in several areas (for instance, hotels in predominately tourist locations that experience a varied demand due to wide seasonal fluctuations that impact staffing needs), the most striking example is for hotels located in Canberra in the ACT, the nation’s parliamentary hub.

Emencorp’s presence in the ACT is across three business units. In Canberra the bulk of demand is consistent with parliamentary activity. This activity takes place for approximately 34 weeks of every year. Therefore, a booming, high demand environment during these 34 weeks becomes significantly reduced outside the peak
parliamentary calendar creating a need to reduce the size of the workforce. Although some tourism activity occurs in Canberra, this polarisation of demand continues, thereby creating particular challenges for human resource managers.

While increasing casual employment levels may appear to relieve such issues when viewed from the perspective of workforce number reductions, it becomes much less strategic when those positions require refilling at the beginning of the next Parliamentary season as: “…When people leave Canberra as a result of these periods they usually don’t come back” (GSM4). As such, Canberra has implemented specific retention programs that include temporary transfers to other locations for career development. These programs operate during Canberra’s offshoreason, and staff members undertaking the programs are expected to return to Canberra when Parliament reopens. In order to motivate staff to firstly take up these programs, but more significantly, to return to their previous employment, Emencorp have offered assistance in the form of flights to the new location as well as food and accommodation. Even so, not all staff find these offers attractive enough to stay in the nation’s capital, or for that matter with the organisation. For example:

Canberra was a struggle just to keep people. They didn’t want to live there or they wanted easier public sector jobs not private employers. (GSM4).

A lot of casuals go: “Well I can’t structure my finances that way and I need more regular work”. (HRS9).

Apart from retention programs to alleviate staffing issues created by high levels of turnover, the organisation welcomes the establishment of relationships between hotels and the local tourism/hospitality training providers. Such partnerships serve to work towards staff “replacement” to more adequately cope with turnover. For example:

In this area we have a fantastic relationship with the TAFE\(^7\), and offer scholarships so we have the pick of the kids coming through. So for us it’s easy to pick the labour up. (GSM4)

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\(^7\) TAFE (NSW) is an acronym for Technical and Further Education, which is Australia’s leading vocational and educational provider.
Of course, the number of sites situated close to TAFEs and other hospitality training providers are limited, so it is here that the employee referral program mentioned above gains some traction. There are, however, two factors of interest arising from the data regarding the employee referral program in Australia. The first is an unexpected link between those sites that claim to have the most success with the program and those sites that have the lowest levels of turnover. That is, an inverse relationship is established between the two. While data on this phenomenon is scant, it goes some way to support that where staff are employed through the employee referral scheme, “it becomes like a family” (HRS12) at those sites and positively influences turnover intentions.

The second point of interest is that even though the employee referral program is a centralised incentive, the decision to implement the scheme is devolved to the hotel manager, who also has the discretion to determine the amount offered for a successful appointment. From those sites indicating that they have the program implemented, the dollar figure ranges from $50 to $250. One respondent suggested that, to their knowledge, this was being examined to ensure greater consistency across all sites.

Of course, as already indicated, Emencorp shows commitment to the creation of an extensive internal labour market. This not only links closely with the succession planning process but also derives cost advantages due to the reduced need to continually recruit from outside. Such cost advantages are largely tied into the ability of staff to internally transfer between Emencorp sites.

By all accounts, Emencorp encourage inter-site transfers for all employees regardless of level. The global database mentioned earlier is instrumental in capturing the extent of the internal labour market, in terms of size and skill base, through its links with the performance management and succession planning systems. That is, once employees have completed the PM process, their personal results are added to the database enabling HR supervisors and management to “shop” for a likely internal candidate as soon as an upcoming hotel vacancy is identified.

The database captures not only an employee’s PM grading (for example, “star performer” etc.), but also their willingness to relocate, the time frame within which they wish to relocate, and the areas or regions they desire to relocate to. From here a match can be made between the work-related characteristics of the employee, including their ability to function at a higher level where a promotion is indicated, and the needs of the
hotel. Again however, the distinction between brands regarding the level of transferability of staff becomes an area of contention.

For example, while it is widely held that staff transfer easily between the mid-scale and upper scale brands, most interviewees, that is, GMs and HR staff, indicate that inter-brand transfers into or out of the luxury brand rarely occur; and when they do, they are often unsuccessful. In addition, there are indications that GMs also face some difficulty transferring into a luxury brand GM role. The following discussion will track the main themes arising from the data concerning staff and management transfers between the luxury brand and the other two brands. Some of the reasons offered for the difficulties will be included.

The first theme to arise is the difficulties, both perceived and actual, of mid-scale and upper scale GMs successfully transferring into the luxury brand. Some commentators suggested that this was a result of the inherent characteristics between the larger organisation and the luxury brand when it was acquired in the late 1990s. For example:

   It was acquired as a totally separate company... It had a different DNA, and their history and DNA are significant... They are much more constrained by tradition. (RSM3).

Indeed, one respondent suggested that it is these inherent differences that provide the competitive advantage for the luxury brand, which is why GM transfers between the brands are not always successful:

   The culture was heavily ingrained in that organisation. It was dense, and we started to try to integrate them all until about 2001. But all of a sudden you were getting mid-scale GMs trying to run the luxury brand, and they didn’t get the subtleties of differences when dealing with the different customer base, and they had a different expectation, and if we allowed a mid-scale manager to manage the luxury they would have destroyed the brand... So we had to back off. (RSM2).

Others however, suggested that the traditional aspects of the brand meant that a luxury brand GM was born not bred. If you didn’t possess a foreign surname then you would not be running a luxury brand hotel:
You have to be a luxury brand general manager to run the luxury brand, and unless you have a French or German surname you won’t get the job. (RSM6).

Yet, as the above would suggest, some conceded that there were transfer successes:

It’s pretty rare to see a GM from the other brands get a job in the luxury. It might happen, but it’s bloody rare. (RSM6).

However, the role of tradition notwithstanding, elitism was more widely held to be the primary creation of barriers. For instance, one GM interviewed commented:

They are definitely elitist. I’ve managed a luxury brand and when I was firmly entrenched in it you couldn’t have paid me to work in another brand. I was such a brand snob and didn’t see it as a business unit. It’s definitely bred within the hotel so you do establish that culture. Some would argue that it’s necessary so you have that feeling of elitism and luxury, I don’t believe that it is. (GSM8).

The debate surrounding the difficulty of transfer being on the one hand the result of the formality and structure of the traditional model, or elitism and snobbery on the other, is not limited to GM transfers. Rather, this debate continues into middle management and operational staff transfers between the brands as well. To quote one respondent: “It oozes throughout... I think it oozes toxic sludge” (RSM6).

First, the debate arises in terms of staff transfers from mid-scale and upper scale into the luxury brand. Here, the perspectives are dependent on the source from which they emanate. For example, for those coming from the perspective of the mid-scale and upper scale brands the elitist or snob side of the debate is paramount. This is reflected in the following:

I think sometimes…I mean it’s common perception among the staff the luxury brand staff always think they are much better than everyone else. (HRS9).

The company’s philosophy is that there are no barriers, yes, that is brainwashing straight away. There’s that elitist culture that exists all the time. We’d be sticking our head in the sand if we said it didn’t
exist. I don’t think that we’re that far away from the caste system that exists in India. (GSM6).

The perception of elitism, though, is not only found in a general sense but is also claimed to be the attitude of luxury brand HR managers and GMs. This was already depicted in the quote above from the ex-luxury brand GM but was also further supported by the following:

I get the feeling that the prerequisite for luxury staff in the GM’s mind is luxury brand experience, and when I’ve sent staff through for transfer from the other brands this is looked at rather than their competencies. I mean I argue that we can teach the brand competencies that are important, but a lot of those luxury brand managers are luxury brand through and through... I wish I could go to the HR manager and recommend someone without worrying so much. (HRS13).

The alternative side of the debate is the argument for the need for formality and tradition, and is more likely to come from those within the luxury brand managing the transferred staff. For example:

Our brand is all about the guest experience. We talk about sophisticated service and luxury style, we had about five employees transfer from the other brands but they are all gone now. Some didn’t have a clue what luxury meant, they were more casual in their body language, in their language, in their attitude, much too casual, just not suited for our brand. For example, about three months ago we had a bartender transfer from the upper-scale brand because his aim was to be a supervisor, and we had a bigger bar with more duties that would help him to build skills... But it’s his attitude again, too casual, you know he speaks to guests saying “Hey mate”, things like that. Sometimes they say well you’re too strict and we say: “No this is who we are, this is the offer on the market”. It’s all about finding the right fit for them. (HRS11).

The above example is not absolute and some staff transfer quite well:
We’ve got some success stories. One of our supervisors came from another brand but they are the ones that are willing and interested in integrating that brand. (HRS11).

However, the predominant model is supported by almost every interviewed GM and HR staff from the mid-scale and upper-scale brands. They indicated that while they either know of, or have had, employees transfer into the luxury brand, they almost always come back. While the recognition of brand misfit rather than poor performance is clearly advantageous for the staff member, since they are placed back in their previous brand, it does serve to facilitate the continued perception of elitism that appears to be largely responsible for reduced organisational integration.

Further to the discussion of internal transfer for supervisory and operational staff are those that seek transfer from the luxury brand to one of the others. Typically, this occurs when a staff member is seeking promotional opportunity or career development that is more readily available in one of the other brands due to the number of sites overall and/or a larger site in terms of scale of operation. Similar to the staff transfers depicted above, this model has also been met with limited success; reportedly due once again to an elitist attitude from the transferring staff member, but also to the inherent job requirements that differentiate the brands.

Most agree that once the “panels and paintwork” come off, Emencorp’s “back of house” is part of the same centralised system, regardless of brand. The specialised nature of the services offered by the luxury brand, however, combined with the higher staff-to-guest ratios, create some differences with the inherent characteristics of “work” and how it is undertaken. One senior manager suggested that it is a lack of understanding of the differences that creates issues of transferability and fitness:

While the luxury brand employee may be responsible for three tasks, three responsibilities, a person at one of the other brands may be responsible for six. There is a lot less scope for interaction and visibility, but if that luxury brand person wants to move into a management role then they need to broaden that scope of responsibility because there has been a lot of things a manager does that they haven’t been able to touch because of the specialized nature.
of the role... and sometimes they feel like they are going backwards. (RSM5).

Clearly, this lack of understanding can act to cause role conflict when the luxury brand employee transfers into one of the other brands:

I had one come from the luxury brand that I had to terminate. He couldn’t do the work. He was a supervisor at the other hotel and when transferred he couldn’t adapt. It was like “what do you mean I have to clear plates?” Because of the hierarchy at the luxury brand he just couldn’t make the change. I have had another couple though who were fine. They were more down to earth. It’s an ego thing, the luxury brand is all about ego or “elitist mojo”. (GSM8).

Yet differences between brands may go even further than the larger organisation is aware of. As mentioned above, and previously, a number of practices and processes are considered to be across the board, extending their reach into every hotel regardless of brand. These practices include recruitment and selection processes based on standard behaviours and competencies, training, and performance management; which all combine to create the “employment brand”. During this research, however, an example was put forward that indicated that the luxury brand may not be aligned with the larger organisation’s employment brand awareness at all. The following comes from an HR manager in an upper scale hotel:

A secretary who works for me transferred from the luxury brand, but the funny thing was that you know you have this image in your head that they’re such a brilliant hotel and all these sorts of things. She was in food and beverage as a supervisor and she’d never heard of our [identifies employment brand], she’d never heard of any of these HR programs and some of the global things, she had never heard of any of them. So when we thought we were picking up somebody who had a lot of this knowledge actually we had to start from scratch, which was fine, but it was just interesting to see that in certain roles that information just doesn’t “disseminate down”. (HRS9).

Brands are also held to be responsible for differences in the volume of international assignments taking place both at general management and executive management
levels. From the perspective of the larger organisation, the luxury brand is that which appears more likely to have an international management team. Indeed, one respondent from a luxury site indicated that within their entire hotel management there were only three Australians, one of which was trained in the USA (HRS11). Curiously, while Australian managed luxury brands have international management, this does not extend to the international sites within this brand having Australian management. The same respondent commented:

I am not aware of any GM from this brand being from Australia... I find that the GMs that are Executive Committee are going to be outside Australia because I think Australia doesn’t build great leaders, that’s what I’ve noticed. (HRS11).

Even within the mid-scale and upper scale brands, there is some indication that Australian managers are unlikely to be assigned to either the parent country as a Host Country National (HCN), or to other countries outside of their global region. Indeed, one senior manager claimed that within the previous nine years they were aware of only one Australian manager that had been transferred to the parent country, and that it was more likely to find Parent Country Nationals (PCNs) transferred to Australian management positions (RSM5). Yet another claimed that in twenty years of working for the company, they had never seen anyone go to the USA or Europe (GSM7). Yet another summed this up with the following view:

If you’re a general manager or a manager in Australia, New Zealand or the South Pacific you are pretty much confined to Australia, New Zealand and the South Pacific. We have, however, over the last five years seen a lot of our Australian management start to move into Asia-Pacific. So Asia-Pacific with their high growth sucked up a lot of Australian management. (RSM6).

While this indicates an increase in international assignments for Australian managers, one respondent qualified the increase as:

I can honestly say from working up there we send people to Asia to set up the systems the way we want them. It’s not about them. It’s probably more a chock for us than it is about them... and it’s not something we do well. There’s no support in terms of local
conditions, culture, what to expect, what’s right and wrong. You’re pretty much left on your own, and then, well, the job’s over. Time to come home. (GSM8).

Of course, not all limitations on the expatriation of Australian managers to Asia are imposed by Emencorp management and culture. Some are defined by personal responsibilities:

Aussie’s don’t always like to travel. I say to my GMs, “How about a job in Asia?”, and they say, “No my wife won’t let me.” (RSM2).

Another factor adding a further layer of complexity to the decision making surrounding management expatriation concerns the conditions imposed by the hotel owners:

I would have gone back to Asia a few years ago but it’s taken that long to get the right fit. To manage some of those big hotels that are coming on line you have to have Asian experience, but the owner insists on them having not only Asian experience but experience in that region... There’s several managers with that same issue. (GSM1).

There is, however, some indication of international movement for training purposes. For example, within the luxury brand it was noted that “Asian managers come to Australia to train before going back to open their hotels” (HRS11). Additionally, there was an example of a Tahitian luxury brand manager coming to Australia to train in front office operations in a mid-scale hotel. While it was noted that the manager was from a luxury branded hotel, it was also offered that systems were similar between the two as “Tahiti has a similar holidaymaker market and is quite relaxed; similar to the site where training took place” (HRS3).

As mentioned previously, while primarily training is developed within a centralised system and cascaded down through the organisation to each site, its actual delivery is at the discretion of either site or regional managers. It is for this reason that we again see the implications that arise for training due to geographical characteristics and brands.

Generally, where hotels are clustered, training delivery is designed as group sessions wherever practical. This is viewed not just from the perspective of reducing resource costs and wastage, but is also viewed by many as a “chance for the new employees to
come together and have a chance to meet each other” (RSM7). These opportunities are arranged for training events. They include inducting new employees through to more focused “specialised” training events for supervisory and middle management employees, and may be either very formal or informal in nature.

More infrequently, functional training may be conducted for the entire state regional staff at one central location; however, this appears once again to be dependent on those that are making such decisions at the state level. For example, one respondent who had worked within two different state regions indicated that, in the current region, training was clustered for all hotels in that particular state:

All hotels have access to the same training calendar, so people from this hotel know people from the other cluster hotels, but this didn’t happen at my last hotel... We rarely went offsite to train. There, people from one location wouldn’t know people from another location, even though they are only one hour travelling distance apart. (HRS12).

The luxury brand, while invited to undertake training within the cluster, appear rarely to take up the opportunity. When they do, this is met with some surprise:

We did do some supervisor training across sites within the cluster. Even the luxury brand turned up for that. (RSM7).

Clearly though, training for the luxury brand is more specifically designed around actual luxury product and therefore has a distinct brand focus. Even company “values” training has been adapted in a way that the “luxury brand, while still a part of the Emencorp company, has taken a step away from the heart of Emencorp” (RSM7). While there is an indication of regular communication between HR managers of the luxury brands, the reduced number of sites results in large geographical distances between hotels which makes inter-site training for employees almost non-existent.

Finally, the Australian RGMs respond to their level of autonomy through HR practices designed and implemented to provide for local responsiveness. It is here, therefore, that we see a divergence of HR practices, not only between the larger global regions but also within national regions. An Australian example of this divergence is reflected in the
way the housekeeping function is staffed. That is, while the function employs staff in some regions, it is fully outsourced in others.

The divergence of staffing practices within Australia has triggered much debate regarding the overall utility of insourcing the function for some sites and outsourcing it for others. This has led one RGM to implement a project named “Housekeepers Project” in order to establish whether there are greater cost and operational advantages to staffing the function rather than outsourcing it. The basic premise of Housekeepers Project was articulated as follows:

If we outsource, what we are saying is ABC Outsourcing has a better culture than Emencorp. By outsourcing you are saying that management doesn’t understand how to manage something... So I said to Norman [pseudonym]: “Let’s get the housekeepers together and see if we can develop best practice, or else we can outsource it.”... You see, there appears to be a mentality of: “If you can’t measure it you can't manage it.”... So I gave the housekeepers something that was pretty measureable, that’s called job security. (RSM2).

In accordance with Housekeepers Project, all executive housekeepers within the state are encouraged to work together innovatively in order to identify best practice in terms of both effectiveness and efficiencies. This project has a particularly important role for knowledge transfer in Emencorp and will therefore be investigated in greater depth over the next three chapters.

5.4 Emencorp - Knowledge Sharing

5.4.1 Knowledge sharing: Corporate

While key organisational information and processes filter down through the organisation through a global intranet, Emencorp clearly views multidirectional knowledge sharing within and between its vast global network of subsidiaries as instrumental to organisational success. This appears to be clearly understood by employees as 100 per cent of interviewed respondents reacted positively to the question: “Do you believe that Emencorp is committed to the transfer of operational knowledge between its global subsidiaries?” Indeed, this commitment is articulated at the highest
level of the organisation, and reflected throughout the globe via policies and practices. For example, as mentioned previously, Emencorp’s ambition is to become one of the world’s leading organisations. In order to achieve this, a number of strategies have been developed to provide direction and measurement. Of these, the building of an aligned organisation is clearly recognised. To realise this strategic focus is a recognition of the need to achieve higher level efficiencies by “sharing our resources and knowledge across the world” (Ind, 1).

Articulation of knowledge sharing as a means of achieving the strategic purpose of “aligned organisation”, however, is not limited to the higher level documents but can be tracked through organisational documents as they filter downwards through the organisation. Within many of these documents, especially those surrounding HR practices of succession planning and performance management, there are clear established links between the organisation’s strategy and the behaviours of employees discussed above.

One document providing a clear example of such is the “toolkit” for HR managers to use when assessing an employee’s “aspiration, ability and engagement” for their biannual performance review. Indeed, for operational and junior supervisory staff to attain the level of “star performer” through the PM system they must have demonstrated a commitment to organisational principles of knowledge sharing in two out of the three designated areas for assessment.

In addition, the ability to share knowledge is deemed as particularly important for those being considered for higher level management positions in Emencorp. For example, to be selected for these roles as either an internal or external candidate, each must undergo psychometric “Dalby Payne” testing designed and conducted by an independent consultant. A preview of the “types of areas covered” indicates a high level of attention given to the skills, and more essentially the attitudes, of candidates to knowledge sharing and to innovation development (EBM).

5.4.2 Knowledge sharing: Asia Pacific

In 2006, Emencorp, in support of their commitment to share organisational knowledge, implemented a vast knowledge storage and retrieval system in the form of a knowledge repository. The system has been given a pseudonym for this research and will be referred to as “The Knowledge Library”. Key to the implementation of The Knowledge
Library was the facilitation of vertical and horizontal knowledge sharing across all Emencorp sites. While the implementation of The Knowledge Library was supported by global Headquarters, the system was created in, and initially confined to, the Asia-Pacific region. The Knowledge Library extended across all 140 hotels in the region and was expected to be “rolled out” in the Americas in late 2010.

The Knowledge Library was created in line with the organisation’s strategic focus of building global alignment in the way that innovative or value added processes and practice ideas could be easily shared throughout all hotels within the region (and eventually globally); thus reducing time waste and replication costs. The Knowledge Library acts as a two-way system, allowing users to both submit and retrieve ideas. The ideas are stored by hotel function (e.g., housekeeping, food & beverage), and therefore are fairly easily located through basic terminology searches. More recently, The Knowledge Library has been linked to organisational systems such as “Best Practice”, which operates informally, and according to a multi-directional transfer model and Total Quality Management (TQM), whereby its use is more closely represented by a top-down formalised model. Further use of The Knowledge Library, when first implemented, was linked to General Managers’ Key Performance Indicators (KPOs), although these links are no longer operational. The Knowledge Library, as a knowledge sharing mechanism, forms much of the discussion in the following chapter.

