

Knowledge Management Strategy and Human Capital Management in Hotel Industry

(Strategi Pengurusan Pengetahuan dan Pengurusan Modal Insan dalam Industri Perhotelan)

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ABSTRACT

The present study explores the knowledge management strategy of Malaysian hotels in managing and leveraging their human capital. This study employs a case study approach, where interviews were conducted with human resource managers of seven hotels with different star ratings. Data are analyzed using NVivo and within and cross case analyses are performed to understand the different knowledge management strategies of Malaysian hotels to determine best practices in harnessing human capital in the hotel industry. The findings suggest that firms' strategies are influenced by knowledge management and human capital management. The higher the rating of the hotels, the more likely the hotel is to adopt a knowledge management strategy based upon a human oriented strategy. This influences the innovativeness and creativeness of their human capital, which, in turn, increases the competitive advantage of the firms.

Keywords: Knowledge management; strategy; human capital; case study; hotel

ABSTRAK

Kajian ini meninjau strategi pengurusan pengetahuan dalam industri hotel di Malaysia dalam mengurus dan mengambil kelebihan dari modal insan. Kajian ini menggunakan pendekatan kajian kes yang mana temu bual bersama pengurus sumber manusia di tujuh buah hotel yang mempunyai penarafan bintang berbeza. Data dianalisis menggunakan NVivo, yang mana kajian kes dalaman dan silang dijalankan untuk memahami strategi pengurusan pengetahuan yang berbeza di hotel-hotel di Malaysia. Ini bertujuan untuk memahami manfaat modal insan dalam membangunkan amalan terbaik. Hasil kajian menunjukkan bahawa strategi firma dipengaruhi oleh pengurusan pengetahuan dan pengurusan modal insan. Semakin tinggi penarafan hotel, semakin besar kemungkinan hotel menggunakan strategi pengurusan pengetahuan yang berorientasikan modal insan. Ini mempengaruhi inovasi dan kreativiti modal insan yang seterusnya akan meningkatkan kelebihan daya saing firma.

Kata kunci: Pengurusan pengetahuan; strategi; modal insan; kajian kes; hotel

INTRODUCTION

The economy of the twenty first century is referred to as a knowledge economy and is driven by knowledge, information and people (Jawadkar 2011). In the present age, sustainable competitive advantage requires value creation by managing intangible resources, such as knowledge embedded assets, that are partly stored in human capital in the form of competencies of the employees (Johanson et al. 2001). Therefore, it is imperative for firms to manage their knowledge embedded assets in an effective and efficient manner in order to leverage upon their human capital. Knowledge embedded assets have become a pre-eminent economic resource and the basis for competitive advantage and include such elements as ideas, practices, talents, skills, know-how, know-what, relationships and innovations (Stewart 2002; Demediuk 2002; Finney et al. 2004). Human capital,

which is a component of intellectual capital, is becoming vital to firms and managing intellectual capital involves managing knowledge and harnessing human capital to create value (Edvinsson & Sullivan 1996).

Studies on intellectual capital have recently gained momentum due to the importance of the resource in enhancing company performance (e.g., Bart 2001; Zsidisin et al. 2003; Abeysekera & Guthrie 2004; Hamzah & Ismail 2009, 2008). Extant studies, however, concentrate primarily upon managing intellectual capital and the reporting practices associated with intellectual capital. Studies focusing on strategies relating to managing knowledge with the aim of enhancing the quality and value of human capital, particularly in the hospitality industry, are still lacking, despite the need for such studies.

Intangible and people-focused services are considered to be key factors of success in both service delivery processes and service quality in the hospitality industry

(Schneider & Bowen 2010). Considering the importance of human capital in this industry, it is critical to address the issue of knowledge management in order to enhance overall organizational performance. Effective knowledge management will help to capture and retain intangible organizational knowledge; and reduce the potential loss of human capital (Jen 2004).

The work in this area is essential since the pillar of the hospitality industry is human capital. According to Rudez and Mihalic (2007), human capital is the main driving force that creates value for which customers are willing to pay. Thus, to add to the existing literature, the present study focuses on the alignment of knowledge management strategy with practices of Malaysian hotels in different rating categories and how this alignment shapes human capital management in this industry. Specifically, the present paper aims to explore three main issues related to the following questions:

1. How do hotel ratings affect knowledge management practices?
2. How do different knowledge management practices affect the way hotels manage their human capital?
3. How do different knowledge strategies adopted by the hotels affect the way hotels manage their human capital?

LITERATURE REVIEW

Extant literature argues that the value of an organization is largely based on the management and utilization of intellectual capital (Ukkola et al. 1999; Chris & Emma 1999; Beveran 2002). Human capital, being a primary component of intellectual capital (Bontis 2002), is defined as the employees' collective competence, capabilities and brain power (Edvisson 1997). Previous research on human capital suggests that in order to remain at the forefront of an industry and maintain a competitive edge, organizations must have the capability to retain, develop, organize and utilize their human capital (Wiig 2000; Kalling 2003). The theory of human capital postulates that individuals with more, or higher, knowledge, skills and abilities can perform better (Becker 1975). Hence, sustainable competitive advantage can be realized by nurturing human capital to continuously add value; and being unique or rare, thus imperfectly imitable and non-substitutable with any other resources by competitors (Bontis & Fitz-enz 2002).

The issue of leveraging human capital is more imperative in dynamic economic environments where the ability to filter and transform massive sources of information into knowledge can add to a firm's competitive advantage (Bontis & Fitz-enz 2002). The task of transforming tacit knowledge into explicit knowledge requires firms to understand how knowledge is formed, stored and shared; and how people and organizations learn to use knowledge. According to Lee

and Choi (2003), it is vital to understand the link between a knowledge management strategy and the processes of managing human capital since knowledge is highly embedded in the individual person and the value of human capital lies in the richness of knowledge embedded in the person (Myers 1996).

KNOWLEDGE MANAGEMENT STRATEGY

Alavi and Leidner (1999: 6) define knowledge management (KM) as "a systemic and organizationally specified process for acquiring, organizing and communicating both tacit and explicit knowledge of employees so that other employees may make use of it to be more effective and productive in their work". They concur that knowledge is personalized in such a manner that a person's knowledge is sticky and not easily transferable and shared. Thus, this tacit knowledge needs to be interpretable and accessible in order to be best communicated to another individual.

Lee and Yang (2002) propose five main activities in KM: acquisition, storage, dissemination, application, and innovation. Knowledge can be created internally or gained externally; and the acquired knowledge needs to be stored for immediate or future use. Explicit knowledge can be easily codified and stored in the form of hard copy or digital media, which can be accessed by individuals within the organization (Bennett & Gabriel 1999). The challenge to firms is to codify tacit knowledge so that it can be stored for later use. In practice, tacit knowledge is disseminated formally through meetings, seminars and databases or through informal discussion. The value of knowledge can only be realized when knowledge is translated into action (Lee & Yang 2002). The application of knowledge through effective interaction within and between departments in firms will lead to knowledge innovation in the form of adjustments to organizational routines; the creation of new products or services; or an improvement in the understanding of the environment.

The KM strategies of firms determine how firms utilize their repository of knowledge to build distinctive competencies. KM activities require enablers, such as people, organizations, processes and systems, to manage knowledge effectively and KM strategies facilitate these enablers. According to Zack (1999), KM strategies influence KM processes and the fit between the two is the key to improvement in performance.

Based upon two types of knowledge (e.g. tacit and explicit) Lee and Choi (2003) propose two classifications of KM strategies: human oriented strategies and system oriented strategies. System oriented strategies focus on the degree of codification and storage of knowledge that can be accessed and used by the firm. On the other hand, human oriented strategies are described as the degree of acquiring and sharing of tacit knowledge through interpersonal interactions (Lee & Choi 2003). Research based on this classification of KM strategies provides mixed conclusions. Hansen et al. (1999) suggests that

firms pursue one strategy predominantly and the human oriented strategy is found to be superior than the system oriented strategy (Swan et al. 2000). Another perspective highlights issues relating to determining the appropriate balance between the two strategies as such a balance will determine the profitability (Bierly & Chakrabarti 1996) and innovativeness (Jordan & Jones 1997) of firms. Finally, the contingent view suggests that KM strategies need to be aligned with the two types of knowledge (Bohn 1994; Singh & Zollo 1998).

According to Wiig (1993), the way firms manage their repository of knowledge determines organizational creativity; operational effectiveness; and the quality of products and services. Thus, organizations need to identify, generate and retain organizational knowledge in order to survive and gain a competitive advantage in a given industry. Knowledge, both explicit and tacit, forms the value of human capital that needs to be harnessed by the firms for fruitful return. According to Jawadkar (2011), the collective attitudes, skills and abilities of employees contribute to organizational performance and productivity. Extant studies also find that companies that invest in strategic human resource management achieve better financial performance than those that use traditional approaches (Becker et al. 2001). The most successful organizations and the most successful countries will be those that manage human capital in the most effective and efficient manner (Debowski 2006).