5.4.3 Knowledge sharing: Operational level

Finally, Emencorp demonstrates some commitment to the sharing of innovation or “good ideas” from their operational or “front line” staff. Decentralised through to the hotel level, GMs and HR staff from almost all the participating sites indicated that they foster such participation through implementing processes that encourage line staff to offer suggestions for streamlining the organisation. Therefore, at most sites, some form of suggestion box or process innovation competition was implemented. While this practice is “not necessarily structured… it comes down to the site manager’s discretion” (GSM6), it is deemed to work due to its link with rewards. Rewards can take a number of forms; for example, points specific to the hotel, which can be cashed in for movie tickets, music vouchers, beer, wine or even a weekend in a company hotel at another location (GSM7).
5.5 Representativeness of Emencorp as the Case Study Organisation

The industry review in Chapter 3 indicated that it was the larger organisations operating in the international hotel industry that have not only been focussing on capitalizing on human resources (Go & Pine, 1995), but also are most likely to have a designated HRM Department and to undertake a more formalised HR strategy (van Barneveld, 2006; Davidson & Timo, 2006; Hoque, 2000; Timo & Davidson, 2005). This chapter has placed Emencorp as one of the world’s largest hotel companies whose HR practices have been formalised with a distinct focus on capitalizing on human resources.

Further, Emencorp’s combination of centralised and decentralised HR practices depicts the HR system as responding to the international nature of operations recognised by Goss-Turner (1993, p. 153) as being an essential characteristic of these organisations. This also provides indication of the geocentric model with evidence of residual ethnocentricity as identified by Watson and Litteljohn (1992) in Chapter 3. In addition, the organisation recognises the continued need to reduce turnover; to increase retention of key players; and to have formalised succession planning processes in place to help combat the essential features of the wider hospitality industry within which it operates.

Emencorp is additionally representative due to its history of internationalisation; its reliance on management contracts and franchising; and the benefits and challenges of such in the forms of internationalisation and its strategic focus on market segmentation through branding. These features have identified Emencorp with a structure for research that is consistent with similar organisations operating in the environment established in Chapter 3.

5.6 Conclusion

This chapter has identified Emencorp as a large player in the international hospitality sector. In doing so, it has recognised Emencorp as a vast global network of subsidiaries, and has offered a contextual representation of the organisation in terms of its history and its international and national characteristics. Further, the chapter has identified a strong organisational culture and the establishment of a number of global brands which therefore places Emencorp within the parameters of the framework established in the previous “industry” chapter. This consequently establishes a level of suitability of Emencorp for this research. In other words, it is characteristic of other multinationals in this industry in terms of its history of internationalisation and its operational forms.
To further strengthen its representativeness in terms of its fitting the industry “picture” depicted in Chapter 3, Emencorp has been identified as an organisation with a dedicated HR platform, and one that incorporates HR policy within its strategic orientation. This has yielded an international operation with a combination of centralised core activities operating simultaneously with local flexibility.

Finally, a commitment to knowledge sharing has been established through links between high level strategic purpose and global HR practices. The following two chapters will integrate the framework established here with knowledge sharing mechanisms within Emencorp. In line with the understanding derived from discussions in Chapter 2, knowledge sharing mechanisms comprise both ICT systems established for the purpose of knowledge sharing (to be discussed in Chapter 6), and also social systems, such as internal networks and CoPs, which will inform the discussion in Chapter 7.
CHAPTER SIX

KNOWLEDGE TRANSFER IN THE ICT ENVIRONMENT

6.1 Introduction

The preceding chapters provided both descriptive and theoretical background into a range of factors to be considered in order to understand knowledge transfer. This chapter will be the first of two that will explore knowledge transfer within Emencorp. Here, the deliberate use of the ICT system for knowledge transfer will be considered in the context of the various organisational factors identified and discussed in the previous chapter. Consistent with data collection, the discussion will predominately focus on the Australian experience; however, international consideration will be offered where possible.

The chapter opens with an examination of the use of “The Knowledge Library” (referred to in Chapter 5) as a knowledge transfer mechanism. This will include system usage as a response to the organisational contexts within which it resides and operates. Throughout the discussion, relevant additional ICT mechanisms will also be identified and examined. Then follows an analytical evaluation of the ICT as a knowledge transfer mechanism in response to the research questions from the Gupta and Govindarajan’s framework. These include absorptive capacity and motivation, and also established barriers to knowledge transfer (for example: NIH, Information Hoarding and Stickiness). This section is largely informed by interview responses; however, where possible, organisational documents have been sourced to validate system usage.

6.2 Knowledge Sharing ICT Mechanisms

Zack (1999) introduced the organisational use of ICT as a knowledge management device as two primary categories: integrative and interactive. Integrative applications take the form of structured databases allowing employees to store and retrieve information. Interactive applications take the form of discussion forums or conferencing, allowing views and experiences to be shared regardless of physical location (Leidner, 2000; Whitley, 2000, p. 55). The following sections will examine the incidence and use of both integrative and interactive systems by Emencorp.
6.3 The Knowledge Library: A Managerial Perspective

6.3.1 Links with performance management

Direct access to The Knowledge Library was initially limited to the positions of site or hotel General Managers (GMs) or higher. Initially, General Managers (GMs) were introduced to the system through direct contact and instruction from their Regional Managers (RMs). In order to facilitate appropriate levels of system usage, a top-down control mechanism was established by linking the use of The Knowledge Library and GMs’ Key Performance Objectives (KPOs) with the Performance Management (PM) system. This is a reasonably simple system driven by headquarters, where every GM, in order to pass their annual performance assessment, must add two ideas to the library (sender) and implement two ideas from the library (receiver) into their hotel.

While there is some indication that the link with KPOs was motivational for GMs to use the library for both sharing and receiving knowledge, the use of the PM system was not particularly well received by most GMs interviewed. Indeed, the link between KPOs and the use of The Knowledge Library appeared to create a level of disdain, and possibly manipulation, by the GMs, resulting in the eventual disestablishment of links between system use and performance management and appraisal.

One of the most cited reasons for disdain was the feeling of “forced compliance” as reflected in the following:

I wasn’t a big fan of the link with KPOs because you would get to mid-November and you felt: oh gosh! I haven’t added two ideas, so you would get on The Knowledge Library and it was potentially a gun pointed at your head. (GSM3).

Interestingly, as a result of users being increasingly forced to use The Knowledge Library in order to achieve KPOs, the system started to buckle under the pressure. One problem that started to appear early on was largely caused by the relative “bombardment” of ideas on The Knowledge Library:

We were mandated through our KPOs, so would that influence me to share? Yes, it would, but it turned into a dog’s breakfast. Everyone’s throwing in ideas just to tick the box. (GSM3).
There were a lot of things that ended up there because people were pressured to contribute and you cannot always contribute quality. (RSM2).

Consequently, the quantitative link between KPOs and system usage was dropped, and while there is no documented reason for doing so, verbal reasons typically mirrored the following:

I think they dropped it [link with KPOs] because it discredited the system. It’s better to have 10 ideas rather than 100 ideas if 90 aren’t good. That’s not the official reason but unofficially I think that’s it. (GSM3).

Even more interestingly, one response may have suggested intentional sabotage:

The link with KPOs might have influenced me to share... But would it be good data going into it? We proved it wouldn’t, so they had to scrap it and start again [be]cause they were silly ideas and now it’s no longer linked to our KPOs. (GSM6).

The separation of The Knowledge Library and GMs’ KPOs opened the system up to wider access. While from a site perspective the required access to “add” an idea to the library remained with the GMs, those employed in a supervisory capacity and above were granted access to the system to view ideas generated from other properties. Hence, use of the system switched from a top-down bureaucratic approach to one that was arbitrary bottom-up; or, as one interviewee suggested: “We shifted from a push mentality to a pull mentality” (GSM3).

By most accounts, without the duress of control as an explanatory logic for use, The Knowledge Library lapsed into either underuse or (in many cases) disuse supporting Mukherjee and Hahn’s (2008) findings that ICT systems that are not embedded within the organisations routines will fall into disuse once the novelty of the system has passed. Paradoxically, separation from the PM system was claimed to be a reason for this. For example:

There’s probably a lot of good ideas there... But if it’s not part of your KPOs then it’s not something you think about (GSM7).

Even so, many other factors for reduced use of the system were cited. While at first the reasons appear as particularly diverse, they can generally be grouped as either quality
based or quantity based. The following discussion will explore these in further detail in accordance with the primary organisational characteristics.

6.3.2 International Factors

As previously mentioned the system was created in Asia and implemented across the entire Asia-Pacific global region. Interview data, however, clearly suggests that the original design of The Knowledge Library largely failed. It seemingly appears to continue to fail in its ability to adequately account for key differences driven by varying operational contexts found within this global scope. One such operational context is the internationality of the system whereby two direct transfer dilemmas arise.

The first dilemma, qualitatively derived, stems largely from differences in the actual and/or perceived relevance and instrumentality of ideas added to the library, suggesting that much innovation is geographically bound. For example, driven from a receiver perspective, a key issue is the vastly different staff-to-guest ratios between Asian and Australian hotels. While exact data is not available, reports suggest that the number of staff in Asian hotels is much higher compared to Australia (GSM3). This is largely due to differences between institutional factors, employment practices and labour costs. The influence of these differences on knowledge transfer is therefore found in the varying levels of ability to implement what might well be an innovative practice, but one that is viewed as being extremely labour intensive. For example:

The Knowledge Library is something that we probably underuse. We don’t have spare bodies to implement those ideas like they do in Asia; so it comes down to manpower or it comes down to labour costs. I think that’s a stumbling block because sometimes in Asia the ratio is 4–5 employees higher than here. (GSM3).

You go to The Knowledge Library and you don’t find much and some of them are duds. They’re so resource intensive that you can’t make it work here [be]cause we have a lot of casuals. In Asia they can do it. (RSM6).

In addition, cultural and regional differences are also held to reduce the utility or innovativeness of practices:

There may be some very good information for a certain region in India or in China... But we go: Well like why would that be important in Australia? (GSM4).
A further example comes from an incentive put forward by an Asian hotel regarding cost cutting in the wake of the Global Financial Crisis:

When things started getting a bit tough we got this incentive coming out of Asia saying this is what you have to do: take the bottled water away, we don’t have it; take the slippers away, we don’t have slippers, and 90% of the practices did not relate to us. We run the business differently, we adapt to Australian customers. (GSM12).

As discussed in Chapter 5, Emencorp’s entry into the Australian, New Zealand and South Pacific market was through the acquisition of an already established large hotel company. A high growth strategy in Asia, however, resulted in Emencorp establishing new sites, rather than growth through acquisition. This appears to have ultimately led to the creation of a significant “gap” of depth of experience between the Australian GMs and many of the Asian GMs. This gap then appears to have produced differing levels of regional operating maturity, which in turn influences a manager’s perception of “innovation”. The outcome here is that an Asian manager’s perception of an innovative practice may differ significantly from that of an Australian manager’s, thus creating the second dilemma based on quality of idea. For example:

So what’s supposed to go on The Knowledge Library are things that are new and innovative, not just run of the mill things... But as you’ll see from different regions and different parts of the world, different quality of ideas go onto The Knowledge Library. So, for instance, Asia could put something on that here in Australia. It’s already a standard for us and we go like: That’s not new you know! (HRS10).

In a sense, it is here that the definition of innovation resides. Many Australian managers are very aware of the differences between quantity of ideas and quality of ideas; indeed, it was the distinction between the two that led to removing the link between The Knowledge Library and their performance appraisals. Therefore, the question of innovation arises not only from the point of view of the receiver, as in the above examples, but also from that of the sender. The following offers a clear example:

There’s plenty of things that haven’t been put on The Knowledge Library because it’s something we do all the time... I don’t put things on there that I think are the day to day running of the hotel. (GSM4).
The above examples clearly indicate that replication of practice and process continues to occur in spite of the ongoing operation of a system created for the purpose of reducing such time and resource wastage. Rather than being an indication of malicious intent, the lack of willingness to share may be a result of other factors.

For example, we can consider The Knowledge Library as a two-sided coin, whereby one side represents the knowledge sender and the other the knowledge receiver. In order for the coin to remain balanced there must be an equal distribution of the relationship between sender and receiver. Here however, the relationship falters; seemingly as a response to differing interpretations of innovation created by differing levels of operational maturity between Australian and Asian sites thus creating an imbalance within the system itself. This imbalance manifests in the existence of large volumes of replicated knowledge with limited utility on the one hand, and a paucity of innovative knowledge on the other that may reduce the need for replication.

Interpretation of what constitutes innovation, however, extends beyond the differences between national contexts. Here, the very essence of the global organisation’s survival, in terms of situational factors, brands, styles of hotel and the residual influences of tradition, is cited as reducing the utility of The Knowledge Library concerning the relevance of ideas. The following section will explore some of these inherent organisational characteristics as they relate to usage of The Knowledge Library.

6.3.3 Organisational Characteristics

Chapter 5 provided an introduction to differences between the luxury brand on the one hand, and the upper scale and mid-scale brands on the other. The differences were understood in terms of reporting structures and HR practices including training and inter-site transfers. Here, in Chapter 6, the differences extend to cover the actual use of The Knowledge Library and to provide a backlink to the discussion at the beginning of this chapter. That is, while all mid-scale and upper scale brand GM KPOs were linked to the use of The Knowledge Library, this requirement was not extended to luxury brand GMs. This not only suggests an incongruous relationship between the brand and the strategic “alignment” purpose of the implementation of The Knowledge Library, but also sustains disassociation between the brand and The Knowledge Library itself. Consequently, The Knowledge Library has so far failed to become considered as an option for knowledge transfer by those interviewed within the luxury brand, as captured
in this response by one luxury brand manager to the question: “Have you ever had a look at The Knowledge Library?”:

Never! I never have... At this hotel we relate everything to the brand not the wider community. (HRS11).

It is widely held by GMs from the mid-scale and upper scale brands that differences such as these fortify the elitist perception surrounding the luxury brand. Even so, the perceived relevance of ideas on The Knowledge Library extends beyond brand elitism. It is further captured in the differing models of hotels (e.g., resorts style, spa) or characteristics of markets (e.g., business, vacation, local demands in terms of geographical situation). Unlike the branding argument above, however, the impact of these characteristics is widely debated and largely depends on who you speak to. For example, when asked why they might not use The Knowledge Library, the following three reasons were given:

1. **As receiver**: There are only three hotels of this style in Australia. Very little would be relevant to us. (GSM7).
2. **As sender and receiver**: No two hotels are the same. The mix of business and different models mean we need to run them differently. (GSM3).
3. **As sender**: A lot of things we do in hotels are very different to other hotels. For example, my executive chef came up with a whole new breakfast idea which has been very successful for us. But my marketplace is different. My restaurant competes with the finest in town where you have other hotels with this brand doing very well with buffets. I wouldn’t put this idea on The Knowledge Library because while I may say it’s good, other people say no. (GSM4).

Nevertheless, one GM who has only recently rejoined the organisation after working for some years for a competitor, reacted to these responses with raised eyebrows and gave the following response:

That’s ridiculous. It’s a business. It’s the same as any other business except maybe it’s harder to control because it’s so people oriented. But that’s what keeps it interesting. Things may need some adjustment but they shouldn’t be disregarded. (GSM8).
When prompted for an explanation as to why this attitude exists, the same respondent offered the following:

Tradition. It’s old school. A lot of us grew up in a time where the GM was king of his castle. Some people are too focussed on being hoteliers rather than business managers. (GSM8).

In fact, the link with traditional hotel management methods and low usage of The Knowledge Library was one that appeared to have favour with some of the senior management team. One offered the following in support:

It’s like the old king on an island republic rather than premier of the Commonwealth states, and a lot of our GMs are still grappling with I’m not the king of the island republic anymore. (RSM2).

Nevertheless, Emencorp is one company strategically focused on becoming an integrated global business rather than a hotel company, so while senior management is temporarily unable to remove the residual effects of tradition…

We’ve got other things to do than fix the above scenario immediately. Yeah, it’s on my radar, but it’s not going to be fixed yet. If I had a perfect world, would I fix it tomorrow? Shit, yeah. I’d write a memo and fix it. But you don’t fix culture like that… (RSM2).

… The GMs do understand that the model has changed from standalone hotels to an integrated business, where they are not only competing for resources but are also being benchmarked against other hotels.

It is here that some evidence of system use begins to emerge, although impressions surrounding the actual utility of The Knowledge Library are mixed. Differences range from those who, while continuing to underuse it, still believe it is a worthwhile system…

I think it’s a good resource but I underuse it. I should use it more, there are some great ideas there. (GSM3).

A few years ago I used it. I still look at it from time to time. I believe it’s good for our new managers because when they are faced with not knowing what to do they can get on and have a look at what others have done. (GSM1).
… to those who appear to access ideas but not implement them:

When you can’t improve an area you will go to The Knowledge Library to see what others have done. Quite often though, there’s nothing there that you are looking for. (GSM12).

The Knowledge Library is a great concept but I have to admit I don’t think that I’ve ever got on there and got an idea that I’ve implemented. (HRS13).

I’ve put ideas on and pulled ideas off but I’ve never gone on [to the Knowledge Library] looking for a solution to a problem and found it on there. (GSM8).

A reason for this is that the ideas require adjustment in order to appropriately “fit” each hotel:

I think we take ideas and refine them. We wouldn’t take it as a bookshelf item without personalising it for our hotel... Ideas can’t be used without remodelling. (GSM6).

For many, therefore, adoption is only likely if the level of adjustment required is minimal:

We’ve adopted ideas from the library, one from a hotel in Asia. It was a good idea and didn’t need radical change for us. (GSM3).

This links with the next resource-based reason for low use of the system, which is time. First, from the perspective of the searcher:

I think if you had the time to go through the ideas you would probably adopt a number of ideas... But you don’t have the time. (GSM3).

Second, from the perspective of the sender:

Why is it that a lot of things aren’t loaded up these days? It’s because of time issues. (GSM1).

Finally, the benchmarking system discussed in Chapter 5, has (not surprisingly) led to some protection of ideas, with one respondent offering the following:

We are the only hotel doing this [identifies innovative practice] and I wouldn’t say that we are protecting it but I wouldn’t say that we were
passing on the idea... We have shared but we haven’t put it on the Ideas Library... Part of it is protection. It’s our idea and we don’t need to share it with others. I wouldn’t say that we have maliciously sat down and said we wouldn’t share; we just haven’t broadcast it to the wider community. (GSM6).

The above discussion provides a number of reasons why The Knowledge Library may not be used in the manner for which it was initially intended. These reasons can be viewed from the perspective of the sender, or from the perspective of the receiver, and most have been related to organisational context factors (geographical situation, branding, hotel style, etc.). Yet, there was a further reason for lack of use that indicates a potential for either individual personality, or incidence of personality traits influenced by national culture, as a reason for low or non-use of the system. This applies especially when considering knowledge transfer from the sender’s perspective. For example, a senior HR strategist offered the following:

There’s a reluctance to share. I don’t know whether it’s an Australian trait but we have quite a few GMs that will actually come out and say well I’m not a show pony. They see it as perhaps bragging in front of their peers, like in just so much as saying “I’ve done this and I’m telling you about it” means “well, you know I’ve done well and you haven’t”, and they actually feel quite reluctant to put themselves out there. (RSM5).

Not entirely surprisingly, when GMs were asked about this “Australian trait” it was by all accounts emphatically denied. What is curious, however, was that in over 70 per cent of cases, GMs at some time through the interview made somewhat unflattering references to the “show ponies” with comments reflecting the following:

There’s the ego flyers and managing upwards and always have to be in your face that respond the quickest and are the first to put ideas up and first to also comment on other peoples’ ideas. (GSM6).

I think a lot of other people keep trying to “fly the flag” to say look at the wonderful stuff I’m doing. So by comparison I suppose you might say I’m a quiet achiever. (GSM4).

While one respondent commented that “the bragging attitude was there but has disappeared now” and that they “believe in stealing with pride. If someone does
something better than you you’d be silly not to take it” (GSM12), only one identified themselves as an avid sharer advancing the following:

I’m definitely committed. I go out there and share. I can’t stand political games, I’d rather put my name to it and be known for it... Because at the end of the day you’re here for the company not yourself... Besides, our leader encourages us to be like that. In fact if we weren’t like that we’d get into trouble. (GSM7).

Apart from a few isolated cases, the above discussion demonstrates a reasonably high level of agreement among general managers that The Knowledge Library, while largely recognised as a useful resource, is clearly not the method of choice through which GMs share knowledge. There is, however, another recently established system that is more akin to the interactive (Zack, 1999) ICT model. This online facility, known as “Leaders Lounge”, appears to have been much more favourably received by Australian GMs as a knowledge sharing mechanism.

Leaders Lounge was launched globally about twelve months before data collection began. It is specifically designed for GMs. Each of Emencorp’s GMs is able to use the site to communicate with other GMs around the globe. While on the surface it appears to have similar characteristics as The Knowledge Library in that GMs can place ideas that may be picked up by another GM, the difference is in both the brevity of ideas and the much lower levels of formality. As one respondent said:

Leaders Lounge is for small stuff. That might be a little video or it might be a short three minute explanation about something that worked at a hotel. (RSM3).

Another likened Leaders Lounge to an “online newssheet of business tips”, both useful and instrumental:

To be perfectly honest, when it was first launched I thought it was going to be a crock of ..., but it’s been really, really good. To me, from a GMs perspective, it’s far better than The Knowledge Library... The ideas are quick implementation ideas. It’s like walking into a bar lounge and catching up with colleagues; although I only spend about ten minutes a day on it. (GSM3).
Indeed, all GMs interviewed indicated a preference for the informal Leaders Lounge over the formality associated with The Knowledge Library.