In the service industry, the importance of investing in people is emphasized more than ever before. Human capital, which refers to the knowledge, skills and experiences held by individual employees in a firm that support the growth of business, provides an organization with knowledge that assists in the identification of opportunities; and the knowledge of ways to improve the business effectively and efficiently (Alvarez & Busenitz 2001). However, Bontis and Fitz-enz (2002) argue that tacit knowledge, which embodies a combination of employees' competence, attitude and creativity (Chen et al. 2004), is a more important source of innovation and strategic renewal to an organization. Based on the importance of tacit knowledge, managing human capital becomes more critical and poses a challenge to firms since it involves managing, leveraging, and harnessing knowledge embedded in individuals (Edvinsson & Sullivan 1996; Chen & Lin 2004; Hamzah & Ismail 2009). In other words, human capital can only create value for organizations when embedded knowledge can be exploited through the effective management of human capital. In order to effectively manage human capital, different styles of knowledge management should be applied by organizations depending on their respective priorities and capabilities.

The issue of aligning knowledge management with the management of human capital to create synergistic effects is more apparent in the service industry. Since competitive elements in the service industry revolve around human factors (Hatch & Dyer 2004; Luthans

& Youssef 2004), the management of knowledge embedded in individuals should be effective in order to capitalize human capital to achieve a competitive advantage (Luthans & Youssef 2004). Evidence exists that indicates that larger hotels adopt more "human resources management style" practices (Price 1994; Othman & Hamzah 1998). Larger hotels are also willing to invest in human capital development (Roberts & Biddle 1994). Price (1994) finds that good human resource is evident among relatively large hotels since they are continually improving their personnel policies and are, above all, aware of the need for management training. On the other hand, Price (1994) finds that employment practices in smaller hotels are very informal, with most owner-managers avoiding a strategic approach towards the management of their staff.

MALAYSIAN HOSPITALITY INDUSTRY

According to Buttle (1986), the hospitality industry is characterized by its output of service products. One of the common characteristics of hospitality companies is that service processes are knowledge-based or knowledge-intensive (Kahle 2002). The Malaysian hospitality industry is experiencing healthy growth in hotel openings and hospitality-related services through the steady flow of business travelers and tourists; and the increasing popularity of Malaysia as a meeting, convention, and exhibition venue (www.i-visionsb.com/mpi/sectors-hospitality.htm). The attractiveness of the hospitality industry is related to its competitive costs within the region; the diversity of natural attractions, such as beaches and mountains; and solid infrastructure and amenities. The Horwath HTL 2011 Malaysia Hotel Operations Survey, for example, reports that in 2010, tourist arrivals grew by 4% to a record of 24.6 million arrivals, compared to 23.6 million arrivals in 2009. This resulted in total tourism receipts of RM56.5 billion – an increase of 5.8% growth from 2009. It was also reported that hotel occupancy levels in Malaysia had risen to 70% in 2010 from 62% in 2009.

In an effort to maintain the image of Malaysia as a family-oriented holiday destination, the Malaysian government has imposed tighter criteria for hotel ratings in a move to ensure better quality hotel services and facilities. The star rating is based upon the guidelines set by the United Nations World Tourism Organization and adjusted to local cultures (Ministry of Tourism, Culture & Heritage 2006). All hotels are rated based on their qualitative and aesthetic requirements; common areas; bedroom requirements; services; safety and hygiene standards; and staff. As of March 2011, 841 star rated hotels, in addition to more than 1,914 tourist accommodation premises, were in operation nationwide (Malaysian Associations of Hotels 2011). Table 1 shows the number of hotels in Malaysia and their respective ratings.

TABLE 1. Ratings of hotels in Malaysia as of March 2011

Ratings	Number of hotels
5 star	78
4 star	137
3 star	203
2 star	250
1 star	173
Total	841

Source: Malaysian Associations of Hotels Report (2011)

DATA COLLECTION AND METHODOLOGY

Since, the main objective of the present paper is to understand and to explain how knowledge management strategies affect the way hotels manage their human capital, the case study method is the most appropriate method to be used. The present study employs a case study approach, whereby semi structured in-depth interviews were conducted as a mean for data collection. Furthermore, the exploratory nature of the present study justifies the use of the case study approach in data collection (Benbasat et al. 1987). The main advantage of case study research is that it allows the study to be done in a natural setting that will effectively assist the researcher to understand the nature and complexity of the processes involved. In addition, a case study provides a broad holistic pattern of phenomena in a real world setting and is most appropriate in research that focuses on the study of existing events (Yin 1994).

In order to provide a strong conclusion from the present research, a multiple-cases approach is employed in the present study. This case study method is chosen due to

its ability to provide in depth information about the context and also enable cross-validation among cases for a better understanding the phenomenon under investigation. As suggested by Benbasat et al. (1987: 373), "multiple-case approaches are desirable when the intent of the research is description, theory building, or theory testing". Multiple-case approaches allow for cross-cases approaches, and this allows for more generalization and transferability. An advantage of the present study is that the hotels selected were chosen based upon the hotel ratings given by the Ministry of Tourism. Hotels with different ratings adopt different knowledge management strategies and practices when managing their human capital. Thus, these hotels can provide different views on how embedded knowledge can be harnessed and exploited for immediate and future use. Table 2 shows the profile of each hotel involved in the present study.