### 6.4 The Knowledge Library: An Operational Perspective

The above discussion focussed almost exclusively on GM use of ICT, and more specifically, The Knowledge Library. As previously mentioned, after the PM link was disestablished, access to view ideas was widened to include all members of staff holding a supervisory position or above. Amongst this group were HR generalists and specialists. This section will therefore briefly review The Knowledge Library usage according to this group.

#### 6.4.1 HR managers and supervisors

Significantly, responses from HR employees indicated minimal use of the system. For example, while an occasional respondent would indicate that they had looked at The Knowledge Library, typically the responses indicated low or non-use of the system. Interestingly, those in a HR role that had been with the company for some time characteristically indicated that they did not use The Knowledge Library because it was no longer linked to the GMs’ KPOs and therefore:

> I don’t use it because I know people aren’t putting things on, so I assume that there would be nothing new on it. (RSM7).

Additionally, and as a result of this assumption, The Knowledge Library for many appears to have become something they no longer even think of using. For example, one respondent, after discussing a new practice that they were implementing at their hotel, was asked if they would put it on The Knowledge Library to share. This person responded with the following:

> ... It is something we could absolutely put onto The Knowledge Library, and we probably will now that you’ve mentioned it. (HRS9).

Consistently, low use due to time constraints and system familiarity was also cited:

> You would look at The Knowledge Library but it’s not always a first thought... A lot of the time we’re all busy. We get bogged down with the day to day stuff and a lot of things, if you’ve never done it before, is a bit daunting, and it’s like why am I going to jump on and do it now if I’ve never used it before? (HRS12).
6.4.2 Gatekeeping

In addition to those issues already discussed, gatekeeping as a deterrent to use has evolved as a hangover from past failures. For example, when The Knowledge Library was first implemented, gatekeeping was undertaken in Asia. According to many of those interviewed the Asian gatekeeper…

… was amazing, but scientific, so black and white. And there were probably two issues:

1. He probably didn’t understand enough about the processes in the hotel to be able to give constructive feedback on how to get past him.

2. His communication was very abrupt and he was just a name. He got down here to Australia only once a year.

It was very demotivating for the team. They didn’t want to be involved in putting ideas on [The Knowledge Library] if they were going to get feedback all the time saying No! No! No! No! (GSM8).

Although each region now has their own separate gatekeeper, there remains an issue with the operational knowhow linked with experience that can only be gained through performing the function or role. This issue, and the residual effect, is identified in the following:

Look, I’ve had some feedback from my own team that they have loaded up some best practices¹, and they weren’t accepted, and I guess they were deflated and that became a deterrent, and maybe it wasn’t explained adequately in the first place, and/or the gatekeeper may not have understood. They may not have been an operational person so not being able to relate to the outcomes. So it could be both those underlying factors that something fell over and didn’t make the grade and it becomes a bit of a deflation. We’ve submitted these two things and they didn’t get accepted. So why submit something else and then try to re-enervate them to have another go? It’s [the] too hard basket. (GSM1).

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¹ Just under 50% of GMs interviewed indicated that they gave supervisory staff access to their personal login and access codes so that they could load ideas, rather than it being the sole responsibility of the GM.
While clearly the lack of relevant functional experience of the gatekeeper may result in rejecting an otherwise “good idea”, other legitimate factors for rejection continue to create residual negative effects on adopting the system as a knowledge sharing facility. For example, when discussing a particularly innovative staff member with their HR manager, the following point was offered:

He’s had lots of ideas but they have stayed at this hotel. It was submitted to The Knowledge Library but ideas that have high cost levels are rejected. It’s been a long time since I had a look at The Knowledge Library.

(HRS6).

It is for the reasons cited above that most agree that the GMs should provide the gatekeeping function. However, inconsistencies between attitudes and histories of GMs, as also discussed above, have resulted in an inconsistent employment of The Knowledge Library, which many believe to be the primary reason for the pockets of disuse. Further, while senior management believed that GMs “should be the primary gatekeepers”, they also believed that most are “probably not as good as they should be” (RSM2).

6.4.3 Links to other systems

As discussed in the previous chapter (5), The Knowledge Library is linked to both the Best Practice and TQM systems. In its simplest form, once an idea has been tested, documented and developed, it travels through the gatekeeper and is placed on The Knowledge Library as a Best Practice Initiative (BPI). Best Practice Initiatives are considered “above the benchmark standards”. GMs therefore choose whether to implement them into their hotels or not. Where a Best Practice Initiative is considered generally instrumental in improving overall functions and/or processes in hotels (taking into account the various contextual situations), it may then become a designated TQM initiative, whereby it becomes a mandated implementation that all GMs must adopt.

The Housekeepers Project (see Chapter 5) has direct bearing on the use of The Knowledge Library as part of the process whereby housekeepers must develop Best Practice Initiatives if the function is not to be nationally outsourced. As such, once a new practice or process innovation has been adequately trialled, it is added to the library as “best practice”. The adoption of a Best Practice Incentive is left to the prerogative of GMs whether to implement into their hotel or not. However, all GMs in the trial region
are notified of its existence on The Knowledge Library via emails from the RGM. In effect, this alleviates the gatekeeper role of GMs from “sending” ideas but further stresses their role as knowledge receivers. When a practice derived from the Housekeepers Project is considered to produce significant efficiencies, it will go through a further process to become a Total Quality Management (TQM) incentive. Once an idea attains this position it joins the TQM site and becomes compulsory in all hotels in the Asia-Pacific region shared through The Database.

6.5 Knowledge Sharing and ICT

So far, this chapter has identified knowledge sharing at Emencorp as it relates to purposeful knowledge transfer through ICTs. In doing so, the discussion has considered both personal and organisational characteristics that influence the use of the system. The following table provides a collated overview of responses derived from the discussion above, which are grouped according to factors affecting the use of The Knowledge Library. These factors, while not all inclusive, go some way towards providing an analytical response to ICT use when considered in terms of the Gupta and Govindarajan framework introduced in Chapter 2. Additionally, they assist the integration of the key knowledge barriers literature (Cyert, 1995; Katz & Allen, 1982; Szulanski, 1996) into the model. The responding factors will be referred to throughout the following analysis.
### Table 6.1: Reasons given for not using The Knowledge Library

<table>
<thead>
<tr>
<th>Reason</th>
<th>Example</th>
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<tbody>
<tr>
<td><strong>Not Invented Here Syndrome (NIH)</strong></td>
<td>“What I see as the number one reason why it’s not used is NIH, It’s not my idea, I didn’t invent it.” (RSM5)</td>
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<td>“The issues that are relevant to their region and subregion may have got lost in the volume and you’re dealing with management and a lot of management at times struggle with NIH.” (HRM10)</td>
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<tr>
<td><strong>Information Hoarding</strong></td>
<td>“I’m reluctant to share it because others might get claim and credit, and I don’t want to do that because it is my idea.” (RSM5)</td>
</tr>
<tr>
<td><strong>Time</strong></td>
<td>“I think if you had the time to go through the ideas you would probably adopt [some], but you don’t have the time.” (GSM4)</td>
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<td></td>
<td>“I don’t have a lot of time, if I just call this person it’s something they might have done before, or they’ll know someone else who has.” (GSM8)</td>
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<td>“Time factors the main reason I don’t use it. I’d love to have a look to see what’s there but don’t have the time.” (HRM13)</td>
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<tr>
<td><strong>System: Complexity</strong></td>
<td>“I don’t think our intranets and websites are as easy to use as they might be.” (HRM12)</td>
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<td>“Look it’s great but we had ‘so many intranet sites to connect things’, so many, it will take some time to get rid of that stigma.” (GSM6)</td>
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<tr>
<td><strong>Gatekeeping</strong></td>
<td>“I’ve had some feedback from my team that they have loaded up some best practices and they weren’t accepted, and I guess they were deflated and that became a deterrent... The gatekeeper may not have been an operational person so not being able to relate to the outcomes... It becomes a bit of a deflation, we’ve submitted these ideas and they didn’t get accepted so why submit something else and then try to re-energise them to have another go? Its [the] ‘too hard basket’.” (GSM1)</td>
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<tr>
<td><strong>Age</strong></td>
<td>“When some of us ‘old farts’ have moved on and you get more Generation Y at GM level it will get better... Like they will look for solutions online... I think the shift will happen naturally.” (GSM8)</td>
</tr>
<tr>
<td><strong>Personality/Ego</strong></td>
<td>“Some GMs openly go out to seek information and share. Some probably don’t... I’d say it’s a different personality.” (GSM7)</td>
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<td></td>
<td>“No, it’s not for me... My staff motivate me to do new things. I wouldn’t go to The Knowledge Library. I would call someone... Naughty I know!” (GSM8)</td>
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<td></td>
<td>“There’s a reluctance to use it. I don’t know whether it’s an Australian trait but we have quite a few GMs that will actually come out and say ‘well I’m not a show pony’... They see it as bragging in front of their peers.” (RSM5)</td>
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<td>“I’d call myself a ‘low user’. I don’t put things on there that I think are the day to day running of the hotel whereas I think a lot of other people keep trying to ‘fly the flag’ to say look at the wonderful stuff I’m doing. So I suppose you might say I’m a quiet achiever.” (GSM4)</td>
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<td>“I would say that probably some GMs and managers would not want to highlight the fact that they didn’t know how to attack a situation, they are certainly not going to highlight that fact.” (GSM6)</td>
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<td></td>
<td>“There’s the ego flyers and managing upwards and always have to be in your face that respond the quickest and are the first to put ideas up and first to also comment on other peoples’ ideas.” (GSM3)</td>
</tr>
<tr>
<td><strong>Transferability of Ideas/Stickiness</strong></td>
<td>“A lot of things we do in hotels are very different to other hotels... My marketplace is very different... We have a very different place in the community.” (GSM6)</td>
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<td>“Quite often though there’s nothing there that you are looking for... You don’t find much and some of them are duds.” (GSM11)</td>
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<td>“So at any time there is a lot of information on The Knowledge Library that would be irrelevant to a large number of people.” (HRS10)</td>
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<td></td>
<td>“There’s not a lot of things I would adopt because the circumstances are different in a corporate hotel in a CBD to a regional hotel.” (GSM1)</td>
</tr>
<tr>
<td><strong>Resource Constraints</strong></td>
<td>“They are so resource intensive that you can’t make it work here because we have a lot of casuals. In Asia they can do it.” (GSM7)</td>
</tr>
<tr>
<td><strong>Tradition</strong></td>
<td>“A lot of us grew up in a time where the GM was ‘king of his castle’, [and] I would say to you that there’s still some ‘old school’ GMs out there acting like that.” (GSM8)</td>
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</table>
6.5.1 Knowledge Sharing through ICT: The Gupta and Govindarajan (2000) framework

Value of source unit’s knowledge stock

The first factor that must be present for knowledge transfer to occur, according to Gupta and Govindarajan (2000), is related to the “value of the source unit’s knowledge stock”. This was presented in terms of the level of duplication likelihood. Analysis of the above discussion indicates that the level of value that the knowledge receiver (and in some cases sender) ascribes to the source unit’s knowledge stock within Emencorp is affected by three quite distinct characteristics: transferability, utility and adaptability.

In relation to the information presented, transferability appears to be closely linked to the national context from which the knowledge was generated. That is, the likelihood of adoption is reduced when the knowledge is “contextually bound”. This is most apparent where an innovation or practice is dependent on the organisation or subsidiary having an adequate number of staff to implement and maintain the practice. Here, differences between staff-to-guest ratios between Asian countries and Australia result in some innovations being classified as too resource intensive for transfer to occur.

Utility, the second characteristic, relates to the level of usefulness ascribed (either actual or perceived) to the knowledge by both the receiver and the sender. Within Emencorp, several factors appear to influence the actual or perceived usefulness of knowledge. The first example, again from an international perspective, suggests that the utility of an innovation or practice is reduced where the practice is “geographically bound”. Here, dissimilarities between geographical regions, which, in the example presented earlier, relate to climatic differences between some Asian and some Australian sites, are found to reduce the likelihood of adoption.

Within Australia a similar pattern emerged. However, here ideas were not geographically bound but were perceived to have reduced utility if they were produced from a source with a different business model than the receiver. These examples were not limited to differences between the targeted key market (for example, business and vacation), but also included differences between the diversity of hotel styles (for example, spas and resort style hotels).

Hotel brands also appear to have some significance regarding the actual and/or perceived utility of knowledge for the receiver. Within Emencorp this is most clearly reflected in the distinction between the brands, and especially so between the luxury
brand and the other two. Even when a number of reports (RSM2; RSM5; GSM8) insist that business systems and processes remain the same between all brands, the lack of imposed integration within the larger organisation appears to foster a level of elitism that is possibly responsible for the perception that ideas on The Knowledge Library are not consistent with brand values.

The third characteristic that appears to affect the actual or perceived value of the knowledge stock is that of adaptability. This characteristic is closely linked to the characteristic of utility in that while at first an idea may be viewed as having a high level of utility, this level decreases in relation to the time resources required to adapt the idea to the needs or context of the receiving site.

Motivational disposition of the source unit

Following the need for demonstrating value in the Gupta and Govindarajan’s (2000) framework is the motivational disposition of the source unit. This view stemmed from the understanding that where knowledge is uniquely valuable, and where power struggles occur within the organisation, motivation to share an idea will be reduced in favour of information hoarding by the source unit.

When The Knowledge Library was initially launched, it contained an inbuilt mechanism to motivate GMs to share ideas. As discussed above, this mechanism was the link with KPOs, and consequently, ongoing job security. After the link was severed, however, motivation to use The Knowledge Library has appeared to decrease. Within Emencorp, the reluctance to use The Knowledge Library is, at surface level, a result of the benchmarking system. As discussed earlier, each and every hotel is competitively benchmarked against each of the others on a four-factor scale. This may indeed be somewhat responsible for the earlier indication that some level of information hoarding may be occurring, and will be discussed in further detail in the following chapter where the influence of social structures and information hoarding will be considered.

While the above example fits nicely into Gupta and Govindarajan’s model, it is not absolute. As discussed, one GM classified themself as an “avid” sharer. While there was some indication that this attitude was due to the perceived expectations of senior management, an alternative theme was offered which suggested personality as an explanatory factor for the motivation to share, or in some cases, as a de-motivator to share. Here, the suggestion that “sharing” was seen as bragging, at least in the
Australian context, was not only raised by senior management but supported further through the opinions of GMs.

A further factor cited as influencing motivation to share ideas was gatekeeping. In this example, however, the link was with HR and operational staff who had developed innovative ideas endorsed by the GM, only to have them declined by The Knowledge Library gatekeeper. A number of GMs suggested that this had resulted in demotivating staff from offering up any of their own ideas to be shared outside of their own hotel.

Finally, the implementation of the Housekeeper’s Project had increased the motivational levels to share ideas, or in this case to contribute to the development of best practice and have those ideas shared through The Knowledge Library. Here, however, the knowledge “sharers” are middle management rather than GMs, who are extrinsically motivated by ongoing employment.

Existence and richness of transmission channels

Gupta and Govindarajan’s (2000) third dimension focuses on the characteristics of the transmission channel, which is considered “rich” according to its level of informality, openness and density of communications. For Emencorp, this dimension allows for a partial comparison between the integrative and interactive systems as well as a potential explanation for some outcomes.

The level of formality between The Knowledge Library (high) and Leaders Lounge (lower) was the most oft cited reason for preferring the latter. There are, however, other identified factors that may help explain this. Extending beyond GM preference for The Knowledge Library as a knowledge transfer mechanism are factors surrounding the previous system of forced use when initially implemented. Even three years after severing that link there is a sense of victory from many GMs that continues to reduce the likelihood that The Knowledge Library will be the first mechanism that they would, as individuals, willingly use to transfer knowledge.

It is, nonetheless, necessary to distinguish between GM use of The Knowledge Library and use by other staff members. While it is not unreasonable to argue that historical factors decreased the richness of The Knowledge Library as a knowledge transfer mechanism in Emencorp, a rather contemporary practice is operating to turn this around. It leads us again to the Housekeepers Project, which is dependent on The Knowledge Library for transferring best practice ideas among the regional hotels.
(including Asia). In Australia, although the Housekeepers Project is still reasonably new, executive housekeepers now link The Knowledge Library with ongoing employment, thereby increasing the perception of its usefulness as a knowledge transfer mechanism. This is expected to increase even further due to the very recent transfer of ideas (“Housekeepers Project”) to New Zealand. The Housekeepers Project is examined in detail below.

Motivational disposition of the target unit

The key to understanding the motivational disposition of the target unit is the Not Invented Here (NIH) Syndrome. Gupta and Govindarajan (2000) suggested that ego defence mechanisms and power struggles within the organisation may be the primary drivers of this syndrome. Indeed, these and many of the countervailing forces, for example, incentives to increase managerial eagerness to seek out ideas, or corporate control mechanisms as identified by Gupta and Govindarajan (2000), are evident in Emencorp’s case.

Almost every GM and senior manager indicated the presence of NIH throughout the organisation. Supporting Gupta and Govindarajan’s (2000) analysis, ego defence mechanisms were one of the key factors in the presence of the syndrome. Within the analysis, there were three separate indicators for the syndrome.

The first is related to the classic example as follows: “It’s not my idea, it’s not as good as I could have done” (RSM5). The second related the incidence of the syndrome to personality or behavioural trait in that: “Someone with less drive, or less of the dominant character, are more reluctant to go looking and more likely to sit back” (RSM5). The third, offered by GMs, indicated the need to “take NIH one step further and say that probably some GMs and managers would not want to highlight the fact that they didn’t know how to do something, they didn’t know how to attack a situation” but need to “portray that stature that they know what they are doing” (GSM1).

Interestingly, not one GM interviewed admitted to being afflicted with the syndrome. They instead offered time and resource shortages (for searching and adapting ideas, international factors, different hotel structures and different markets) as the reasons they do not seek out ideas on The Knowledge Library.

There was a little more clarity of discussion surrounding the hotel ratings system and reduced use of The Knowledge Library; although this also found ambiguity in the
responses. For example, as discussed, some explained that they were reluctant to share through The Knowledge Library to the wider community because: “Why the hell would you give the idea to the bloke down the road?” (GSM6). Others suggested that the RGM and organisational expectations were a clear motivation to “steal” ideas from others. Some, however, mentioned that the hotel rating system served no motivational need to access The Knowledge Library and that motivation was driven by other factors as indicated in the following:

Having my hotel highly rated is not motivation for me to use The Knowledge Library. I do it the other way around; my staff motivates me to do new things. I wouldn’t go to The Knowledge Library I would call someone else, naughty, I know! Or I would ask the staff. (GSM8).

Again, the Housekeepers Project surfaces as a key factor in this discussion. Here, however, while the implementation of ideas generated through the Housekeepers Project continues to reside with the GM, the motivational force is no longer associated with the GMs’ performance reviews but with the housekeeping employees’ continued employment. As indicated in the previous chapter, if best practice cannot be achieved in-house, then the function will be outsourced across Australia. By all accounts, this has created a motivational drive and an increased level of engagement from the housekeepers. One senior manager offered the following:

It’s no longer up to the attitude of the manager, and this was an interesting learning curve because of the pressure created by the time we got halfway into it. Those housekeepers with managers with NIH has caused some changes with those executives, because they were embarrassed by the lack of engagement as we got in to it, so the pressure came from the peer group (RSM2).

Although this project has a similar form of motivation to the previous link with the PM system (that is, ongoing job security), the inherent differences between the systems appear to be creating distinctly different outcomes. First, the initial system was measured quantitatively, which resulted in far too many mediocre ideas being added to, and implemented from, The Knowledge Library. This consequently reduced the overall perception of its utility. The second incentive uses qualitative measures whereby each idea is tested as part of the Housekeepers Project and refined before being added to The Knowledge Library as Best Practice. Most interestingly, however, is the differing locus
of control for system use. In the first example, control was administered formally, and
top-down from Head Office within a defined time frame. The second incentive,
however, while having a formal element, has been largely voluntary in that it is up to
the executive housekeepers to participate. Moreover, this incentive has been driven
from the ground up. Here, housekeeping job security is dependent on the
implementation of Best Practice incentives in all of the hotels. Consequently, as the
above quote indicates, the pressure on the GM to implement the ideas is coming from
below rather than from above.

Absorptive capacity of receiving unit

While there are a number of areas in the above discussion from which to draw links
with absorptive capacity, for example, international factors, hotel style, which
 correspond with Gupta and Govindarajan’s inter-unit homophily thesis, The Knowledge
Library gatekeeping practice is clearly the most salient.

The gatekeeper acts as a receiver to ideas before they are placed on The Knowledge
Library. It therefore becomes almost the sole responsibility of this person to be able to
assess the overall quality or usefulness of ideas before they are added. According to the
discussion above, there are two clear indications that Cohen and Levinthal’s (1990)
second factor (“level of prior related knowledge”) is influencing the contents of The
Knowledge Library.

The first example is embodied in the internationality of the system. The gatekeeper was
of Asian origin, located in Asia, and “only getting down to Australia” once per year
(GSM4). Although this person was not interviewed, reports (GSM8; RSM2) suggest
that contextual, geographic and cultural influences reduced the likelihood of “relevant”
ideas being picked up. This had the additional consequence of a reduction of the
likelihood that more ideas would be offered.

The second example concerns the Australian gatekeeper, and in itself suggests a level of
“stickiness” derived from the bounded rationality of the gatekeeper. Here, stickiness
(Szulanski, 1996) is possibly a function or an outcome of the tacit proportion of
knowledge that limits the receiver’s ability to understand the importance of the
knowledge. Support for this came from a number of sources (for example, HRS6;
RSM2), but is summed up in the following: “... The gatekeeper may not have
understood [the relevance], they may not have been an operational person and as a result not able to relate to the outcomes” (GSM1).

6.6 Conclusion

The outcome of the above discussion and the analysis for knowledge sharing through ICT in Emencorp are summarised in Table 2. This table includes factors influencing social systems for knowledge sharing in the next chapter (Chapter 7) and will form the framework for analysis in Chapter 8.

Table 6.2: Influences on knowledge transfer through ICT mechanisms

<table>
<thead>
<tr>
<th>Knowledge Sharing Dimension</th>
<th>Organisational Characteristics</th>
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<tbody>
<tr>
<td>Value of source units knowledge stock</td>
<td>International; National; Brands</td>
</tr>
<tr>
<td>Motivational disposition of sender</td>
<td>Gatekeeping; Control; Brands; Operational maturity</td>
</tr>
<tr>
<td>Richness of transmission channel</td>
<td>Control; Tradition</td>
</tr>
<tr>
<td>Motivational disposition of receiver</td>
<td>Tradition; Control; Internationality; Style of hotel; Brands</td>
</tr>
<tr>
<td>Absorptive capacity of receiver</td>
<td>Gatekeeping; Internationality; Hotel style; Culture</td>
</tr>
</tbody>
</table>

The above discussion and analysis identifies that the implementation of ICT as a knowledge sharing mechanism in Emencorp has been met with mixed feelings. Typically, however, The Knowledge Library continues to be underutilised. This outcome was evident regardless of either mandated or voluntary use by managers. Recognised in this chapter is the influence of organisational factors such as geographic location, international cultures, maturity of market, brands and hotel style, all held accountable for low usage of the system. In addition, individual factors such as age, attitude/personality, time and assumed system complexity were additionally cited as responsible for low or non-use. Knowledge transfer barriers including NIH, Information Hoarding and Internal Stickiness were associated with both organisational and individual factors. The following chapter will continue investigation into knowledge transfer mechanisms within Emencorp through an investigation of the organisation’s social systems. In line with Chapter 5, the use of the social systems will be analysed against the framework established by Gupta and Govindarajan (2000).
CHAPTER SEVEN

KNOWLEDGE TRANSFER IN THE SOCIAL ENVIRONMENT

7.1 Introduction

The previous chapter considered knowledge transfer within Emencorp through the use of ICT mechanisms. As identified in Chapter 2, however, knowledge may also be transferred throughout the organisation via social mechanisms. Therefore, this chapter will explore knowledge transfer through Emencorp’s social systems. In order to do so, the focus will be to examine three primary constructs. The first construct is the formal social system, which includes those practices formalised by Emencorp’s management. These practices are identified throughout the discussion as belonging to “global regional”, “national”, “state regional” and “clustered” environments. Additionally, their formulation may have been designed to facilitate knowledge sharing, or knowledge sharing may occur through these mechanisms inadvertently. The second construct for investigation is the informal social mechanisms, which may occur spontaneously, and which may be open or closed. In some cases they may create tension by subverting the formal mechanisms. The third construct to be examined is that of Communities of Practice (CoPs). For definitional purposes, CoPs in this research will be identified according to the model offered by Von Grogh (2006) in Chapter 2.

In order to provide consistency with the previous chapter, this chapter follows a similar structure across three levels of the organisation: senior and site managers; functional and middle management; and operational level employees. Discussion will analyse the role of various organisational factors including internationality of operations; geographical distribution of sites; the impact of autonomous decision making between state regions and clustered environments; and the impact of brands. Finally, an analytical evaluation of social mechanisms in response to Gupta and Govindarajan’s (2000) framework established in Chapter 2 will be offered. This will include knowledge transfer facilitators including absorptive capacity, motivation and established barriers to knowledge transfer.

7.2 Social Mechanisms—Senior and Site Managers

Interview data supports the view that the organisation has a clear intention to build networks at an international level. It is here, therefore, that within each global region all staff in the position of GM or above are brought together for a five day management
conference every eighteen months. In the Asia-Pacific region, this conference is generally held in Asia as it is there that the global regions headquarters are located.

The conference is organised around a series of formal and informal events, including management seminars, dinners and workshop activities. These events serve the dual function of providing personal development opportunities and also facilitating the socialisation of managers from different countries by increasing the opportunity for building networks (RGM2). While the success of the latter is unknown from the perspective of Asian managers, interview data suggests that for Australian managers the extent of international networking at these events depends on whether relationships already existed. For example, one respondent said:

Most tend to stick with their Australian peer group, but I don’t because I know the Asian guys because I worked over there, but you really don’t stand there and talk business. (GSM4).

This leads to the indication that networking at these organisationally prescribed events is likely to occur only when a prior relationship existed between two parties. For many, prior relationships were confined to other Australian managers and therefore the extent of networking followed the pattern identified in the statements below:

We have a conference every eighteen months with all the GMs. That’s when I catch up with other [Australian] states. I’ve been with the organisation for twenty-three years so there are friendships there; so that’s where we have a chat. (GSM7).

You are standing there, and having a beer or whatever, and you tend to socialise with the “Aussie boys”. (GSM7).

Prior relationships, though, were not the only reason cited for limiting the extent of networking. For example, one GM suggested that it was the nature or personality of GMs that was responsible:

Probably more GMs that I know would be more introverted than extroverted. Of course, if you were mindful you would introduce yourself to the other GMs with similar product really, as if to say well somewhere down the track I will probably give you a call. There’s a lot of information that can be shared but some GMs openly
go out to seek information and share, some probably don’t. It’s a personality thing. (GSM4).

Interestingly, a reason for the “closed” Australian managers’ networks occurring at international events is the dearth of GM social events at the national level. As identified in the following quote, they do not occur:

… We meet, that is, the whole of Asia-Pacific, every eighteen months. But all of Australia? Never! (GSM4).

There is, however, evidence to support social events at the state regional level:

… But we, the GMs, do meet once a quarter in our state region. (GSM4).

Indeed, meetings at the state regional level appear to be fairly consistent across all regions; although the frequency is left to the discretion of the state regional GM. The following advances an example of differences at the state level:

… But what tends to happen in Australia is you get pockets; Victoria, New South Wales and Queensland. For example, our previous regional GM was a great believer in getting together often. So when he was here we met and discussed a lot more issues and met a lot more often... (GSM12).

While most view regional meetings as beneficial, there is an underlying current of consternation among many GMs. Reflecting the discussion in the previous chapter this consternation arises from the segregation of GMs operating the luxury brand in that they are not required to attend these formal meetings, further establishing a perceived disconnect between brands. One manager stated:

From an organisation perspective it’s really bad because they have the quarterly meetings and these guys [referring to luxury brand GMs] don’t have to go. You would think that they would have to go to those meetings because otherwise they don’t report to anyone on the ground... So they’re missing chunks of information directly from the boss man about what is happening in Emencorp. So I think it’s a bad model… It’s not aligned. Hey, I don’t know what happens in
other parts of the Asia-Pacific, or how they treat the luxuries, but that’s how they’re treated down here. (RSM6).

Again, there are some discrepancies of this view between the states. A GM from a region different to that cited above established that while the luxury brand is a “family on their own” they do maintain some relationship, although:

... Sometimes there is nothing to discuss, but they do get together with us every three months. We have common problems but there’s an obvious brand distinction. (GSM12).

When considered as an adjunct to the formalised social mechanisms, informality appears to have an important role for GMs. In fact much emphasis is placed on relaxed informal affairs:

We get together over a beer, quarterly for this region for a couple of nights, big social occasions. One beer fixes everything. (GSM1).

We tend to break down barriers over a few drinks so it’s a lot easier to ask [about new ideas]. So when we get together for a meeting we try to incorporate cocktails and dinner. It also makes a hell of a lot of difference to internal sharing of stuff which comes to the socialisation and the knowing and trusting of people. (GSM4).

Indeed the “knowing” and “trust” of people appears to be a particularly common theme across all GM responses when it comes to sharing information. For example:

If we had an idea we wanted to bounce off someone we would bounce it off someone we know rather than someone we don’t. That’s a security thing... You’re much less comfortable with someone you don’t know and you never know what the hell the person is going to do with it... You might be just shooting the breeze, you certainly don’t want someone you don’t know forwarding it to the Emencorp world or someone you don’t want to have it. Most of our networks are based on who we know. There’s mutual respect and it’s just a comfort thing. (GSM6).

The above comment indicates that, along with familiarity, there is an additional role for informality that is not considered adjunct to a formal system but operates in a standalone
capacity. These familiarity-based informal networks exist throughout the entire Australian operations and appear to emerge and exist due to a number of factors. Such factors are the result of individual or personal influences, and they can be created as a result of organisational characteristics. The first characteristic is a response to the geographical distribution of Emencorp sites. As discussed in Chapter 5, multinational hotel organisations are generally forced to operate in particular locations due to their dependency on local or regional tourist and business markets. Therefore, hotel location is strategically dictated by market forces. Market pressures, though, not only dictate the location of hotels but also the number of hotels a region can sustain. That is why we see the creation of two quite different modes of operations within the same state region, each with its own unique benefits and pitfalls that require careful management. The two different market driven modes refer to those hotels that operate within a clustered environment (where each state region may have more than one cluster), and those hotels that are geographically distanced from all other sites.

Within the clustered environment it is not uncommon to find two, or maybe all three, brands operating side by side, and multiples of some brands in popular locations. Proximity of multiple sites creates a number of advantages for knowledge transfer in that it increases the likelihood of informal social events occurring. For example:

I used to work at a hotel in the middle of Sydney, a large cluster... It was nothing for a half dozen managers from other properties to turn up on a Friday afternoon for drinks and get together... (GSM1).

For those sites operating away from the general hub, however, it can be a much different story.

Prior to this hotel I was in [identifies remote location]. We felt isolated, you know, out of sight out of mind. Everything seems to be Sydney-centric. (GSM6).

In large geographic regions, such as Australia and the South Pacific, the isolation extends even further:

In Fiji I was out of the loop because my area manager was in New Zealand and he visited only twice in three years. (GSM2).

While clustering increases the opportunity to socialise, and hence share knowledge relative to hotels isolated from others, clustering itself is also reported as having
negative consequences on knowledge sharing. Here, though, it is the competitive nature that arises from being situated in a clustered environment:

Clustering takes away some of your say. No doubt about it. If you come from a straightforward standalone hotel then clustering will surprise you because of the politics. The political nature of clustering suits some better than others. Some know how to play the game. I’ve been in places where people won’t tell you what they did because it’s worked for them. They won’t be forthcoming. They would tell you if you ask them but they would not otherwise. (GSM12).

Clearly, simply “belonging” to a cluster isn’t always enough for informal networks to develop. For example, personality is a factor identified as influencing the creation and ongoing nature of many networks. For example:

I always keep in contact with people... But I know there are some GMs who wouldn’t call me but some would, and others only do things through the formal systems... See, I would be the pick up the phone and talk to a GM, but there’s also a personality type who won’t input or doesn’t want feedback... (GSM4).

I’m a very shy person and even though my cluster is larger, my network is fairly central... You sort of develop relationships with a couple of people that you really value and you tend to bounce ideas off... They were my closer peer group for a long time and I’m comfortable with them. (GSM8).

A similar situation is encountered within some geographical regions where hotels are not “clustered” per se, but are still within some proximity to each other:

You build up networks in your region, maybe not with every GM you meet. Most of us set up our networks based on who we know. There’s mutual respect and it’s just a comfort thing. (GSM6).

It is within these environments that informal networks are formed, sometimes selectively, and here that familiarity and trust are bred. But while these networks have some positive effect on knowledge transfer, they serve to operate as closed rather than open networks containing knowledge and knowledge flows within their boundaries. One such closed network provides the following example:
In hotels we tend to be very protective of our ideas. There’s a cultural thing... You know we’re competitive, we’re driven as managers to be performing at our best, and we’re rewarded that way... You can look at it on a global scale or you could look at it within departments. It’s like well that’s my idea and I get great results from it but I don’t want him to have it because I don’t want him to get the same results. So I’m not saying it’s a huge cultural thing but it is there. I have shared this idea with a couple of GMs, though, because we meet fortnightly for beers… (GSM6).

Indeed, this local social culture serves not only to preclude all other hotels outside of the region but also to isolate individual hotels from others of a similar style. For example, two out of only three resort style hotels reside within one region. The other is many hundred kilometres distant and located in another state. One of the regional GMs provided the following comment:

The other resort site GM and I have spoken about our ideas. We meet regularly, but I haven’t spoken to the one in the other state. It was informal. This GM and I are close friends. (GSM7).

The above example clearly indicates that friendship is also an important factor in the creation of informal networks and consequent knowledge transfer. However, it is not just regionality or proximity of sites that can create such friendships and networks. Indeed, even when the hotel is situated in relative isolation from other sites, some GMs remain actively involved in a very widespread network (at least geographically speaking). In this example, the network has been created as a result of length of tenure, or in other words, retention. In Chapter 5, as part of Emencorp’s history a series of merger and acquisition, divestiture of real estate, and joint venture activity was identified as being influential in developing culture and networks. Part of this activity was the purchase of an already established large international hotel brand in the Australia South Pacific region. As part of the growth strategy, many employees and managers were also acquired. Interview evidence generated from many GMs identified that friendships have formed as a result of shared history and long term retention with the organisation. Therefore knowledge transfers freely between these friendships but fails to be directly shared with those who do not share the same history.
In this region and nationally, because I’ve been with the company for so long, I know most other GMs at the end of the day picking up the phone and asking something. So we know each other well. You don’t see many emails but we make a lot of phone calls. (GSM1).

Indeed, there is a direct preference for using the telephone for communication rather than any other method. There’s no paper trail but jump on the phone... (GSM1).

Nevertheless, there remains a reliance on friendship for the formation of internal networks that depends largely on retention and length of tenure to provide the opportunity to get to know each other and to know what each other does:

I have a relationship with some other GMs because I’ve been around for a while and I do call them up... If I knew the GM I would phone them and ask what they are doing. If I don’t know them I wouldn’t. (GSM12).

Previously, I was managing a hotel in a cluster environment and we shared ideas verbally to start with, and then maybe an email, but general contact was get on the phone. If I didn’t do that then it would have taken months of trial and error to come up with solutions. So what we do is rely on people that you knew had been there before. Some first time GMs new to the company would not have had that because they did not know who had done that before. (GSM4).

The above section clearly indicates that while a mix of both formal and informal social mechanisms are identified, informality is the most likely to result in knowledge sharing outcomes for GMs. When considered in terms of international events, the preference for informal methods may even go so far as to subvert the formal, especially where informality is established through familiarity and trust.

7.3 Social Mechanisms—Functional and Middle Managers

Formal socialisation mechanisms for the purpose of knowledge sharing among HR staff have both similarities and differences compared with that encountered by GMs. The first similarity is the lack of mechanisms at the national level, although for HR staff this is not absolute. Prior to the economic downturn, the Australian regional HR director organised a nationwide conference for all HR representatives. The regularity of the
event, however, would not continue, with changing economic conditions being held accountable. For example:

Two years ago we all got together [HR staff in Australia and South Pacific]. We should have done it again this year, but with the economic climate... (HRS6).

We got together in Australia, South Pacific in 2007 but not since. I think the GFC [Global Financial Crisis] is a big reason why they haven’t done it since. (HRS12).

At the state regional level, however, formal events do take place but again they are at the discretion of senior management and were only notable within one of the three state regions:

The senior HR team get together... and talk about different things every 6–8 weeks”. (HRS9).

I really enjoy the days we have together... Just to get together with people who are at a similar level and go: “Oh, I’m thinking about this. What do you think?” (HRS9).

Again at the state level, other HR staff get-togethers take the form of development days; although again this is at the discretion of the state regional manager. For instance:

We get together for one day every three months where we are put into teams. We have different things to develop. For example, my team took HR forms that others used and inspected and tested them for our hotel to produce the standardization. (HRS6).

In addition, all HR staff in this state region share a weekly conference telephone call. Every week, a different person chairs the call whereby they are required “to share best practice from their hotel” (HRS6).

Not all, though, view this form of networking as particularly useful for knowledge sharing:

They call it best practice but it never is... Some weeks it’s great, but other weeks you’d rather rip your arm off than attend. It’s not exactly riveting... But I think the coordinators are learning that they have to participate to sort of get more out of it. (HRS9).
Of the other two state regions, opportunity for formal networking between HR staff is limited to monthly and quarterly telephone conference calls respectively (RSM7; HRS13). However, it is clear that in all three state regions informal networks are created especially where clusters are found. For example: “We have four hotels within a few kilometres, so we, as a team, catch up weekly” (RSM7); and, “Most of our staff are nearby so we just walk over to their office” (HRS13).

Conversely, geographical distance between sites reduces the opportunity for many to create such close networks. For example:

In my last hotel, it was very much standalone... All of my area team was based some way away and I didn’t venture down there very often... When you are in an isolated environment you tend to work with your GM... Don’t get me wrong, you were not scared to call them, but it’s very different working in a standalone environment. You tend to do things just to get by... (HRS12).

Again, similar to GMs, HR staff indicated that when seeking information the incidence of personal networks is vital:

I knew the person who took over my last role in [identifies city and state]. She calls me every now and again... And I do call colleagues from other hotels in that region also, just to touch base, but I think it’s about the relationships you’ve got. I would never call someone in Sydney. It’s about the informal relationships you build, like if I met them and felt comfortable with them I would ring them. (HRS12).

The above quote is indicative of what was to become an emerging trend through data analysis. Clearly, personal networks are important for knowledge transfer among HR staff within a cluster or region; but even more so if knowledge is to be shared interstate or from one state region to another:

So some things we’ll just go “Yep this works”, and we’ll share it across our state at the weekly conference call and it might get picked up. But it’s not necessarily going to go much further than that. Not because it’s not a good idea but just because you wouldn’t necessarily do it. (HRS9).
National take up? The only way that would go outside the state is through the [knowledge library]. (HRS6).

The following vignette identifies one of many similar outcomes where interstate relationships between HR do not exist.

As mentioned in Chapter 5, Emencorp runs a biannual staff survey. While interviewing in one of the state regions (identified as state region one), an HR manager brought my attention to a response to a question in the survey that had continually scored poorly from staff. I found this interestingly familiar as I was aware of another hotel in the state region (identified as state region two) who had mentioned the exact same thing. In response to this issue, the hotel in state region 2 had invested a substantial amount of money in investing in training in an attempt to improve this particular measure. However, at the time of interviewing—and in spite of financial and time investment—no improvement had been recorded. In state region one, though, a new practice had been trialled at the cluster hotels, and was implemented and deemed successful due to the positive change in the ensuing survey result. This solution had no financial cost impact at all. It would not be placed on the organisational database “because I know no one uses it” (RSM7). The idea would be filtered across the region by telephone or at face-to-face site visits by the Regional HR director. It would not be passed across to the luxury brand “because the communication lines are just not there” (RSM7).

Generally, while knowledge transfer between states through socialisation mechanisms appears limited, the luxury brand is once again a standout. Interestingly, the luxury brand stands out due to the positive interstate relationships that exist, as identified in the following quote by a luxury brand HR manager:

I talk a lot with my counterpart in the other state region. They have been a great support with their experience with the brand. Anything I come up, I’ll phone and tell them about it. On our brand website we have a “brand partner community” and we can see what everybody is doing on that. I have been contacted by brand partners in Costa Rica and asked for my story; I didn’t know even know that person. When it comes to luxury brand HR there is good sharing of ideas in Australia. (HRS11).
The other area of interest for social transfer mechanisms for functional and middle level management is derived from the previously discussed “Housekeepers Project”. Indeed, of all the networks and communities found within Emencorp, this is the only grouping that almost identically reflects the characteristics of a CoP as described by Von Grogh (2006); which are (repeated from Chapter 2):

- Shared identity, language, artefacts, norms and values
- Collective engagement and activities
- Shared knowledge
- Shared learning through narration and storytelling
- Members are “experts” in the area of practice.

It is also most closely depicted by the garden metaphor composed by Wenger and Snyder (2000), also included in Chapter 2, in that its attention from management helps to ensure “blooms” cultivated from seed rather than weeds and wildflowers.

As suggested, the Housekeepers Project is driven by senior management; although, as mentioned in the previous chapter, it is currently confined to one state region. The “community” side of the Housekeepers Project involves all executive housekeepers within the state region meeting on a monthly basis whereby they discuss issues and are allocated into teams to design and trial solutions. The Housekeeping Project not only provides regular face-to-face get-togethers, but also relies on subgroups maintaining regular phone contact.

### 7.4 Social Mechanisms—Operational Staff

There is no evidence of any formal organisationally driven social mechanism for operational staff. There is, nonetheless, and as discussed in Chapter 5, evidence that some inter-site training occurs for operational staff for the “purpose of getting to know each other” (RSM7). These events, however, are at the discretion of the site HR manager and the site GM. They logically only occur in clustered environments. For example:

Staff members train together. Like orientation, they get the opportunity to train with each other, and brand training. They all come together and train. We have low turnover so we might only have eight or so people, and [identifies nearby hotel] might be the
same, so we get on the bus and go there where they can train together and can build social relationships. (HRS6).