Several data sources are utilized: interviews, internet sources, annual reports, press releases, corporate materials, observation, and emails. 90-120 minutes interviews were conducted with the human resource managers of hotels. All interviews were digitally recorded and transcribed. To analyze the data, within and cross-case analyses are performed using Nvivo. The analysis began by analyzing each case individually, which includes the analysis of the interviews, observation and archival data (Eisenhardt 1989). Based upon the data, which was compared to the existing literature on knowledge management and human capital, the next step involved the classification of knowledge management strategies; and the extraction of themes for knowledge management practices and details of the practices. The resulting themes were then sent, via e-mail, to the informants to be confirmed (Ozcan & Eisenhardt 2009). A cross case comparison was also

TABLE 2. Profiles of hotels

Sample	Hotel	Description
5 star	Hotel A	This hotel is owned by a public listed conglomerate. The company manages a number of hotels and beach resorts in Malaysia, Asia Pacific and Europe. This hotel is located on an island and offers 424 rooms.
	Hotel B	This 5-star international business class hotel is located in a town famous for its historical sites. This 22-storey hotel features 496 luxuriously furnished rooms.
4 star	Hotel C	This hotel is an award winning 4-star international hotel located in a historical city. The hotel is comprised of one main hotel block and eight blocks of hotel apartments.
	Hotel D	This hotel is newly operated in a franchise scheme in the capital city. Although it is quite new, its reputation is increasing in the vicinity because of its location and excellent value for money service. It offers 100 rooms with standard facilities.
3 star	Hotel E	This hotel focuses on corporate functions because of its location, which is near administrative circles and education centers. It provides 150 rooms with superior facilities for corporate activities.
	Hotel F	This hotel is a franchise of the largest mid-range hotel chain located in a historical city. It is equipped with 50 rooms and also provides various other facilities for visitors, such as a multi-function room ideal for conferences, meetings and seminars.
2 star	Hotel G	This hotel is located in a small town; equipped with 30 rooms and dorms; and also provides various other facilities, such as multi-function rooms for conferences, meetings and seminars. It also provides 'outdoor' activities, such as jungle trekking and a rock climbing wall.

carried out to determine the similarities and differences of each individual case to strengthen the internal validity of the findings until a strong match was attained between the theory and the data (Ozcan & Eisenhardt 2009). Based upon the themes, a typology of knowledge management strategies and practices relating to human capital, as well as some propositions, are presented. The process of data collection and analysis is illustrated in Table 3.

TABLE 3. Steps and processes of data collection and analysis

Steps	Process
1	Formulate interview protocol based upon literature review and a preliminary interview.
2	Refine the interview protocol and cross-validate it among researchers for validity.
3	Conduct actual interviews and analysis using NVivo.
4	Conduct constant comparative analysis and further interviews.
5	Conduct thematic analysis based upon interview transcripts.
6	Conduct within case analysis and cross case analysis.
7	Develop typology and propositions.

RESEARCH FINDINGS

KNOWLEDGE ACQUISITION

The differences in the training programs attended by the employees of the hotels in different hotel ratings categories are based on the provider and extensiveness of the training programs. Five star hotels are acknowledged for their customized in-house training programs that are developed based upon recognized training modules. Employees are not only required to attend training, but they (especially management level) are also groomed to be certified trainers that can conduct in-house training for the hotel and its subsidiaries. As mentioned in this quote:

These are my certified trainers for my hotels. Each hotel under the same group will conduct these programs. Some of the employees are fully certified, and some are partial because they can only conduct training for certain department such as food and beverage.If it is full certification, he can conduct training for any departments.

(General Manager, Hotel A)

These hotels also sent their employees to attend conferences and programs at the national and international level. The employees are also sent to work in other subsidiaries in Malaysia and overseas for a specified period to gain exposure working in a different environment. Such cross exposure programs provide opportunities for employees to gain valuable experiences and strengthen the ties between subsidiaries. This also allows the hotels to standardize the quality of the services provided. In fact, the cross exposure programs nurture information sharing

on the competitive landscape of the industry among the network of hotels. This is confirmed in the following quotes:

During the monsoon season in Redang for instance, the hotel is closed. We gave the staffs cross exposure in KL or Langkawi. This is a good exposure for them. Although in new environment, we are like sharing places, so through cross exposure they gain more experiences.

At one time, we took our staffs to Switzerland for exchange program, under the same group of hotels....on another occasion, we sent one of our chefs there when one of the hotels under the group organized a Malaysian food promotion in Geneva, Switzerland.

(General Manager, Hotel A)

The employees of five star hotels are also given opportunity to enhance their skills through scholarships and professional courses. Usually, employees, through their own initiative, enroll in university programs, such as hotel management, hotel catering, MBAs and other related programs. The employees then apply for scholarships from hotel management. Based on the relevancy of the program and the performance of the employee, hotel management considers sponsoring the employees.

For four-star and three star hotels, the evidence indicates that their employees are also sent to attend conferences, but mainly at the national level. However, acquisition activities are limited when compared against 5 star hotels. Training is mainly outsourced and, therefore, the information received by the employees from the process is common to other hoteliers. In addition, scholarships are not offered to the employees, a situation which effectively limits career advancement opportunities for the existing employees of such hotels. The lack of career advancement opportunities in lower rated hotels reduces employee loyalty and creates disadvantages for these hotels in regards to the retention of good employees. The career opportunities offered by five star hotels encourage employees that have gained experience in lower rated hotels to move to higher rated hotels. This contributes to a higher turnover in lower rated hotels especially at the executive level when compared against higher rated hotels. Meanwhile, in two-star hotels, the extraction of knowledge is more from internal sources. In terms of training, the two-star hotels rely more on training conducted by hotel associations, which limits the information acquisition process.

KNOWLEDGE STORAGE

In terms of knowledge storage, the employee selection procedures adopted by the hotels signify the level and type of knowledge considered pertinent to the employees for employment and training. The five star hotels emphasize multi-experience in the hotel industry more than academic qualifications. However, the four star and three star hotels emphasized experience and believed in promoting internal staff to higher positions.

Basically, the lower rated hotels preferred working experience over academic qualification because they did not want to spend much on training due to the limited training resources available in lower rated hotels. As mentioned by one of the HR managers of a three star hotel:

Education is not as important as experience, so we hardly sponsor employees to pursue their studies. We have to be very particular, since the cost incurred to sponsor them are high... it involves long term consideration....So far, we have yet to sponsor any employee.

(HR Manager, Hotel E)

The owner of another three star hotel also believes that experience is more important, as elaborated in the quote below:

Of course experience is our priority. If the applicant has higher qualification, it would be a bonus. Sometimes there are applicants with degrees but no experience. It is a problem when they don't have the experience... how can they guide the rank and file staff if they do not have any working experience in the hotel industry? It will be very difficult.

(Owner, Hotel F)

It is also a normal practice among the lower rated hotels to promote existing employees to higher positions. Although this policy gives motivation to the existing employees, it inhibits the process of acquiring new ideas and applying different experiences to the existing routines and processes. Since five star hotels value both academic qualification and experience, they have more advantages in terms of getting new ideas and new knowledge that contributes to the innovativeness of their services. Therefore, the level of tacit knowledge among the five star hotels is significantly higher than among the other hotels. This is supported by the quote below:

Yes, for management level, you must have at least a diploma in order to really understand the services we are offering.... Any task, like F&B, involves processes such as food costing. You must be able to set the recipes, and then you must know manual engineering....If they don't have the qualification, they would not know these procedures, and even if they learn, they can be very slow.

(HR Manager, Hotel B)

Additionally, five-star and four-star hotels have also developed databases on their employees and market. These databases are important in monitoring employee performance and the competitive position of the respective hotel. The findings also reveal that five-star hotels rely more upon informal internal knowledge embedded in their employees when compared against lower rated hotels.

In five star hotels, knowledge is also retained through the use of training modules developed by in-house trainers. It was a norm that employees who attended professional training programs are required to develop training modules and conduct in-house training. Such training modules can be used and updated from time to time to suit the changing needs of the hotel. Translating acquired knowledge into training modules allows tacit

knowledge to be transformed into explicit knowledge that can be disseminated to future employees.

KNOWLEDGE DISSEMINATION

Daily briefing within departments is a norm in all hotels. However, higher-ranking hotels rely more upon informal face to face discussions within the departments and also between departments and at the management level. They achieved this through the use of committees that involve all ranks of hotel staff; associations; and other social activities. Through these informal gatherings, employees have the opportunities to convey their grievances or problems to upper level management. Such informal channels also strengthen ties between employees, irrespective of position and rank.

In formal meetings, employees are encouraged to contribute ideas and suggestions to improve services. The hotels value ideas from employees by offering standard recognition and incentives, such as "employee of the month" awards; management announcements; and monetary incentives, including bonuses, trips and free stays. However, five star hotels allow individual departments to develop and implement their own recognition mechanisms. This is supported by the quote below:

Yes, we do allow departments to create their own way of recognition. However, it requires approval from the management. We have a budget for this and therefore we allow flexibility.

(HR Manager, Hotel B)

As for three and two star hotels, the dissemination of knowledge is very limited. These hotels adhere to standard operating procedures (SOPs) and seldom ask for ideas and suggestions from their employees. Since decision-making is concentrated at the top, less opportunities exist for employees to contribute ideas for decision-making. In fact, the hotels do not value or recognize employees' suggestions and ideas.