7.5 Knowledge Sharing and Social Mechanisms

So far this chapter has identified knowledge sharing at Emencorp as it relates to both formal and informal social mechanisms. In doing so, it has considered those mechanisms that are organisationally, functionally or personally derived and/or driven. Similar to the previous chapter, the following discussion takes place in accordance with the framework created by Gupta and Govindarajan (2000) and the knowledge barrier literature (Cyert, 1995; Katz & Allen, 1982; Szulanski, 1998). This section will consider the effects of organisational context on knowledge sharing in Emencorp through socialisation mechanisms.

7.5.1 Value of the source units knowledge stock

As identified in Chapters 2 and 6, the first factor that must be present for knowledge transfer to occur, according to the Gupta and Govindarajan (2000) framework, is the value of the knowledge stock. This was presented in terms of its likelihood of duplication. When considering value of knowledge stock within “social mechanisms” for transfer, however, the place of knowledge “value” appears less about the actual characteristics of the knowledge itself as was the case with ICTs, and more about the characteristics of the sources of knowledge. Within Emencorp, many of those characteristics have been defined by organisational context and strategy.

Throughout Emencorp’s Australian operations knowledge is clearly valued where the partners share some similarity. Nonetheless, this does not necessarily have to be the similarity of knowledge base as identified in Lane and Lubatkin’s (1998) “relative absorptive capacity” theory. Here, partner similarity manifests in informal networks whose members consist of those who have survived the tumultuous past of the organisation, or those GMs whose hotels are located within reasonable geographic proximity and have either compatible personalities or an established relationship of trust. Hence this establishes the organisation history and geography as instrumental in affecting the value placed on the stocks of knowledge.

There is, though, some obvious support for the similarity of “knowledge base”. This is most closely established through the role of brands. For example, while there is no direct evidence of formal or informal networks being created due to brand membership
for mid-scale and upper scale employees, this is not the case for the luxury brand. Indeed, within the luxury brand there is a reliance on informal networking between brand partners, for example:

I talk a lot with [identifies interstate counterpart] on the phone. We tend to work together. For example we are working on a recognition program for staff who exhibit the brand attitudes... Whenever I come up with something I phone and share it with [name deleted]. (HRS11).

7.5.2 Motivational disposition of the source unit

The importance of the motivation to share knowledge was established through the understanding that the existence of valuable knowledge, combined with the existence of power struggles within the organisation, leads to a decreasing motivation to share (Gupta & Govindarajan, 2000), and consequently leads to information hoarding (Cyert, 1995). The clearest example of a motivational force to share knowledge through social mechanisms is found within the Housekeeping Project. Here motivation is extrinsically derived; as without collaborative work projects and the sharing of outcomes, best practice will not be developed and the function will be outsourced in all state regions. Within this function any benefit to hoarding has been outweighed by the benefit of ongoing employment.

As identified in Chapter 5, the organisation benchmarks each hotel against four established criteria. Applying Cyert’s (1995) thesis, there is evidence within Emencorp that this creates the conditions for hoarding. For example, one GM respondent stated that they are rewarded for performing at their best and consequently will not always freely share innovative ideas with other GMs as identified in the following:

“I don’t want him to have it because I don’t want him to get the same results...” (GSM6). This level of hoarding valuable knowledge, however—even when part of an international and national benchmarking system—is not absolute; as the quote follows on to say: “I have shared this idea with a couple of GMs, though, because we meet fortnightly for beers...”. Curiously, this example may indeed provide insight into why Gupta and Govindarajan’s (2000, p. 475) research was unable to establish a motivational force for knowledge sharing.
Such insight begins with the conspicuous absence of “motivation”. Seemingly more relevant here, though, is the propensity of the knowledge source to share. That is, rather than a sharer having a desire to share that is based on either interest (intrinsic motivation) or incentive (extrinsic motivation), they have an inclination or natural desire to share (Collins English Dictionary, 2001). Therefore, while this section supports that extrinsic forms of motivation as found in the Housekeepers Project counterbalances hoarding tendencies, factors that affect the “propensity” to share (such as relationships and trust developed through similarity of experience and/or geographical closeness) are equally or potentially more important for the knowledge sharer to share.

7.5.3 Existence and richness of transmission channels

The richness or bandwidth of the transmission channel is captured in its informality, openness and density of communications (Gupta & Govindarajan, 2000). Within Emencorp, socialisation mechanisms exhibit both strengths and limitations to knowledge transfer. First, the Housekeepers Project offers a clear indication of an open system in terms of its absolute reach within the geographical boundaries of the state within which it is operational. Although formally derived, the link with the extrinsic motivational factor of job security creates an environment that fosters informal and frequent communication between the community members, which include all housekeeping managers in the state region. The only other example of an incidence of a more open network was with the international managers’ conference. While only one interviewee responded to the question of international networks in this way, evidence supports that where an Australian manager knows Asian counterparts due to a previous overseas assignment, an international network is created and maintained through such events.

Other social networks and communities, however, demonstrate a level of exclusivity through membership characteristics. Therefore, while considered “rich” for knowledge transfer in some elements, they create limitations in others. For example, the informal network created by the HR staff of the luxury brand may be considered rich by virtue of its interstate nature or geographical reach. It thereby establishes the luxury brand as a conduit for interstate knowledge exchange, and hence its reach is limited to those within the brand. Similarly, the informal network created by the long-term employees who have survived significant change within the organisation may be considered rich in terms of its geographical reach, yet it also has an exclusive membership containing
knowledge within its borders. Those networks created within regions or clusters demonstrate wider bandwidth restrictions in that geographical reach is particularly limited and membership numbers are typically few.

These informal networks all share commonalities in that they generally consist of individuals rather than groups as seen in the Housekeepers Project. As a result of the exclusive nature of the required characteristics for membership they exhibit close ties (Granovetter, 1973). While the close ties are essential to these groups to invoke trust amongst the members (Newell et al., 2009), they simultaneously close the borders or boundaries of the network therefore reducing the richness or bandwidth of the transmission channel.

7.5.4 Motivational disposition of the target unit

As discussed in the previous chapter, there is inconsistency regarding the existence of an NIH syndrome within the organisation. While senior managers insist that NIH exists throughout the Australian operations, those GMs interviewed indicated that it did not. This was supported by comments reflected in the following:

I don’t think we have that culture within our hotels. Like, even if I didn’t like someone I would still accept their idea. I wouldn’t be so short sighted not to... (GSM6).

This view is similarly reflected by HR staff in that the willingness to receive information or knowledge from other staff members is apparent. However, the limited reach of the social network restricts the opportunity. From the examples offered above, familiarity, trust and relationships are instrumental to a person seeking knowledge from another. This is most closely reflected by the HR coordinator who stated that they would certainly contact someone they knew from the region where they were previously employed but would never call someone they did not.

The closed nature of the internally derived networks appears to reduce the likelihood that members will actively seek knowledge outside of their own networks. Again this appears to be less about motivation but more about lack of opportunity to extend networks. While GMs have some opportunity for interstate networking, this opportunity is limited within the HR role to those who have worked across or within two or more state regions.
7.5.5 Absorptive capacity of receiving unit

According to Rogers (1995, cited in Gupta & Govindarajan, 2000, p. 474), when interacting individuals “share common meanings, a mutual sub-cultural language, and are alike in personal and social characteristics, the communication of new ideas is likely to have greater effects in terms of knowledge gain, attitude formation, and overt behaviour change”. Rogers (1995) refers to this as inter-unit homophily, which has been established as a condition for absorptive capacity to exist. Within Emencorp, this is most closely reflected within the informally derived GM networks that—as already widely discussed—have developed as a result of some commonality or similarity between members. Mostly this is associated with geographical proximity of sites creating a clustered environment where actors share a similarity of markets and opportunities to socialise on a regular basis, or a shared history within the organisation. As already established, informal networks reliant on such strong ties reduce the likelihood of wider knowledge transfer. Interestingly, though, the existence of inter-unit homophily increases the absorptive capacity of the members and thereby serves as a facilitator to knowledge transfer.

7.6 Conclusion

One of the key outcomes to be derived from the discussion within this chapter is a preference from most interviewees for social forms of knowledge transfer rather than using ICT mechanisms. What is even more interesting is the preference for informal networks built on some similarity of partner characteristics over formal networks. This preference is common across all groups and was only moderated with the formal establishment of the CoPs, the success of which was linked to job security. Whether driven from the organisational or personal level, informal or formal, or even open or closed versions, networks within Emencorp are influenced by organisational context. In some cases contextual factors facilitate knowledge transfer, in others exacerbate it. The following table summarises the organisational influences on knowledge sharing according to the above analysis.
Table 7.1: Influences to Knowledge Transfer through Social Mechanisms

<table>
<thead>
<tr>
<th>Knowledge Sharing Dimension</th>
<th>Organisational Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of source units knowledge stock</td>
<td>Brand; Housekeeping Project; History; Geography</td>
</tr>
<tr>
<td>Motivational disposition of sender</td>
<td>Housekeeping Project; Propensity; History; Geography</td>
</tr>
<tr>
<td>Richness of transmission channel</td>
<td>Housekeeper; International; Brand; History; Geography</td>
</tr>
<tr>
<td>Motivational disposition of target unit</td>
<td>History; Geography</td>
</tr>
<tr>
<td>Absorptive capacity of receiver</td>
<td>History; Geography</td>
</tr>
</tbody>
</table>

This chapter, together with Chapter 6, provides a comprehensive review of the use of mechanisms for knowledge transfer at Emencorp in terms of organisational contextual factors. The outcome of each chapter will be combined for Chapter 8 in order to create a framework by which HR practices existing within the contextual parameters can be analysed in terms of their usefulness in facilitating knowledge transfer.
CHAPTER EIGHT

DISCUSSION AND IMPLICATIONS

8.1 Introduction

Analysis of the discussion so far identifies a complex mix of HR factors creating knowledge sharing outcomes in Emencorp. Typically, HR practices can be considered as contributing to knowledge transfer directly (where the organisation has purposely linked to knowledge sharing); contextually (those practices identified through analysis as producing knowledge transfer outcomes as a result of context); or by supporting a knowledge sharing culture and therefore having a longer term impact.

This chapter will provide an analytical account of HR practices within the knowledge sharing environment that have arisen through analysis provided in the previous 2 chapters. In doing so, it will integrate discussion and outcomes of the previous three chapters with the general knowledge transfer themes and assumptions identified in Chapter 2. This chapter acknowledges that knowledge sharing at Emencorp occurs through both a designated ICT mechanism and a number of social mechanisms, and that knowledge sharing through these mechanisms is both facilitated and constrained by organisational and operational contextual factors.

While this research clearly identifies with the importance of context within which the knowledge sharing mechanisms are operationalised, it argues further that context alone is able to provide only a partial explanation for the organisation’s knowledge sharing outcomes. Rather, it argues that HR practices influence the knowledge sharing outcomes as they interact with each of the mechanisms. These practices, identified in Chapter 5, will now be discussed in terms of the effect they have on knowledge sharing in Emencorp. In doing so, it will be considered in terms of addressing the research questions derived from the literature in Chapters 2 and 3. For the purpose of this chapter the questions were:

Within the context of the hospitality MNE how do human resource management practices affect knowledge transfer dimensions including:

- The value of the source unit’s knowledge stocks?
- The motivation to share knowledge?
- The richness of the transmission channels?
• The motivation to receive knowledge?
• The absorptive capacity of the receiving unit?

8.2 HR Practices Made Explicit

8.2.1 Recruitment and selection

In terms of “critical complementary knowledge” (Cohen & Levinthal, 1990; Lee & Allen, 1982) or knowledge attractiveness (Lane & Lubatkin, 1998), the “ability” to recognise is essential to management roles. There are significant variances between organisational sites that are generated by location and brand standards; since chain hotels often operate a number of brands over large geographical areas within one country. While each separate entity requires uniformity with others in many areas, they are seldom exactly the same. Different brand standards, for example, require a different mix of staffing ratio to suit the number of services offered. Some hotels run resort style while others run day spas. Some are located within a particularly strong business trade while others almost uniquely cater to tourism. Some are located in busy cities catering to both business and tourists and often in close proximity to others in a form of cluster. Others are located in rural areas far removed, or almost isolated, from other regions and hotels. Because of these differences, and as reported through the preceding chapters, much “innovation” is unable to be transferred between locations without suitable adjustments. Accordingly, the ability to recognise and assimilate valuable information through both ICT and social mechanisms endorses the role of recruitment and selection methods as consistent with increasing the firm’s absorptive capacity.

It is here, therefore, that the first HR practice that has been explicitly linked to producing knowledge sharing outcomes is the recruitment and selection process for midlevel and senior managers. For both of these groups the ability to share knowledge is deemed particularly important for those being considered for higher level management positions in Emencorp. For example, to be selected for these roles, as either an internal or external candidate, each must undergo psychometric “Dalby Payne” testing designed and conducted by an independent consultant. A preview of the “types of areas covered” indicates a high level of attention given to the skills, and more essentially, the attitudes of candidates to knowledge sharing and innovation development.
Therefore, recruitment and selection processes for middle and senior management are at least partially dependent on the candidate demonstrating previous knowledge sharing actions supporting both a motivational and ability based construct. Clearly, however, these methods are limited in that while they may increase the firm’s “potential capacity” for knowledge acquisition and assimilation, they do not necessarily result in “realized capacity” (Zahra & George, 2002) for transformation and exploitation. Therefore, in order to understand the triggers that bridge the divide between “potential absorptive capacity” and “realized absorptive capacity”, additional factors such as those discussed below must be considered.

8.2.2 Performance management and rewards

The next HR factor explicitly identified as influencing knowledge sharing behaviours is the performance management or performance appraisal system. As discussed in Chapter 6, the GM KPOs were linked to the use of The Knowledge Library when it was first implemented serving as a control device and providing a quantitative method to measure compliance. This example thus identifies a link between performance appraisal and knowledge sharing through the ICT mechanism¹.

Accordingly, compliance with KPO requirements acted to remove a number of the reasons for non-use of the system (identified in Table 6.1) as well as many known barriers to knowledge transfer, which consequently reappeared once the link was dissolved. For example, the incidence of NIH (see Katz & Allen, 1982; Szulanski, 1986) was reduced, or in some cases eliminated, due to the requirement to “implement two ideas” annually. “Age”, “time” or “system complexity” did not seem to diminish the motivation to share or receive when addressing the KPO requirement. Additionally, even the most “traditional” of site managers, depicted as the latter in the following quote:

To put it into context, in the hotel industry there are two types of players; those that are part of a global or regional organisation... and the independents that work alone... and put together their own little corporate world within one hotel (GSM8)

¹ As “The Knowledge Library” was limited in reach to Asia and Australia at the time of research, this example is also confined to this region.
were duly motivated to comply (Gupta & Govindarajan, 2000). Indeed, this establishes the Performance Appraisal System as positively affecting the value of the knowledge stock; the likelihood that the knowledge will be replicated; and the motivation to receive.

Of course, one of the exceptions is information hoarding (see Cyert, 1995; Szulanski, 1996). As earlier evidence suggests, some managers put on “silly ideas” rather than share innovation or quality ideas. Human resource constraints, generally linked to the transferability of ideas from one geographic region (the staff to guest ratio is much lower in Asian countries than it is in Australia) to the next is yet another. Regardless, when considered from a quantitative perspective, the link with GM performance appraisal was reported to provide an extrinsic form of motivation to both share and receive knowledge through ICT. At this point it would be considered successful in its purpose. This finding complements earlier findings of the link between performance evaluation and knowledge sharing motivation by Minbaeva et al. (2003), Minbaeva (2005) and Lee et al. (2006).

The finding, however, is not without contradiction. For example, while bureaucratic, top-down control was clearly motivational it is argued that the motivational force was derived from the need to comply with requirements to pass the annual performance evaluation. That is, GMs were motivated to “tick the box” (GSM3) rather than motivated to actually share knowledge. In addition, the requirement to “tick the box” resulted in disestablishing the system itself so that when the system buckled under the pressure of so many entries, and consequently the link with GM KPOs was severed, the perceived utility of The Knowledge Library by the Australian GMs and HR staff had already reduced to almost nothingness. The unfortunate and unanticipated fallout of the KPO links was the discrediting of the utility of the database. This finding not only sheds additional light on Gagne’s (2009, p. 583) theory that “some extrinsic reward systems may harm intrinsically derived forms of motivation to share knowledge”, but also offers a concrete example. That is, in Emencorp, the prior existence of a bureaucratically controlled, quantitatively measured form of motivation (in this case the performance appraisal itself) produced a hangover effect whereby even those intrinsically motivated to share would not do so freely through the ICT mechanism.

There is some indication of explicitly derived informal performance incentive at the site level, however, demonstrating the relationship between innovation and/or knowledge
sharing behaviour and extrinsically based rewards. This is found in the form of suggestion boxes or competitions offered to the employees as incentives for sharing ideas. The practice, while at the manager’s discretion, works through the offering of tangible rewards. For example:

> What we do is we will reward them no matter what. Firstly we award them points. This is specific to this hotel… But they can cash the points for movie tickets, music vouchers, beer, wine, or I might send them to another site for the weekend so you get rewarded for bringing up ideas. Unless it’s stupid (GSM7).

If it’s a good idea and it’s implemented we reward with movie tickets, dinner in restaurant (HRS3).

Other managers offer more intangible rewards or intrinsic forms of motivation:

> A pat on the back and a thankyou but that’s about it. But people wanted to do it for the hotel (GSM8).

> ... and we celebrate that sort of stuff. We reward that so… You’ve got a room attendant who’s come up with a great idea for shaving two minutes off and improving productivity at a quarterly news talk, or a monthly news talk, or a town hall session. They get so much recognition it’s unbelievable. They get a big pat on the head and you get a prize for it and a photo with the GM and all that sort of micro-stuff. It’s really rewarded (RSM6).

Clearly though, most recognize that without the reward this group of employees would be unlikely to openly share at all:

> Last year we got a group together because we thought that we were giving away too much and the forum said: “We want to be rewarded for making a difference… but if you took away the points the ideas would dry up (GSM7).

> The reward does encourage them to suggest ideas. The reward is the benefit on top that makes them say, “OK, I am going to suggest it.” (HRS3).

While this form of motivation is apparent for the operational levels, a subtle difference is identified for middle managers. Generally there is an assumption that if these
employees have “worked their way up” or “been recruited from within” then they would probably have demonstrated either the ability to innovate or the motivation to contribute. Again, the links with the performance appraisal system, and consequently career development and evidence of knowledge transfer, are hazy. Nevertheless, the fact that this group has one-way access to the knowledge database, that is, they can seek out ideas that have been added, suggests (as do interview respondents) that there is an expectation that they will engage in the knowledge sharing process. One thing that is clear, however, is that at this level extrinsic motivational factors are replaced with intrinsic motivators. For example, a view repeated by respondents was that the “reward is knowing you contributed, you don’t need anything else” (GSM8). This suggests that the effort-performance linkages, as they relate to the extrinsic reward system (Minbaeva et al., 2003; Szulanski, 1996), may not have the overall level of significance as at first thought.

8.2.3 Staffing practices: The outsourcing/insourcing debate

The Housekeepers Project is without doubt one of the most intriguing practices to arise from this research. Firstly, when considered in relation to the Gupta and Govindarajan (2000) framework, it signifies relationships across all knowledge transfer dimensions. Additionally, it is the only practice that is explicitly linked to both ICT and social knowledge sharing mechanisms whilst relying on the integration of both for its overall success, the outcome of which is both to challenge and support various assumptions offered in the mainstream literature. Further, as an incentive directly linked to Knowledge Library use, it provides an interesting contrast to GM performance appraisal as discussed above. Finally, it is intricately interwoven within the HR system: firstly, from the larger organisational strategy of devolving staffing decisions to the national (or in this case state regional level, which resulted in its existence in the first place); and secondly, the impact its success makes to job retention and staffing decisions for housekeeping staff in the Australian operations.

As indicated earlier, the purpose of the Housekeepers Project is to determine whether housekeeping “best practice” in terms of operating efficiencies is able to be developed by existing staff. If so, the housekeeping function will be employed across all Australian sites. If not, it will be outsourced across all Australian sites. In order for the Housekeepers Project to be considered successful, best practice initiatives must be initiated and developed through social interaction and dialogue between executive
housekeepers; tested and refined in hotels; added to The Knowledge Library; and accessed and implemented by GMs in each hotel within the state region in order to achieve uniformity of best practice across all hotels. In support for the overall reputation of The Knowledge Library, the Housekeepers Project provides a contrast to the GM performance appraisal; for example, providing qualitative rather than quantitative measures.

The motivational driver for housekeeping staff to actively participate in the project is ongoing job security. In terms of the analytical framework, this is most clearly linked with the motivation to share. If a housekeeping executive identifies an innovative practice within their hotel, it is in their best long term interest to share with the other executive housekeepers through the socialisation mechanisms with the goal of developing the initiative to produce operating efficiencies. Once operating efficiencies are achieved, the idea is placed on the best practice site of The Knowledge Library, where it is shared via ICT among all hotels in the Asia-Pacific region. Here, the link between job security and knowledge sharing circumvents hoarding tendencies (Cyert, 1995) by neutralising the value of creating an information monopoly. It also increases the value of knowledge diffusion providing a stark contrast with Granovetter’s (1973) earlier thesis to the contrary.

As depicted in Chapter 2, though, the transformation of individual knowledge to collective knowledge is confounded by the tacit proportion of individual knowledge; that is, the “know how” rather than the “know what”, which is “associated with the skills that people develop through their own experience in specific contexts... and has an essentially personal quality that makes it hard to formalize or communicate” (Newell et al., 2009, p. 7). The tacitness of knowledge has been identified as creating “causal ambiguity” or “internal stickiness” (Szulanski, 1996), reducing the receiver’s ability to both assimilate and apply the knowledge. This ultimately affects both the individual and firm’s level of absorptive capacity (Cohen & Levinthal, 1990). Therefore, to overcome the barriers created by the existence of tacit knowledge, the organisation must leverage new knowledge through the conversion of tacit or individual knowledge to explicit to become collective knowledge. In order to understand the relationship between the Housekeepers Project and the conversion of tacit to explicit, or from individual to collective knowledge, we must draw from the structuralist perspective of knowledge and revisit Nonaka and Takeuchi’s SECI model.
The first stage, *socialisation*, represents a tacit/tacit relationship brought about through direct interaction of those with shared mental modes. Here, the establishment of the Community of Practice (CoP) is important as it is the vehicle used to unite those with shared identities and knowledge; that is, the executive housekeepers who are then able to collectively engage through face-to-face social interaction on a monthly basis.

The second stage, *externalisation*, occurs through the process of socialisation facilitating the tacit/explicit relationship through the use of metaphor and analogy allowing “organizational members to articulate hidden tacit knowledge that is otherwise hard to communicate” (Nonaka & Takeuchi, 1995, p. 71). Here the process is facilitated through the shared identity language and norms of the CoP’s members. Supportively, Holste and Fields (2010) claimed that the sharing of tacit knowledge relies on direct interaction whereby insight into the knowledge is facilitated through analogies, metaphors, stories and personal strategies.

The third stage, *combination*, leads to explicit dissemination of new knowledge through an increase in individual absorptive capacity as the tacit knowledge from the externalization process merges with previously existing knowledge whereby it is able to be articulated.

The fourth and final stage is *internalization*, whereby the new explicit knowledge becomes internalised as tacit knowledge occurs through the testing and refinement processes embodied within the design of the project. That is, internalization occurs through experimentation and learning-by-doing (DeFillippi & Ornstein, 2006) at the hotel level.

However, it is the final stage of the Housekeepers Project that is the adoption and application of initiatives at the unit level that provides the overall measure of success. Similar to the link with the PM system, the site GMs are regarded as the knowledge receivers and therefore maintain control over the success. Indeed, a number of similarities between this stage of the Housekeepers Project and the previous links with the GM performance appraisal system are identified. First, built into both systems was a reward for exhibiting knowledge sharing behaviour through the ICT mechanism. Second, both systems utilised HR outcomes as the chosen reward. (Although disproportionate, both systems rewarded knowledge sharing behaviours through ongoing job security.) Finally, both systems resulted in the reduced incidence of practices (such as NIH, system complexity and negative attitudes towards sharing)
identified as inhibiting the likelihood of knowledge transfer. Yet, knowledge sharing through the Housekeepers Project appears to be prospering where the link with the PM system failed.

In order to understand this, it is necessary to consider key differences between the systems. Two have been identified. Firstly, a reason cited for the failure of the link with PM system was the large volumes of ideas added to The Knowledge Library, in particular the volume of ideas considered by many GMs to be of limited or (in many cases) of no use. The Housekeepers Project has rectified this design issue by ensuring that ideas added to the library are appropriately tested, adjusted and documented before being shared. This therefore identifies the first key difference as “measurement”. That is, the success of the Housekeepers Project is measured “qualitatively” rather than “quantitatively”. The second key difference between the Housekeepers Project and the link with PM system in terms of knowledge receiving through The Knowledge Library is the shift in the domain of absorptive capacity and in the motivation to receive knowledge. In other words, while previously the adoption of knowledge from The Knowledge Library rested with the levels of absorptive capacity and motivation of the GMs, under the Housekeepers Project both of these dimensions have shifted to the housekeepers themselves. The result is that GMs are no longer under corporate pressure to adopt ideas from The Knowledge Library, but rather pressure is exerted at the hotel level by the immediate peer user group, the housekeepers themselves. By all accounts this shift of focus has proved positive to overall levels of knowledge sharing behaviour.

8.3 HR Practices Emerging from Context

8.3.1 Overseas assignments

The first HR practice to be derived from the organisational context was overseas assignments. This practice was identified as a response to social mechanisms for transfer, and was presented in terms of its effectiveness for knowledge sharing within the organisation’s formal social environment. Here, the firm’s social capital was increased as a direct result of an existing relationship between managers from different countries that eventuated through the prior expatriation of an Australian manager to an Asian hotel. This outcome therefore identifies international assignments as a facilitator of knowledge flow across international borders through the social system.
This finding is neither new nor surprising, although important by its nature in that it is supported by prior research findings; for examples, see Bonache and Oberty (2008); McNulty et al. (2009); Simonin and Ozsomer (2009). However, there is an additional outcome from the link between international assignments and knowledge transfer. This link proves interesting in that it pertains to the use of the ICT, rather than the social system, and has not been investigated by prior research. That is, international assignments not only provide benefit to the organisation’s knowledge sharing capability in terms of establishing relationships between knowledge partners that increase motivation or propensity to share, but they also simultaneously increase each partner’s knowledge base, and hence absorptive capacity. As a consequence they enhance the effectiveness of the ICT transmission channel.

Another important research finding is that this example provides insight into the role of similarity of knowledge base from the perspective of the sender, rather than the receiver, as was the case with Lane and Lubatkin’s (1998) “relative absorptive capacity”, and Szulanski’s (1996) “internal stickiness” theses. In order to gain clarity, though, we must switch our focus from personal to organisational knowledge and revisit Cohen and Levinthal’s (1990, p. 132) original work. They claim that in order to understand the sources of a firm’s absorptive capacity we must “... focus on the structure of communication... among the subunits of the organisation, and also on the character and distribution of expertise within the organisation”.

When distribution of expertise is considered in terms of Emencorp’s Australian and Asian operations, it is clear that it has become skewed towards the Australian sites. In Australia, operational maturity and expertise is significantly higher compared to the Asian sites, many of which are comparatively young due to the recently expanding Asian market. Without appropriate levels of international assignment (reasons cited earlier include preference by the larger organisation, restrictions by the owners, and attitudes of Australian managers), the disjunction, or lack of understanding between the sender and receiver knowledge bases, or the lack of commonality between knowledge partners, negatively impacts the use of ICT as a knowledge transfer mechanism. Here, therefore, we see a failure of knowledge transfer in the international environment leading to repetition of process development and implementation and inefficiency of practices. Such inefficiencies are attributed largely to both dissimilarities in the
characteristics of the knowledge itself and the characteristics of the senders and receivers.

The unequal distribution of expertise has created a significant operational knowledge gap between the two regions which has resulted in the GMs’ (from both continents) interpretations of innovation becoming contextually and geographically bound. This has manifested in an abundance of ideas, considered ineffectual by the mature Australian sites, being added to The Knowledge Library by the Asian sites. Conversely, ideas that would be considered innovative and useful by the Asian sites (and by their nature had reduced the resource costs of replication) are not added by the Australian sites due to their being regarded as commonplace. Without partner and knowledge similarities, the utility of The Knowledge Library at the international level is questionable. Therefore, it can be reasonably argued that international assignments increase the likelihood of knowledge sharing: 1) through socialisation mechanisms by the establishment of informal networks and relationships, increasing the perceived value of the knowledge stock and the motivation to both share and receive; and 2) through ICT systems by re-distributing the operational expertise to where it is needed on the one hand, and creating similarities between sender and receiver knowledge bases on the other, thereby increasing the firm’s overall levels of absorptive capacity.

8.3.2 Inter-site transfers

The next HR practice identified as influencing knowledge sharing as a result of organisation context is also related to the movement of staff throughout the organisation, but this time at the national level through inter-site transfers. Such transfers may occur intra- or interstate, and within a single brand or across a number of brands. Curiously, researchers from within the knowledge transfer HR paradigm have shown little interest in examining the direct relationship of internal or inter-site transfers to knowledge sharing. While the practice may be represented indirectly through examining social factors and bundles of HR practices (Minbaeva et al., 2003; Minbaeva, 2005), it has not been considered independently of other factors. This research clearly implicates inter-site transfers as directly influential to knowledge sharing. Similar to the international factors discussed above, analysis of interview data supports the conclusion that inter-site transfers affect all knowledge sharing dimensions through social transfer mechanisms.
In order to understand the link between internal transfers and absorptive capacity we return to Cohen and Levinthal’s (1990, p. 132) work: “... To understand the sources of a firm’s absorptive capacity we focus on the structure of communication... among the subunits of the organisation...”

Differing from the international example, where absorptive capacity was increased through the creation of similarities of the partner’s knowledge base derived from the redistribution of operational expertise, inter-site transfers increase the firm’s absorptive capacity by the creation of redefined communication channels through the redistribution of potential knowledge sources throughout the organisation. This has particular importance when examining knowledge sharing across state regions as analysis demonstrates that without interstate transfers few opportunities for interstate communication exist. The examples offered in Chapter 7 illustrate this, especially at the functional level. Here, communication channels created by inter-site transfers exist in the form of socially constructed networks; see, for example, Van Wijk et al. (2006). That is, inter-site transfers are most closely associated with the formation of knowledge sharing networks, and that such networks are depicted as “open networks” (Van Wijk et al., 2006). In Emencorp, open networks grow through the establishment of personal “ties” between organisational members (for example, Newell et al., 2009). In some cases the ties required trust between knowledge partners (Holste & Fields, 2010; Locke, 1999; Lucas, 2005; Nahapiet & Ghoshal, 1998), while in others it was enough that knowledge partners knew each other.

Indeed, as the two examples provided in Chapter 7 illustrate, the “ties” that exist between knowledge partners as a result of a previous work relationship largely determine whether knowledge travels interstate. That is, where a relationship has previously formed, knowledge partners will continue to communicate. However, where no prior relationship exists they will not seek each other out. For Emencorp, evidence of the latter indicates a continuance of process replication and cost demonstrated through the vignette offered in Chapter 7. Curiously, though, this example is inconsistent with the mainstream literature. For example, Chapter 2 identified network ties as being either weak or strong (Granovetter, 1973; Van Wijk et al., 2006). Granovetter (1973) further claimed that it is the existence of weak ties that creates knowledge sharing across open networks. Strong ties built on trust were identified as belonging to closed networks where knowledge sharing occurred within groups. In other words, where ties are built
on trust, information flows are confined to “within groups” rather than “across groups”. The examples from this research challenge this outcome by claiming that where inter-site transfers are concerned it is merely the existence of ties, either weak or strong (Granovetter, 1973), that determines ongoing knowledge transfer across networks, thus indicating that overall inter-site transfers have a positive impact on all knowledge transfer dimensions when considered within the social system.

8.3.3 Training and development

Evidence presented so far has demonstrated that “knowing” relationships, where a potential knowledge seeker knows a potential knowledge partner, create open networks which facilitate knowledge sharing through informal social mechanisms. This evidence therefore supports a role for training and development as a facilitator of knowledge transfer. In order to understand the relationship, however, it is important to separate training “content” from training “delivery”. To do so offers some departure from the earlier literature on the impact of training on knowledge sharing, which focused on the increase of individual and firm absorptive capacity through training content (for example, Lee et al., 2006; Minbaeva, 2005).

In 2009, Kase, Paauwe and Zupan considered the effects of group training and its importance to knowledge transfer through increasing social capital. While it wasn’t made explicit, Kase et al. (2009) appeared to have separated training content from training delivery so as to understand the relationship of the latter to knowledge transfer. Analysis of data from this study supports the separation of training content and training delivery for further understanding. It also demonstrates a link between the motivation of the sender/receiver and the richness of transmission channels and training delivery in accordance with the facilitation of knowledge transfer. The underlying premise here is that social knowledge transfer mechanisms are enriched when relationships are formed; and therefore the existence of inter-site training opportunities is fundamental in establishing open knowledge networks.

The incidence of inter-site group training events appears to be affected by a number of organisational factors, the first of which is geographic location. As previously discussed, geographic location of hotel sites is determined by the hotel owners in response to market demand (see Chapter 3). Such location decisions are a common characteristic of organisations that operate internationally under a management contract structure. The need to respond to market demand in terms of location produces some
regions where hotels are “clustered”, or in close proximity with each other, and others where hotels operate in relative isolation. For the latter, this may mean vast geographical distance between one site and its nearest corporate neighbour. In these cases, evidence supports the occurrence of intra-site training. Contrastingly, where hotels are “clustered”, evidence supports the occurrence of inter-site training. Therefore, when considered with the discussion above, we are more likely to see the existence of open knowledge sharing networks created through training and development in clustered environments.

The “clusters” referred to above, and previously in this thesis, relate to those that occur naturally as a result of a specific feature of the location. They occur in those geographic regions that are popular tourist or business hubs and exist as a product of the strategic decisions of the owners of the physical hotels. This form of cluster occurs as a result of proximity whereby two (or often more) hotels are situated within kilometres of each other. In some locations three or four hotels are within easy walking distance from each other. Interestingly there is evidence to suggest that in regions where proximity clusters occur, they often exclude other hotels situated within the same region. That is, while the “clustered” hotels are likely to create inter-site training opportunities for their staff, it is unlikely that other hotels within the region are included. For example, in one region a hotel is situated approximately forty minutes drive from a clustered location but interview data supports that the hotel remote from the cluster operates as a standalone hotel where “the staff very rarely go offsite to train... People from this hotel would not know people from the nearby clustered hotels” (HRS12).

Curiously, an example from a different region offers an alternate experience. Analysis of the interview data identifies a second form of “clustering”, which is the result of the organising decisions of general managers. Unlike those clusters created through proximity, these hotels may be situated much further apart. For example, in one specific region, there are three hotels. Hotel One is situated approximately one hour away from Hotel Two. Hotel Two, likewise, has a similar distance to travel to Hotel Three. The distance between Hotel One and Hotel Three is almost double. Yet, unlike the example above, the managers of each of the hotels regard themselves as belonging to the cluster within the region. In this region there is evidence of inter-site training that includes all three sites. For example:
In this region, staff members train together... like orientation they got the opportunity to train with each other, and [with] brand training they all come together and train... We take the bus and get together for training at the one site where they can build social relationships (HRS6).

Clearly, the distance between hotels in this example is no deterrent for inter-site training. Curiously, however, in the first example, a similar distance between hotels provides a much different outcome. This suggests that, along with site proximity, autonomous decision making is also a factor in the occurrence of inter-site training.

As autonomous decision making regarding training delivery is a result of the centralised/decentralised model of HRM, consistent with organisations operating in the international hotel industry, we can establish a link between HR practices (in general) for these organisations and the knowledge sharing motivation and richness of social mechanisms for transfer as they relate to training delivery. This, though, is not the only link to be found between subsidiary knowledge sharing and corporate practices. Indeed, if we return our focus to training “content” a further example becomes evident. It is similar to that already offered in that the openness and reach of the network is affected. That is, the content of the training is considered to limit the extent of the network. This example is clearly linked to brand training, and in particular to the luxury brand. For instance, as discussed in Chapter 5, even when situated as part of a “proximity” cluster, the luxury brand is seldom found to take up the offer of inter-site training since training content was revised to specifically focus on luxury brand values (HRS11). The exclusive nature of the luxury brand reduces the likelihood of collaborative training and development sessions as a result of the suggested need for service and product training (which is distinct and consequently confined to the luxury brand employees), thereby further reducing the likelihood of collaborative networks between some brands (RSM7).

Clearly, the above discussion identifies training and development as influencers of knowledge transfer through the social system. Here the link has been established through the influence of the decentralised training “delivery” system and the highly centralised training “content”. In both cases a similar outcome was discovered relating directly to the influence on the openness and extent of the social networks formed through the training and development function. This subsequently leads to the previously established association with motivation to share and receive and the richness
of the transmission channel through the facilitation of relationships and trust between knowledge senders and receivers.

8.3.4 The paradox of retention

The effect of employee retention on knowledge sharing in Emencorp can be identified as paradoxical. For example, on one hand Emencorp’s commitment to staff retention practices suggests maintenance or development of the firm’s levels of absorptive capacity. This is most clearly demonstrated through retention programs initiated through the succession planning process that target staff members with specialised skills and knowledge for retention. Clearly this lends consistency to Cohen and Leventhal’s (1990) original view that retention of a pool of staff familiar with the firm’s idiosyncratic needs is vital if an organisation is to realise absorptive capacity. Additionally, analysis suggests that retention is crucial for the formation of social relationships and for the formation of informal knowledge sharing networks (made most obvious through comments on length of tenure and on knowing people). As the previous chapter depicted, knowledge sharing has a weighty reliance on the formation of social networks.

On the other hand, and taking this one step further, a paradox is discovered. While retention provides the opportunity for “knowing” relationships to form, in Emencorp it has resulted in the creation of a “closed” network that excludes GMs who were not part of the changes in the 1990s. Therefore, the paradox is created through the effects of retention on other knowledge transfer dimensions; in particular, the motivation to share knowledge through the social transfer mechanism, which may be responsible for the following quote:

Knowledge hoarding used to happen a lot in the past and it may still happen in some regions. I think the new culture has broken it down in our region but in prior years I saw a lot of that. But I would say to you that there’s still some old school GMs out there doing that (GSM8).

This example demonstrates both contrasts and consistencies with the literature and with the discussion to this point. Clearly, though, it provides agreement with the argument put forth by Granovetter (1973) that retention networks formed through the establishment of strong ties built on trust remain tightly closed to those whom, in this case, do not share the “survival” identity. Consequently, while knowledge sharing
behaviour is exhibited within the network and therefore a proportion of individual knowledge becomes somewhat collective, the closed nature of the network retards the opportunity for that knowledge to become organisational. As a result this research argues that the force (that is, retention) enhancing the firm’s absorptive capacity or ability simultaneously inhibits the motivation to share knowledge.

8.3.5 Knowledge transfer and HRM practices: The role of “position”

The above discussion has identified a number of consistencies and contradictions to the mainstream literature. Extending the analysis, however, raises a further point of interest by way of an explanation as to why inconsistencies between some HR practices and knowledge transfer dimensions, especially in relation to ability and motivation, were puzzled over in the earlier literature. That is, previous investigation into the nature of the effects of HR practices on knowledge transfers were considered from only one perspective. In each of Minbaeva’s (2003; 2005) studies and in Lee et al.’s (2006) study, data was collected from homogeneous groups of employees. This resulted in a one dimensional outcome which was unable to provide explanation for factors identified as inconsistent to other studies. Yet such inconsistencies are reduced when consideration is given to the effects of HR practices on different levels of employees. The following table provides an overview of the effect of HR practices on motivation and ability as they have emerged from analysis.

<table>
<thead>
<tr>
<th>Table 8.1: HR Practices Effect on Knowledge Transfer by Position</th>
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<tr>
<td><strong>Construct</strong></td>
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<td>Ability</td>
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<td>Motivation</td>
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One of the clearest indications of differences in outcomes is the recruitment and selection process. For example, for middle and senior management there is a partial dependency on the candidate demonstrating previous knowledge sharing actions. The ability construct is noted, therefore, as all candidates for these positions must undergo psychometric testing designed and conducted by an independent consultant.

Recruitment of operational staff, however, paints a much different picture. As mentioned above, selection of this group is based on the candidate’s attitude rather than demonstrated previous skill and experience. Indeed, one general manager suggested that recruiting someone with innovative ability “is pure luck”, and that while you would expect those abilities from someone at a supervisory level, “at the lower levels we recruit on attitude rather than aptitude” (GSM6). Hence, this identifies a positive relationship between recruitment intentions to increase the firm’s level of innovative ability when considered from the perspective of middle or senior management, but little or no relationship when considered from the perspective of operational staff.

Reward for knowledge sharing behaviour is yet another area contradictory across groups. For example, operational staff require extrinsic rewards to provide motivation to share, while middle management are intrinsically motivated. Senior management or GM level, however, demonstrate knowledge sharing behaviours that are neither extrinsically nor intrinsically motivated but occur as a result of the “propensity” to knowledge sharing inherent to individual GMs. In addition, the level of propensity to share knowledge is affected by the social transfer mechanisms, namely the networks and organisational contextual factors that influence whether a GM network is open or closed. Indeed, the propensity of the actors to share may shed light on Gupta and Govindarajan’s (2000) inability to discern support for factors influencing the motivational disposition to share knowledge.

Finally, Minbaeva (2005) proved unable to find support for ongoing job security and knowledge sharing behaviours, claiming that this may be due to inconsistencies between subsidiary practices. Analysis of data generated from this research, though, identifies differences in outcomes between GMs and middle management linked to the HR practice (PM system and insourcing respectively) that the knowledge sharing behaviour was tied to (as clarified in the housekeeper example above).
8.4 HR Practices and Knowledge Sharing Culture

In addition to the HR practices identified above, there are a number of practices that, rather than being directly linked with the knowledge sharing dimensions, operate to support the strengthening of a longer term knowledge sharing culture. For example, employees at the operational level of the organisation are recruited solely on the candidate’s “attitude” rather than previous skill and experience. One HR manager claimed:

We recruit purely based on attitude because we know that we can train them to carry three plates or train them to make a bed... But attitudes are one thing we can’t train. That’s why we tailor our interview questions around attitude (HRS4).

Therefore it is those with the attitude most likely to absorb and later live the organisational values, which include knowledge sharing behaviours, who are employed.