In terms of training, five star hotels believe that knowledge gained by a minority of employees should be shared with the majority. Hence, employees who are sent to professional training programs are required to provide input on developing in-house training modules. They are also required to conduct training based on the knowledge they gain from the programs attended. This also applies to those employees that attend international conferences, as they are required to update and inform hotel management of the outcome of the conferences and seminars. Unlike five star hotels, the level of knowledge dissemination is slightly limited in four-star hotels because they rely more upon formal discussions at the management level. As for three and two star hotels, knowledge dissemination relies mainly on formal interactions.

KNOWLEDGE APPLICATION

Knowledge application is more obvious in five star and four-star hotels where trained employees are required

to conduct in-house training for the rank and file staff. However, the training ability of five star hotel trainers is expanded to other subsidiaries and other hotels.

This is elaborated by the following quote:

....we brought all key managers from all the five hotels to develop the training manual, so there is joint ownership....., and this task took nearly six months. At the end of the day, we now use the modules at all subsidiaries and it is easy of course, as it is identical (standardized).

(General Manager, Hotel A)

Furthermore, the cross exposure received by employees of the five star hotels is applied to improve current services. In four-star hotels, observations of services in other hotels are used to enhance existing services. However, for three and two star hotels, employees rely substantially on SOPs when performing their tasks. This is explained by the following quote:

Work processes are very structured. We follow SOP. Every department has its own policy and procedures (P&P) and therefore the work processes are less complicated.

(HR Manager, Hotel G)

KNOWLEDGE INNOVATION

Knowledge innovativeness, with regard to human capital, is apparent in the form of training modules produced by the hotel staff. As mentioned earlier, five star hotels develop their own training modules that are based on certified programs. These modules are often updated and new modules that are customized to the needs of the hotels are added to the existing ones.

Employees in five star hotels are also encouraged to be creative and innovative when performing their task and, therefore, are allowed to decide based upon their own discretion in certain situations. The informal ambiances in the five star operating environments encourage employees to voice out their opinions, while gaining recognition and rewards for their ideas. As explained by the General Manager of a five star hotel:

We do not tell them exactly what to do, not like those days when we trained employees to be like a parrot, for example wishing 'good morning sir' which is very standard. Now, we encourage them to think and observe. For example, now the hotel aspires to creating memorable experience for the customers. So they must think how to achieve this. So, we are now encouraging their thinking process to create something.

(General Manager, Hotel A)

On the other hand, the rigid and structured environment in the three star and two star hotels impedes creativity and innovative ideas. In fact, the employees are less motivated to be creative due to the lack of an effective reward plan offered by these hotels.

Employees in higher rated hotels are also given the opportunity to observe services provided by other hotels. In one instance, chefs are taken for free lunch or dinner in rival hotels to observe the services provided. This is explained by the quote below:

Last year, my GM brought all F&B staffs for dinner at a rival hotel. There, they observed the services provided...the skills, the way they presented the food, the taste and the quality of food served. They did not only enjoy the assignment (as a recognition), but also were able to compare and evaluate their performance and eventually try to improve.

(HR Manager, Hotel B)

Therefore, it can be concluded that in lower rated hotels, the structure is very rigid and inflexible. Such a structure discourages creativity and innovativeness among the employees.

DISCUSSION

Based upon the findings, the KM strategies of hotels can be explained by Lee and Choi's (2002) classification of strategies based on two types of knowledge: system-oriented strategy and human oriented strategy. The evidence indicates that hotels with higher star ratings are inclined to adopt human-oriented KM strategies, while hotels with lower star ratings adopt system oriented KM strategies. This conclusion is derived from the dimensions of KM practices illustrated in Table 4. For knowledge acquisition activities, the five and four-star hotels are more externally focused and utilize environmental scanning to extract new knowledge and customize the newly acquired knowledge to their needs. These hotels send their employees to conferences and workshops to gain new knowledge. They also use feedback from customers and related agencies to enhance the quality of their services. Acquired knowledge does not have to be newly created, but only new to the organization (Davenport & Prusak 2000).

The process is extended to sharing the knowledge, whereby staffs that have undergone training are required to produce customized modules and conduct in-house training. The knowledge sharing exercise in higher ratings hotels is more extensive since employees are subjected to cross-exposure training in subsidiaries or sister hotel and on-the-job training. Knowledge sharing is also performed informally because the level of tacit knowledge amongst employees is high. Based upon the observations of the present study, every morning the rank and file staffs have an informal meeting before starting their shift. This activity becomes a practice because it is difficult to transmit most of the knowledge formally.

For knowledge storage activities, all hotels focus on the development of a customer database, but the knowledge storage activities for higher rated hotels places more emphasis on developing individual knowledge. Employees are encouraged to apply their creativity in order to enhance the quality of the services provided and to satisfy customers' needs. Although the investment of higher rated hotels in systems is greater compared against lower rated hotels, how they use the systems differentiate the KM strategy they pursue.