Once employed, each new staff member undertakes an extensive acculturation process as part of their induction and early tenure with the organisation. Employees learn not only the Emencorp language but also expected behaviours fortifying the attitudinal requirement for continued employment. Interestingly, one HR manager claimed the acculturation process could be more aptly titled “brainwashing” (HRS4). Nevertheless, the acculturation process in many cases could be considered successful with comments from several interviewees reflecting the following:


I’m an [Emencorp] geek. I’m a nerd. I’ve found where I want to be (HRS12).

Finally, ongoing brand training provides regular reminders of expected behaviours. Content of every training program is designed by Head Office to “teach” and reinforce the desired Emencorp culture in accordance with their key organisational strategies across the globe. While data from this research is unable to explicitly confirm a link between training content and knowledge sharing dimensions, analysis suggests a closeness with the conclusions of Minbaeva (2005), Lee et al. (2006), and Bontis and Fitz-enz (2005), who claimed that increasing a firm’s human capital through staff development had a positive impact on an employee’s ability to accept new knowledge (Lee et al., 2006, p. 21).
In addition to the above practices the performance management system is another HR opportunity to establish a knowledge sharing culture throughout the organisation. Similar to the induction and training examples above, performance management criteria or content are developed at Head Office and filtered throughout the entire organisation as part of the centralised HR function. Knowledge sharing behaviours consistent with the overall organisational strategy are articulated as part of the performance expectations for operational staff. Commitment to knowledge transfer through both demonstrated innovative behaviour and transferral of ideas is one of the primary documented areas of focus for this evaluation; as depicted in the following excerpt from the Performance Assessment and Review Handbook:

Aspiration: Demonstration of personal drive, motivation and commitment to self-development.

Ability: The drive to exceed targets, lead organisational change and implement new initiatives.

Engagement: Gone beyond the “call of duty” in support for Emencorp commitment, strategy and direction through sharing new initiatives/success/best practice across departments and hotels. (Source: PAM1).

The articulation of knowledge sharing as part of the performance assessment process identifies with both absorptive capacity and “motivation to share” dimensions. Such motivation may be derived from the desire to “tick the box” as was identified with the GMs, or as a result of the performance management system being closely linked with succession planning for those intrinsically motivated as discussed in a previous chapter. In order to serve as a motivational force, however, the system must be operationalised. If innovation and knowledge sharing are the outcomes for an employee who is motivated to succeed, either by passing performance evaluation or through career advancement in the organisation, then logically the system must measure these constructs. While organisational documents identify this as an objective of corporate HR the Australian example delivers a much different outcome.

For example, a number of HR managers (including HRS8, RSM7, HRS3) declared that these documents were little more than a guide for new HR managers and that “only a
new manager who hasn’t done talent reviews might actually get such a review questionnaire for each colleague and fill it in [laughs] with written examples before the meeting”. One manager (HRS8) continued to explain that “somebody who’s more seasoned won’t access them because obviously we don’t want to get bogged down in documentation”. Taking this one step further, a regional HR respondent proposed that much of the documentation is corporate rhetoric, and that its implementation and policing (similar to the training delivery example above) depends largely on the decision making of the HR manager. For example: “… You know some people say, ‘Well, it might get implemented’, but it seems to come back to an individual level. Where is the follow through? I’m not seeing it...” (RSM6). It is here, therefore, that the strength of the Emencorp culture towards a fully integrated organisation is questionable. However, just as there are many examples of employees committed to the Emencorp way, the cultural change is still quite new; although adoption of the new culture is promising as depicted in the following:

Cultural change is being driven from the top and you can see it cascading down... Since taking over he’s [CEO] had to move some big rocks... You can talk about cultural change but you’ve got to get it. Have we got it? No we haven’t. We’re still a few years away from getting it, but we’re no longer driving east, we’re driving west (RSM2).

Yet others claim that the interpretive nature of the company values, as they cascade through the organisation, is liable to produce differences in the way the programs such as the PM system above are implemented. For example:

We have our core value statements. That’s got a little bit of variation to it. I mean whilst it’s a tool kit that explains what it is, along the way it can be interpreted in different words and articulated differently and can gather a different sense of belonging as a core value in different hotels. So it sits there as something that’s sort of developed by a group of people within the organisation issued by Head Office, comes out to the field, is launched by the field, but has varying degrees of passion, so that’s the biggest risk any global company has... There are varying levels of glue and it can depend upon the manager of the particular outlet or hotel within the chain as to how he interprets how strong it’s cemented. So that’s probably our biggest flaw and that would be, so you get two extremes. You’ve got a performance
system which is quite specific, has very clear competencies to measure against but is being loosely interpreted. So that’s how things go. (GSM8)

8.5 Conclusion

The above discussion has identified a number of key outcomes from the research that indicate clear relationships between HR practices and knowledge transfer dimensions, which add to the existing literature. The following table provides a snapshot of those HR factors derived from the research that have been found to influence knowledge sharing dimensions through both the ICT and social systems.

Table 8.2: HR Factors Affecting Knowledge Transfer (ICT, Social System)

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<thead>
<tr>
<th>Knowledge Transfer Dimension</th>
<th>ICT</th>
<th>Social System</th>
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<tbody>
<tr>
<td>Value of source units knowledge stock</td>
<td>Performance Management System (GMs)</td>
<td>Overseas assignments</td>
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<td></td>
<td>Staffing decisions</td>
<td>Inter-site transfers</td>
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<td></td>
<td>Overseas assignments</td>
<td>Training delivery</td>
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<tr>
<td>Motivation to share</td>
<td>Performance Management System (GMs and operational)</td>
<td>Reward (operational)</td>
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<td></td>
<td>Reward (operational)</td>
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<td>Overseas Assignments</td>
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<td>Training delivery</td>
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<td>Retention (negative)</td>
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<tr>
<td>Motivation to receive</td>
<td>Performance Management System (GMs)</td>
<td>Inter-site transfers</td>
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<td>Training delivery</td>
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<td>Absorptive capacity of receiver</td>
<td>Recruitment</td>
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<td></td>
<td>Overseas assignments</td>
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<td>Retention</td>
<td>Overseas assignments</td>
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<td>Training content</td>
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</tbody>
</table>
While the above table identifies the HR practices that have been linked with knowledge transfer throughout the research, there are a number of other identified factors from which further conclusions can be drawn.

First, many of the HR practices identified through the research rely on both the ICT and social system if they are to positively influence knowledge transfer. This is an interesting outcome. To date most research has identified with one or the other transfer mechanisms with the exception being Davis et al. (2005). This research, therefore, is supportive of the proposition that knowledge transfer is interwoven between the relational and content perspectives. Both must be simultaneously investigated if we are to understand the integrated complexities.

Additionally, HR practices identified through the discussion in this chapter have been considered largely in isolation of others. Analysis, however, has identified relationships between HR practices that when operationalised present a longer term potential for increased knowledge transfer. This therefore supports Minbaeva’s (2005) claim that the application of HR practices as a system will lead to a higher degree of knowledge transfer. In addition, this outcome extends the debate by proposing that the effect of HR practices on knowledge transfer is more clearly understood when the practices are researched from an inter-relational perspective.

Finally, this chapter has identified that the employee’s position within the organisation is often attributable to the level of influence of HR practices on knowledge sharing dimensions and behaviours. This outcome therefore argues that research drawing from a homogeneous group of employees, for example, Minbaeva et al. (2003); Minbaeva (2005); Lee et al. (2006), limits the opportunity to understand the complexity of potential outcomes. By including this dimension this research has been able to shed some light on the contradictions inherent between many of these previous research endeavours.

This chapter has provided an analytical account of the impact of HR practices on knowledge sharing within Emencorp. In so doing it has identified HR practices as belonging to one of three groups: those explicitly identified by the organisation as being directly linked with knowledge sharing behaviours; those that emerge as producing outcomes as a result of organisational context; and those that have a longer temporal impact on knowledge sharing behaviour by supporting the knowledge sharing culture. The following chapter will identify with these conclusions and review the key outcomes.
of the research. Finally, the limitations and academic contribution of the thesis will be discussed.
CHAPTER NINE

CONCLUSION

9.1 Introduction

The purpose of this research was to examine the effects of human resource management practices on knowledge transfer between subsidiaries of an MNE operating in the Australian hospitality sector. The research was conducted exclusively within Australian sites. Initially the research established the MNE as a vast knowledge network whose strategic advantage could be derived from the mobilisation of knowledge throughout its subsidiaries. The term knowledge was identified as having two key characteristics; that is, a tacit or unspoken portion and a portion that could be made explicit. The unarticulated knowledge was considered to be transferable through social interaction and observation while the codified portion was transferred largely through ICT systems. This research considered both tacit and explicit knowledge and the use of both ICT and social systems for knowledge transfer.

The research was placed within the context of an organisation operating as MNEs in the international hotel sector. As a result the unique characteristics of these organisations were considered during the research and through the analysis. Chapters 6 and 7 provided a detailed response to the contextual factors as they influenced knowledge sharing in accordance with the Gupta and Govindarajan (2000, p.477) knowledge transfer framework as depicted below

```
Value of Knowledge Stock

Motivational Disposition to Share Knowledge

Existence and Richness of Transmission Channels

Motivational Disposition to Acquire Knowledge

Absorptive Capacity

Knowledge Outflows from Subsidiary

Knowledge Inflows from the Subsidiary
```
Chapter 8 analysed the role of Emencorp’s HR practices in response to the same knowledge transfer framework. This chapter will conclude this research by integrating the analysis and providing the findings to the key research questions, which were:

- Within the context of the hospitality MNE, how do human resource management practices affect knowledge transfer?
  
  1. How is knowledge transferred within and between hospitality MNE subsidiaries and/or Headquarters?
  2. What organisational processes are used to facilitate knowledge transfer within and between hospitality MNE subsidiaries and/or Headquarters?
  3. What organisational practices are aligned with the strategic objective to facilitate knowledge transfer within and between hospitality MNE subsidiaries and/or Headquarters?
  4. How do HRM practices influence the successful transfer of knowledge between hospitality MNE subsidiaries and/or headquarters according to Gupta and Govindarajan’s (2000) knowledge transfer dimensions including:
     - The value of the source unit’s knowledge stock?
     - The motivation to share knowledge?
     - The richness of the transmission channel?
     - The motivation to receive knowledge?
     - The absorptive capacity of the receiving unit?

Firstly, the chapter will identify with those HR practices influencing knowledge transfer and their overall effectiveness. The following section will discuss the practices as they are influenced by context and their impact on knowledge transfer dimensions. The discussion will include the contribution of the research to understanding the link between HR practices and knowledge transfer. The final section will identify the limitations of the research as well as areas for further research.

### 9.2 HR Practices Influencing Knowledge Transfer

Analysis identifies Emencorp as exhibiting a proactive response to knowledge sharing across their global sites. This was most pronounced in the Asia-Pacific region through the implementation of a vast knowledge repository designed to share operations innovation across all Emencorp sites within the global region. A number of HR
practices, including rewards, staffing decisions and performance management systems, were used as part of the design to encourage Knowledge Library use.

Additionally, although not always designated as part of the knowledge transfer domain, other HR practices were identified as deriving knowledge sharing outcomes, particularly through social transfer mechanisms. Typically, these consisted of group training opportunities, inter-site transfers and overseas assignments. Finally, some HR practices were identified as supporting a longer term knowledge sharing culture. These were the induction and acculturation program, ongoing brand training and the performance management system for operational employees. However, as discussion throughout the previous three chapters has demonstrated, the use of these practices (whether designed specifically or indirectly to produce knowledge transfer outcomes) met with varying degrees of effectiveness in terms of the transformation of individual knowledge to organisational knowledge. Analysis clearly implicates two differing organisational attributes in creating the outcome differentials. Briefly, these are organisational context and the divergence of practices created by the autonomy of HR decision making at the national and local levels as a result of the centralised/decentralised HR system.

9.3  HR, Context and Knowledge Transfer Dimensions

9.3.1  Value of source unit’s knowledge stock

The value of the source unit’s knowledge stock was presented in terms of the likelihood of duplication of the sender’s knowledge (Gupta & Govindarajan, 2000). The following table identifies the HR factors affecting the value of the knowledge stock as defined in Chapter 8, and also the organisational characteristics that are identified throughout the previous chapters and considered as producing either a facilitative or a moderating effect on the success of the HR practice.

### Table 9.1: Factors Affecting Value of Source Unit’s Knowledge Stock

<table>
<thead>
<tr>
<th>HR Practice</th>
<th>Organisational Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas assignments</td>
<td>Ownership structure; Corporate decision-making</td>
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</tr>
</tbody>
</table>
Social systems serve a primary role in increasing the actual or perceived value of the knowledge stock. Indeed, the formation of either formal or (even more significantly) informal networks applies to the success of four of the five HR practices identified.

The formation of informal networks through HR mechanisms, however, is largely moderated—or at times even constrained—by organisational factors. For example, the adherence to the requirements of the hotel “owners” (itself created by the strategic operational context of the global organisation) severely impacts the organisation’s ability to transfer knowledge globally through social mechanisms constructed through overseas assignments. In addition, the market driven elitist nature of one brand over others creates barriers to perceived knowledge value through social networks by frustrating the opportunities for group training events and inter-site transfers. These particular HR practices are further influenced by location strategies creating operational regions and clusters (again driven by market forces).

The contrasting example, though, is found within the insourcing/outsourcing debate driving the Housekeepers Project due to the autonomy of local decision making through the decentralised HR system. Here, brands, clusters or regions do not limit the creation of open social networks extending throughout the entire state region. Additionally, much value is attributed to the knowledge sources contained within the social networks with the likelihood of innovation replication extending to the ICT system. Indeed, the replacement of top-down control and quantitative measurements in the previous performance management system with a bottom-up push and qualitative measurements goes some way to increasing the prospect of the source unit’s knowledge being valued through both the social and ICT transfer mechanisms.

9.3.2 Motivational disposition of the source unit

The motivational disposition of the source unit was presented in terms of reducing the likelihood of information hoarding. Interestingly it is this dimension that has met with the most resistance in proving positive through previous research efforts (Gupta & Govindarajan, 2000; Lee et al., 2006; Minbaeva et al., 2003; Minbaeva, 2005). Similar to the previous section, the following table identifies the HR factors affecting the motivation to share, and also the organisational characteristics considered as producing either a facilitative or a moderating effect on the success of the HR practice.
Table 9.2: Factors Affecting the Motivational Disposition of the Source Unit

<table>
<thead>
<tr>
<th>HR Practice</th>
<th>Organisational Characteristic</th>
</tr>
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<td>Brands; Clusters; Regions</td>
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<tr>
<td>Staffing decisions</td>
<td>Control mechanism; Decentralised HR</td>
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<tr>
<td>Performance management system (GMs and operational - culture)</td>
<td>Control mechanism; Centralised HR; Decentralised HR</td>
</tr>
<tr>
<td>Retention</td>
<td>History; Regions; Clusters</td>
</tr>
<tr>
<td>Reward</td>
<td>Decentralised HR</td>
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</tbody>
</table>

Where HR practices affect the motivation to share, for the same reasons as they affect the level of value attributed to the knowledge stock, then there will be consistency with the organisational characteristics in both models. In this respect the common denominator is those factors that affect the creation of informal and formal social networks through overseas assignments, inter-site transfers and training delivery. This section expands previous discussion, however, by considering the impact on the motivation to share knowledge from retention, extrinsic reward, culture and performance management for operational staff.

Firstly, the decentralised HR system allows for the autonomous use of reward at the hotel level to motivate operational staff to share innovative ideas. This reward is deemed necessary to knowledge sharing behaviour at the operational level and goes some way to reinforcing a knowledge sharing culture. This is a particularly interesting conclusion in that it can be contradicted by the performance management system for operational staff. Here, decentralised decision making in applying the centralised performance management criteria both fails to reward staff for knowledge sharing behaviour and fails to support the knowledge sharing culture.

Yet this example can be extended beyond the extrinsic reward system by understanding the links between the performance management system with succession planning and internal transfers. That is, the application of the system used to evaluate the future utility of individual staff members, defining who gets promoted and transferred, fails to include knowledge sharing behaviours in the assessment, thereby reducing the level of value that the longer term employee ascribes to sharing knowledge. Clearly the autonomous decision making privileges provided to subsidiary management, as a result...
of the decentralised HR system, have implications for future knowledge transfer when considered as part of a succession planning and retention program.

Finally, retention practices were recognised as paradoxical to knowledge sharing behaviours. It is true that there has been wide support (Cohen & Levinthal, 1990; Gupta & Govindarajan, 2000; Minbaeva, 2005) for the role that retention plays in supporting knowledge transfer through increasing organisational absorptive capacity. However, this research has identified that the formation of retention networks from a common characteristic reduces the motivation to share, and thereby contravenes the transformation of individual to collective knowledge. In Emencorp, the common characteristic of the retention network was formed as a result of “survivors” of the company’s history of tumultuous merger and acquisition activity. Therefore, while this study supports collaboration of some key themes offered by the literature, it also offers contradiction. For example, Ehin’s (2008) proposal that workers should have some freedom to establish informal networks based upon “shared identity” or “special chemistry” is now debatable. This is because when informal networks are established through a shared identity of retention, then knowledge, while mutable to a point, is largely unable to transcend the barriers that the shared identity is responsible for creating.

Here, research offers insight into Gupta and Govindarajan’s (2000) inability to find support for motivational mechanisms that counterbalance information hoarding. Even where power struggles between GMs continue, information hoarding within the retention network is not established, thereby supporting the notion that knowledge transfer between network members relies on individual propensity rather than motivational forces.

9.3.3 Motivational disposition of the target unit

The motivational disposition of the target unit refers to those factors or practices that decrease the impact of the Not Invented Here (NIH) syndrome. Again, the following table identifies the HR practices that influence the extent of NIH and also the organisational factors that serve to facilitate or moderate them.
Table 9.3: Factors Affecting the Motivational Disposition of the Target Unit

<table>
<thead>
<tr>
<th>HR Practice</th>
<th>Organisational Characteristic</th>
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</thead>
<tbody>
<tr>
<td>Inter-site transfers</td>
<td>Brands</td>
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<tr>
<td>Staffing decisions</td>
<td>Control mechanism; Decentralised HR</td>
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<tr>
<td>Training delivery</td>
<td>Brands; Clusters; Regions</td>
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<tr>
<td>Performance management (GMs)</td>
<td>Control mechanism; Centralised HR</td>
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</table>

Once again, the presence of HR practices influencing the creation of formal or informal networks is instrumental in increasing the motivational disposition of the target unit to receive knowledge. This research supplements the existing literature surrounding the motivational disposition to acquire knowledge by adding the motivational disposition to “seek out” knowledge. In Emencorp it was widely established that when a familial network existed across multiple sites, or even states, then communication between a knowledge seeker as an initiator and a potential knowledge source was more likely. Once again the importance of social networks, especially those created as open networks through HR practices of inter-site transfers, job security and training delivery, provides a sound support mechanism for motivating potential knowledge receivers to request needed knowledge from other sources.

While the GMs’ performance management system and the Housekeepers Project derived similar outcomes (the adoption and application by the GM of “Knowledge Library” ideas for an individual hotel), the differences between the two are the most intriguing. First, the motivator, which is job security, was applied to different employee groups. This shifted the pressure to adopt ideas from top-down (to tick the box) to bottom-up (to validate the importance of the employee’s role). It also resulted in the removal of the motivational force from the person responsible for implementing the innovation, that is, the GM. As identified in chapter 6 and again in chapter 8, this has significant implications for knowledge gate keeping within Emencorp as it is the GMs who ultimately have primary gate keeping responsibilities. Second, the quantitative measurements consistent with the PM system were replaced with qualitative measurements. In other words, the success of the program was determined on the implementation of proven efficient operational innovation rather than the number of ideas implemented. Finally, through the process of gatekeeping, only ideas that would provide value added efficiencies were added to the database. Therefore, this research argues that these differences add an important facet to the ongoing debate regarding the
efficacy of quantity based extrinsic reward in knowledge transfer practices. It extends previous research (Lee et al., 2006) by identifying unintended negative consequences.

9.3.4 Absorptive capacity of the receiving unit

Finally, the absorptive capacity of the receiving unit was presented in terms of inter-unit homophily (Rogers, 1995). Here it is argued that where individuals share similarities then absorptive capacity or ability is most likely to be present. Again, the following table identifies relationships between HR practices and the role of organisational characteristics.

<table>
<thead>
<tr>
<th>HR Practice</th>
<th>Organisational Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>Centralised HR</td>
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<tr>
<td>Overseas assignments</td>
<td>Ownership structure; Corporate decision making</td>
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<tr>
<td>Staffing decisions</td>
<td>Control mechanism; Decentralised HR</td>
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<tr>
<td>Retention</td>
<td>History; Regions; Clusters</td>
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<tr>
<td>Training content</td>
<td>Centralised HR</td>
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</table>

Both training content and recruitment are facilitated through the centralised HR system, providing a supportive mechanism for expected behaviours and shared values. These constructs have been positively linked to an increase in a firm’s potential absorptive capacity through the provision of critical complementary knowledge (Cohen & Levinthal, 1990; Lee & Allen, 1982; Zhara & George, 2002). In addition, retention is widely supported as a means of increasing a firm’s absorptive capacity (Cohen & Levinthal, 1990).