Consistent with the emphasis on knowledge sharing in higher rated hotels, knowledge dissemination activities involve high informal interactions for the sharing of tacit knowledge. This is evident not only in frequent informal discussions among employees, but in the fact that employees are given the opportunity to give suggestions and voice out their opinions informally, especially on matters that were related to their tasks. This is consistent with findings by Bhatt (1998), who suggests that firms that pay attention to technology and staffs equally by encouraging informal meetings among employees, get-togethers and personal interaction perform better to meet customers' expectations when providing products and services. Employees are also encouraged to be innovative and creative in performing their tasks and given more discretion in making decisions in critical situations.

For knowledge application activities, the evidence from the present study indicates that five and four star hotels focus more upon increasing the quality of their services. New knowledge is applied to enhance the quality of the services provided. As for lower rated hotels, acquisition activities are more internally focused. These hotels gain new knowledge from employees' experiences; meeting reports; and internal documents. Reports from meetings are normally used as the main reference in problem-solving and decision making. Knowledge storage activities place more emphasis on documenting organizational knowledge. Therefore, all procedures, policies and standards are well documented and strictly followed. There is minimal room for flexibility.

In these types of hotels, knowledge dissemination activities occur formally and knowledge is transformed into explicit knowledge in the form of documents. However, the documents can only be accessed by employees at the management level. Furthermore, meetings mainly focus upon daily operations; and monitoring employees' tasks and performance. The present study also finds that the knowledge application activities in lower rated hotels are more focused upon increasing the efficiency of their operations.

From the findings, although hotel management acknowledges the importance of knowledge in gaining a competitive advantage, a lack of willingness to invest in human capital development is seen to exist in two and three star hotels. This is consistent with the findings of Subba Narasimha (2001). Hotels with two and three star ratings are more concerned with system development rather than individual development because they are more concerned with budget, costs and short term returns. It can be posited that this practice is due to management beliefs that once the employees gain such exposure and build such expertise it is likely that the employees will move to other better hotels. Consistent with the findings of Abeysekera (2006), such hotels consider employees to be a cost that needs to be controlled. Therefore, lower rated hotels used structural capital to complement the KM practices, such as acquisition and dissemination activities.

On the other hand, higher rated hotels are more human oriented because they believe that the value of the services can be enhanced through investment in human capital. They understand the need to capitalize on the tacit knowledge component that is embedded in their employees and this type of knowledge is difficult to transform into manuals and modules. Therefore, knowledge sharing is extensively encouraged and innovations resulting from acquired knowledge are rewarded.

Table 4 gives a summary of the differences of the five KM practices (i.e knowledge acquisition, storage, dissemination, innovation and application) in relation to KM strategies. From within and cross case analyses, companies in different star rating categories exhibit different orientations in handling knowledge and this is apparent in their implementation of human capital development.

Table 4 demonstrates that the higher the rating of a hotel, the more the hotel are utilizes its human capital. As shown in Figure 1, hotels with higher ratings tend to practice human-oriented strategies by supporting and empowering innovative and creative actions by employees. Meanwhile, those hotels with lower ratings implement system-oriented strategies and relying more on SOPs and technical compliances. Figure 1 depicts the KM practices and the KM strategies adopted by hotels with different star ratings in Malaysia.

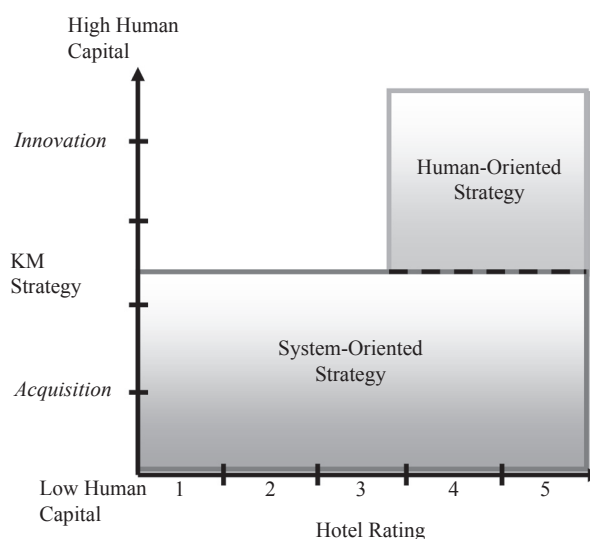


FIGURE 1. KM Strategy and practices in hotel industry

The findings of the present research show significant differences in knowledge management practices in hotels with different ratings in managing their human capital. The present study has developed a new perspective for understanding the knowledge management practices of the hotel industry in relation to their human capital development. It also enables the formulation of a series of propositions on knowledge management practices and human capital. Based on the discussion, the following propositions are forwarded in Table 5.

TABLE 4. Typology of knowledge management strategies and practices in different hotel ratings

Strategy	Hotel rating	
	Low	High
System oriented	Knowledge acquisition	<ul style="list-style-type: none"> • Training for employees is provided by the parent company or outsource to external training providers. • Knowledge obtained from training programs are generic and standardized with other sister hotels.
	Knowledge storage	<ul style="list-style-type: none"> • The basis of employee selection is mostly based on academic qualification. • Employees rely on explicit knowledge in the form of documents. • Employees are required to develop standard operating procedures (SOPs) in task execution.
	Knowledge dissemination	<ul style="list-style-type: none"> • Interaction between staff is highly formal.
	Knowledge innovation	<ul style="list-style-type: none"> • Employees rely substantially on SOPs in performing their tasks.
	Knowledge acquisition	<ul style="list-style-type: none"> • Staffs from management and supervisory levels are groomed to be certified trainers to conduct in-house training for the hotel and its subsidiaries. • Employees sent for training are expected to develop customized modules for in-house training. • Employees are sent to attend conferences in order to gain new knowledge, skills and information (international and national level). • Employees gain experience from cross exposure at subsidiaries or sister hotels in other regions. • Employees get on-the-job-training. They learn from their peers and experienced trainers. • Employees are granted scholarships to further studies. • Employees are given tasks involving dining or staying at other hotels to observe and experience the services provided by competitors.
Human oriented	Knowledge storage	<ul style="list-style-type: none"> • Minimal level of experience is expected in employee selection.
	Knowledge dissemination	<ul style="list-style-type: none"> • Knowledge sharing is very limited and discussion on operations is limited to members of the top level of management.
	Knowledge innovation	<ul style="list-style-type: none"> • Employees are encouraged to be creative and innovative when performing their tasks. • Employees are able to make decisions, based upon their discretion, in critical situations concerning customers. • Training manuals are always updated and new modules are introduced from time to time.
Knowledge application	<ul style="list-style-type: none"> • Employees who have been sent for training are required to conduct in-house training for the rank and file staff. • Experiences gained from cross exposure are applied to improve services. • Observations of the services offered by competitors are utilized to enhance existing services. 	

TABLE 5. Knowledge management activities and propositions

Knowledge management activities	Propositions
Knowledge acquisition	P1: The higher the rating of the hotel, the more human oriented the knowledge acquisition and the higher the focus on human capital development.
Knowledge storage	P2: The higher the ranking of the hotel, the more knowledge storage relies on tacit components and the higher the importance of knowledge sharing activities. P2a: The lower the ranking of hotel, the more human capital relies on explicit knowledge, such as SOP, to perform their work.
Knowledge dissemination	P3: The higher the ranking of the hotel, the more informal the way knowledge is disseminated.
Knowledge innovation	P4: The higher the ranking of hotel, the more human oriented knowledge innovation and the more human capital has the opportunity to use their creativity and be innovative. P4a: The lower the ranking of the hotel, the more likely knowledge innovation is more system oriented; the less creative human capital becomes; and the more human capital relies on SOP.
Knowledge application	P5: The higher the ranking of the hotel, knowledge application is more human oriented, the more new knowledge is being applied.

CONCLUSIONS AND IMPLICATIONS

On the whole, a relationship exists between the rating of the hotels and their knowledge management strategy and practices. This, in turn, influences their level of innovativeness in delivering their services. Innovativeness is the main source of competitive advantage for a firm. It can be inferred that a human-oriented strategy is more appropriate in promoting innovativeness, while a system-oriented strategy is more suitable for supporting procedural and technical compliances. Integrating the concept of human capital and knowledge management in strategic management conceptualization enables a more comprehensive view of the relationship between company strategies, human capital and knowledge management. The present study contributes to the existing literature by highlighting the importance of the convergent perspectives of knowledge management theory, strategic management theory and human capital theory in explaining competitive advantage of the firm.

The findings show that the development of human capital in the Malaysian hotel industry corresponds with the star rating achieved by the hotel. Since the rating of the hotels is based on the facilities and the services provided, human capital enhances their positions in the

star rating category. The requirement of the rating can be met by any hotel as long as they have the financial capabilities. However, what differentiate one hotel from another in the same rating depends upon human capital that is manifested into the services provided. Therefore, managers need to understand the need to continually upgrade their human capital by consistently providing training; encouraging their employees to acquire new knowledge through participation in conferences and workshop; providing cross exposure by sending employees to other branches; having frequent formal and informal meetings; and encouraging and acknowledging the participations and contributions of employees to the enhancement of the quality of their services and products. The evidence from the present study calls attention to the importance of managing the knowledge of employees to ensure a firm's competitiveness and sustainability.

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