While retention allows the firm to retain a pool of organisational knowledge it is the mobilisation of that knowledge that provides the firm with a competitive advantage. It is here, therefore, that a link between retention and overseas assignments is formed. Within Australia, the retention of experienced hotel managers over many years has resulted in an accumulation of valuable operational knowledge. In order for this knowledge to become organisational, it must be shared with those needing the knowledge. On the one hand, evidence from this research clearly identifies the failure of the ICT system to adequately enable an adequate transfer. On the other hand, it presents evidence that personal association created through overseas assignments increases the
likelihood of future knowledge transfer through developing inter-unit homophily, and consequently, the firm’s absorptive capacity.

The following table summarises the effects between HR practices, knowledge sharing dimensions and organisational context.
<table>
<thead>
<tr>
<th>Knowledge Transfer Dimension</th>
<th>HR Practice</th>
<th>Transfer Mechanism</th>
<th>Contextual Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value of source units knowledge stock</strong></td>
<td>Overseas assignments</td>
<td>Social ICT</td>
<td>Ownership structure; Corporate decision-making</td>
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<td></td>
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<td></td>
<td>Staffing decisions</td>
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</tr>
<tr>
<td><strong>Motivational disposition of the source unit</strong></td>
<td>Overseas assignments</td>
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<td><strong>Absorptive capacity of the target unit</strong></td>
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<td></td>
<td>Training content</td>
<td>ICT</td>
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</tr>
</tbody>
</table>
9.4 Further Contribution to Knowledge

While the purpose of this research was to investigate the impact of HR practices on knowledge transfer dimensions within the context of the hospitality MNE, there are a number of additional findings outside of the immediate knowledge transfer framework that require discussion.

9.4.1 Researching within context

First, this research has established HR practices as influential to knowledge sharing within the Emencorp organisational context. In some cases the HR practices were developed by headquarters and cascaded throughout the entire global network. Here we saw evidence of convergent HR practices. In other examples, HR decision making was decentralised to the global regional, national, state regional or hotel level demonstrating a remarkable divergence of not only the HR practice but also outcomes. Whether centralised or decentralised, though, the research established that many HR practices acted simultaneously as knowledge transfer facilitators and knowledge transfer barriers, and that the difference was a result of the contextual factors, such as high casualisation and turnover of the labour force and structural characteristics typical of global organisations identifying with a differentiated network model operating in this industry. HR practices do not operate in isolation of the organisational strategic and operational contexts, but rather are as equally influenced by them as are the knowledge sharing practices themselves. As a result, this research supports the need for future study in this area to investigate the intricate links between HR, knowledge sharing behaviour and the organisational context.

9.4.2 HRM and knowledge transfer: An inter-relational view

Chapter 2 identified two methods of researching HR practices and knowledge transfer. These were presented as a “bundle of practices” (Minbaeva, 2005) or as standalone practices (Lee et al., 2006). Although this research has largely separated the HR practices in order to understand their individual relationships with knowledge transfer dimensions, a clear indication of interrelationships between practices has emerged from the analysis. Indeed, these relationships are scattered throughout the discussion and typically reflect two clear pathways; both of which have a temporal aspect identifying with longer term outcomes.
In response to research question two, the process of network forming enables increased accessibility to knowledge “stocks” through relationships. When considered in terms of long term retention of appropriate employees, the networks become a vital tool in reducing the likelihood of resource wastage through replication.

The union between reward and appraisal identifies that practices within Emencorp are indeed aligned with strategic objectives therefore provide a positive response to research question three. In Emencorp, autonomous decision making at site or regional level removed knowledge sharing behaviours from the appraisal criteria. In an organisation committed to knowledge sharing, this outcome proves detrimental to the future knowledge sharing culture. Hence, where succession planning is defined through the performance management system, there is no requirement for longer term employees to demonstrate these behaviours. Consequently the culture is not secured. Researching only the effects of individual HR practices on knowledge transfer behaviour understates the overall effects of HR practices on knowledge transfer. That is, and in support of earlier work (for example, Minbaeva, 2005), considering a HR practice in isolation from other HR practices limits our understanding of the overall effect that can be achieved by examining HR practices as a system with an integrated complexity of interconnected dependencies.

9.4.3 The role of position

As discussed in some detail in Chapter 8, the research supports the need to identify with the separate stakeholder groups when analysing the impact of HR practices on motivation and ability constructs. This outcome is based on evidence supporting that different employment levels (operational, supervisory and middle management, and GM or senior management) respond to different stimuli in response to knowledge sharing behaviours. For example, extrinsic motivators are required for operational staff. These are largely replaced by intrinsic motivators as employees work up through the organisation. Finally, at the GM level, there was little indication of actual motivators with the emphasis here changing to the individual propensity to share. Additionally, while demonstration of ability was required for employment at the more senior levels it was absent at the operational level. This research therefore provides a necessary addition to the existing literature by introducing the differences that the employee role makes to their knowledge sharing behaviours.
9.4.4 ICT and social mechanisms – An integrated approach

Finally, this research supports Davis et al.’s (2005) argument for the need to consider both knowledge transfer mechanisms, ICT and social systems, simultaneously as knowledge transfer does not simply reside in either the content or the in relational school but in both. By doing so, this research has been able to identify areas of overlap and dependencies between the two, which was made most obvious through the inclusion of the Housekeepers Project that is reliant on both a CoP and the Knowledge Library for knowledge mobilisation. In response to research question one, this outcome clearly establishes that within Emencorp, knowledge is transferred across the subsidiaries, and from HQ to subsidiary by both ICT and social systems.

Furthermore, as a result of simultaneously investigating the dependencies between the two mechanisms, the research was able to provide a level of support for Nonaka and Takuechi’s (1995) SECI model through the addition of a working example, again as a result of the Housekeepers Project. Indeed, the application of the Housekeepers Project to the SECI model provided positive reinforcement of the interrelationships between tacit and explicit knowledge. In addition, this project was serendipitous to this research in a number of ways, not the least of which was its close link with much of the knowledge sharing literature. For example, there was an identification of the requirement for senior management support for the project in terms of providing opportunity for flexibility, creativity and the interaction of organisational members (Cohen & Levinthal, 1990; Lyles & Salk, 1996). Further, the inclusion of the Housekeepers Project has allowed for simultaneous investigation into the coordinating relationships (“dyadic exchanges”) between knowledge sources and recipient units (Szulanski, 1996) depicting the “lateral knowledge flows” (Gupta & Govindarajan, 2000) of procedural knowledge. In conclusion, the studies support the role that the similarity of partner characteristics plays (Lane & Lubatkin, 1998) in increasing the likelihood of knowledge transfer (Darr & Kurtzberg, 2000), especially in terms of tacit knowledge transfer.

9.5 Limitations of the Research

The primary limitation to the research is that it is a single case study conducted on a single organisation. While the limitations of the single case study were clarified in Chapter 4, investigation into only one organisation operating in a vast industry of global players significantly reduces the generalisability of findings. Further, the research is
conducted within the domain of an MNE yet investigates only subsidiaries operating in a single country. While there was some evidence of inter-country knowledge sharing between Australia and Asia, this was restricted to one-way transfers and was only able to reflect the position of the Australian managers. Therefore, while able to examine dyadic relationships between subsidiaries to a point, the research was largely unable to transcend the boundaries of the country in which it was conducted.

Also, while the case study organisation was found to be representative in terms of common characteristics with the international features of such organisations, it may not reflect the larger population in other ways. For example, little is known about the knowledge sharing behaviours of these organisations generally, hence Emencorp’s establishment of ICT mechanisms such as The Knowledge Library may be unique. Moreover, much emphasis was placed on the Housekeeping Project. Again, realistically, such knowledge sharing projects may not exist in the general population. Accordingly, if one was to study another organisation sharing the same international characteristics as Emencorp, then the results of the research may prove significantly different in many areas.

Yet it is the unique nature of the organisation that provides an appealing framework for early investigation of this nature into these labour intensive institutions. Therefore, while generalisability is at this stage limited, the results provide an interesting background for further research.

9.6 Areas for Further Research

This research was exploratory in nature and appears to be the first that has combined human resource management, knowledge transfer and the international hospitality sector into a single research agenda. Therefore, while providing many insights into such an eclectic combination, it also raises many questions.

For example, what is the level of constancy of interdependencies between the content and relational structures of knowledge transfer and knowledge management generally? This question derives from the knowledge management field. While each structure has until now provided a firm theoretical base from which understanding can be derived, the almost complete insistence by researchers to significantly separate the two has limited understanding to one or the other rather than to the relationships between both.
Yet another area for further investigation, this time from the HR perspective, is the role of retention in knowledge transfer outcomes. As identified earlier, this research has uncovered a paradoxical outcome regarding the relationships between retention and knowledge transfer that previously had failed to be recognised. Here, the paradoxical effect of retention was created through historical factors of internationalisation of the firm. As all MNEs have undertaken a process of internationalisation, the question is therefore posed: Is the “paradox of retention” finding consistent across all MNEs? If not, what are the factors that create the differentiation? Are the differences reflected in the method or process of internationalisation or in other factors?

Finally, the strategic factors of an organisation operating in the international hotel sector provide an eclectic research background in its own right. While the industry has generally been the subject of a significant level of research, the labour intensive nature and the reliance on consistent innovation to remain in a competitively advantaged position in itself supports the need for further enquiry along similar lines into the areas uncovered by this research.
REFERENCE LIST


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Organisational Documents

Annual and Financial reports 2007-2010 (AFR YR)

Shareholder Information (SHI 1-4)

Brands – Global (BG 1-6)

Brands – Asia Pacific (BAP 1-4)

Emencorp – Historical and Overview (HO1-6)

Employee Behaviour Models (EBM)

Emencorp Employment Brand (EB 1-5)

Contemporary Emencorp Documents (CE 1-4)

Committee Meeting Minutes (CMM 1-2)

Enterprise Agreement -Work In Progress (EA)

Australian Workplace Agreement (AWA)

Employee Survey (ES 1-3)

Performance Assessment and Review (PAM 1)

Succession Planning Guidelines (SPG1)

Staff Induction Documents (Ind 1-2)
## APPENDICES

### Appendix 1: Dimensions of Research

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<td>Staffing Decisions (insourcing/outsourcing)</td>
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<td>Retention/turnover</td>
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<td>Overseas Assignments</td>
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<td>Level of employment</td>
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<th>Knowledge Characteristics</th>
<th>Tacit</th>
<th>Explicit</th>
<th>Individual</th>
<th>Collective</th>
<th>Qualitative/Quantitative</th>
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<th>Knowledge Transfer Dimensions (Gupta &amp; Govindarajan 2000)</th>
<th>Value of source unit’s knowledge stock</th>
<th>Motivational disposition of the source unit</th>
<th>Knowledge Transfer channel</th>
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<td>Motivational disposition of the target unit</td>
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<td>Absorptive capacity of the target unit</td>
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<th>Emencorp</th>
<th>National system</th>
<th>State systems</th>
<th>Brands</th>
<th>Geography/Structure</th>
<th>Hotel Style</th>
<th>History</th>
<th>Culture</th>
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| Knowledge Transfer barriers | Information Hoarding | Internal Stickiness | Not Invented Here syndrome (NIH) |
Appendix 2: Information Letter

Professor John Burgess
School of Business and Management
Faculty of Business and Law
University of Newcastle
University Drive, Callaghan
NSW 2308
0249216680
John.Burgess@newcastle.edu.au

Information Statement for Human Resource staff and Managers for Research Project: Knowledge Transfer in Hospitality Multinational Corporations

You are invited to participate in the research project identified above which is being conducted by Roslyn Larkin, PhD Candidate, from the School of Business and Management at the University of Newcastle. The research is part of Roslyn’s studies at the University and is supervised by Professor John Burgess, Director, Newcastle Graduate School of Business.

The purpose of the research is to investigate knowledge transfer within and between subsidiaries of Multinational Corporations (MNCs) operating within the Australian hospitality industry with the aim of exposing the Human Resource Management practices that act as either facilitator or barrier to effective knowledge transfer taking place. The ability to share knowledge throughout an organisation has been widely accepted as the reason MNCs exist. While many factors have been identified as contributing to successful knowledge sharing within MNCs it is only recently that organisational practice, such as strategic HRM have been investigated as a potential key factor. The nature of this research is in line with preliminary findings into the links between successful knowledge transfer in MNCs and HR initiatives. Therefore, the primary objectives of this research are to:

- Investigate organisational processes already in place to facilitate knowledge transfer between subsidiaries
- Investigate organisational HR practices and associated policies and the potential link with knowledge transfer
- Expose the facilitative or otherwise effects of the HR practices on knowledge transfer
- Determine those HR practices that have the highest potential for facilitating knowledge transfer

Evidence demonstrates that high levels of management turnover, as seen in the hospitality industry, often result in essential knowledge being withdrawn not only from the organisation but the industry as a whole before it can be successfully captured. Therefore, the outcomes of the research have significance for the industry in that by identifying and employing facilitative practices, organisations are able to capture information before it is taken to competitors or lost forever.
Who can participate in the research?
In order to fulfil the research objectives we are seeking to interview 2 groups of people.

Group 1: Senior Human Resource Management staff located in the Australian Head Office of the organisation. This group has been selected as it is expected that HR professionals at this level have knowledge in and are instrumental in fulfilling the HR objectives of the parent organisation, thereby providing information relating to organisational specific constructs such as: the organisations commitment to sharing of knowledge, general and specific incentives to support knowledge sharing across the organisations subsidiaries.

Group 2: Managers and supervisors employed in the organisations’ subsidiaries from various locations along the Australian east coast. These positions have been selected as purposive to the research as they are the users and/or contributors to the knowledge sharing system. Therefore it is this group that are able to provide insight into the practices that encourage or deter knowledge sharing to other subsidiaries.

What choice do research participants have?
Head Office has approved the research, however, there will be no penalty for not participating and Head Office will not be informed of participants’ decision to participate. Participation in this research is entirely your choice. Only those people who give their informed consent will be included in the project. Whether or not you decide to participate, your decision will not disadvantage you. If you do decide to participate, you may withdraw from the project at any time without giving a reason and have the option of withdrawing any data which identifies you.

What would you be asked to do?
If you agree to participate, you will be asked to:

Participate in an one-on-one interview with the researcher that will take place in your usual workplace, within work hours. If requested, an interview can be arranged at an alternative location and time. The interview will consist of semi-structured questions developed to encourage open answers whilst addressing the research questions (attached). The interview will be recorded with an audio device.

Allow the researcher access to organisational documents and databases (where used) in relation to HR practices and knowledge sharing outcomes. Such documents will include those that relate to organisational imposed incentives and databases may include HR and knowledge sharing records. Head Office has given approval for access to organisational documents and databases in relation to HR practices and knowledge sharing outcomes.

How much time will it take?
Each interview is expected to last between 60 to 90 minutes. While participants from group 2 may expect to participate in only one interview, those from head office may be asked to participate in one further interview to clarify any areas deemed necessary by the researcher.
What are the risks and benefits of participating?
While we cannot promise you any personal benefit from participating in the research, there may be longer-term benefits to employees based on the knowledge that organisations may gain from such research and the associated implementation of HR practices. A key risk to research participants is that information used may identify you. Methods of overcoming this risk is addressed in the following section.

How will your privacy be protected?
All information gathered from participants will be treated in the strictest confidence with identifiable features (ie names, positions) to be de-identified during the transcription process. Organisations will not be identified: organisational positions will be generic. For example: manager A, manager B. All steps will be taken to ensure anonymity and confidentiality and use of a pseudonym will be offered. Only the researcher and supervisor will have access to the data and transcripts and each participant will be offered the opportunity to review, edit, erase or withdraw the recording and/or transcript or any part within. Electronic copies of the interview/transcripts will be kept in a password protected computer file and paper transcripts will be retained for five years in a locked cupboard in the supervisors office and then destroyed according to university policy.

How will the information collected be used?
Primarily the information will be presented in a doctoral thesis to be submitted for Ms Larkin’s degree. Additionally, some data may be reported in papers submitted to academic journals and professional conferences. The researcher will also send your organisation a summary of the results of the research. Individual participants will not be identified in any reports arising from the project.

What do you need to do to participate?
Please read this information statement and be sure you understand its contents before you consent to participate. If there is anything you do not understand, or you have questions, contact the researcher. If you would like to participate please complete the attached consent form and return it in the reply paid envelope provided. I will then contact you to arrange a time convenient to you for the interview.

Further information
If you would like further information, please contact: Roslyn Larkin on (02) 49215882 or Roslyn.Larkin@newcastle.edu.au, or Professor John Burgess on (02) 49216680, or, John.Burgess@newcastle.edu.au. Thankyou for considering this invitation.
Yours Sincerely

Professor John Burgess                 Roslyn Larkin
Director, Newcastle Graduate School of Business    PhD Candidate

Complaints about this research

This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-[2008-0064]

Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Human Research Ethics Officer, Research Office, The Chancellery, The University of Newcastle, University drive, Callaghan NSW 2308, Australia, telephone (02)49216333, email Human-Ethics@newcastle.edu.au.
Appendix 3: Consent Form

Professor John Burgess
School of Business and Management
Faculty of Business and Law
University of Newcastle
University Drive, Callaghan
NSW 2308
0249216680
John.Burgess@newcastle.edu.au

Consent Form for Head Office HR staff and Managers
Research Project: Knowledge Transfer in Hospitality Multinational Corporations
Roslyn Larkin

I agree to participate in the above research project and give my consent freely.
I understand that the project will be conducted as described in the Information Statement, a copy of which I have retained.
I understand I can withdraw from the project at any time and do not have to give any reason for withdrawing.
I consent to:

- Participate in an individual interview and having the interview audio recorded and transcribed
- Allow the researcher access to organisational documents and databases as approved by Head Office

I understand that I have the right to review the interview recording and/or transcripts to edit or erase my contribution.
I understand that my personal information will remain confidential to the researchers.
I have had the opportunity to have questions answered to my satisfaction.

Name of Organisation_________________________________________________
Print Name ____________________________________
Job Title ______________________________________
Contact Details:
Email______________________________________ Phone___________________
Signature______________________________________________
Date:_____________

This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-[2008-0064]

Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Human Research Ethics Officer, Research Office, The Chancellery, The University of Newcastle, University drive, Callaghan NSW 2308, Australia, telephone (02)49216333, email Human-Ethics@newcastle.edu.au.
Appendix 4: Human Research Ethics Approval

HUMAN RESEARCH ETHICS COMMITTEE
Certificate of Approval

**Applicant:** (first named in application) Professor Kenneth Burgess

**Co-Investigators / Research Students:** Ms Roslyn Larkin

**Protocol:** Human resource management systems and knowledge transfer between MNC subsidiaries in the Australian hospitality industry

In approving this protocol, the Human Research Ethics Committee (HREC) is of the opinion that the project complies with the provisions contained in the *National Statement on Ethical Conduct in Human Research, 2007*, and the requirements within this University relating to human research.

**Note:** Approval is granted subject to the requirements set out in the accompanying document *Approval to Conduct Human Research*, and any additional comments or conditions noted below.

**Details of Approval**

<table>
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<tr>
<th>HREC Approval No:</th>
<th>H-2008-0064</th>
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<tbody>
<tr>
<td>Date of Initial Approval:</td>
<td>22-Jul-2008</td>
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Approved to: 21-Jul-2011

Approval is granted to this date or until the project is completed, whichever occurs first. If the approval of an External HREC has been "noted" the approval period is as determined by that HREC.

Progress reports due: Annually.

If the approval of an External HREC has been "noted", the reporting period is as determined by that HREC.

**Initial Approval**

13-Aug-2008

Approved

The Committee ratified the approval granted under the provisions for L2 expedited review on 22 July 2008.

**Renewal of Approval**

**Variations to Approved Protocol**

**Authorised Certificate held in Research Services**

Professor Val Robertson
Chair, Human Research Ethics Committee
Appendix 5: Proposed interview themes

• Interviewee Profile

Name and position within the company

What the role entails

Years employed by the company

Locations/Brands worked over time

1. Knowledge transfer in Emencorp

• Do you believe the organisation has intentions to KT across global subsidiaries?

• How do they communicate these intentions to staff? (ie policy, mission statements, goals etc)

• Do you believe that all IHG staff are made aware of these intentions ie how well do they communicate them?

• Can you give me some examples of organisation/industry knowledge that would be important?

2. Achieving goals

• How does the organisation go about achieving this? Ie what do they do to facilitate KT? Is there a link with HR practices
  o Social practices – what levels?
  o IT systems – who has access
    o Retaining key staff/management/operational
    o Others?

• Does the organisation have retention programs/practices in place that you are aware of?
  o Could you explain the practices/program?
3. HRM systems

- How does the organisation ensure that their staff have the ABILITY to share knowledge?
  - Recruitment & Selection –
    - recruit externally (ie experience/education)
    - Recruit internally – ie succession planning
- How does the organisation ensure that their staff have the MOTIVATION to share knowledge?
  - Link with performance appraisal – how what level
  - Link with reward structures – how and to what level?
  - Link with promotion – How and to what level?
  - Link with further training opportunities – How and to what level?
- Do any of the above potentially act as a de-motivator?

4. Leakages

T.O represents a leakage of organisational knowledge either to competitor or out of industry

- T.O. is reported to be a major issue for the industry – Do you believe that it is an issue for this organisation in terms of operational staff/management staff?
  - Can you think of any examples?
- What does the organisation do to reduce T.O ie practices
- Are these stand alone practices or do you feel that they are
  - linked to the retention program (if one)
  - (if not) do you believe it/they could be included to form one?
- What other practices do you think could be part of this program or do you feel that they do enough?