The Paradox of Training and Development:
Knowledge Management in the Chinese Hospitality Industry Context

Dr Tommy Wong
School of Management University of Tasmania, Hobart, Australia
Email: Tommy.Wong@utas.edu.au

Dr Mark Wickham
School of Management University of Tasmania, Hobart, Australia
Email: Mark.Wickham@utas.edu.au

Ms Linda Hall
School of Management University of Tasmania, Hobart, Australia
Email: Linda.Hall@utas.edu.au
The Paradox of Knowledge Management:  
A Chinese Hospitality Industry Perspective

ABSTRACT

Research has consistently demonstrated a significant relationship between knowledge management (KM) and competitive advantage. Recently, there has been a call for more empirical research of KM in the hospitality industry in emerging markets such as China. This paper presents an analysis of Marriott and Parkyard Hotels operating in the Chinese market for high quality hotel accommodation with a particular interest in their knowledge management to effectively compete in that context.

Key Words
Knowledge Management, Competitive Advantage, Training and Development, Chinese Hospitality Industry

INTRODUCTION

Organisation-specific knowledge is considered as one of the most valuable resources of an organisation (Kogut & Zander 1996; Zack 1999). The effective management of such knowledge is viewed to have the potential to generate sustainable competitive advantages (Kor & Mahoney 2000; Lubit 2001; Penrose 1959; Schumpeter 1934; Zack 1999). Knowledge management (KM) has emerged as a concept to support organisation competitiveness and growth through retaining and leveraging its knowledge (Diakoulakis, Georgopoulos, Koulouriotis & Emiris 2004; Dierickx & Cool 1989; Goel, Rana & Rastogi 2010; Kohli & Jaworski 1990).

Despite the significant development of KM in most industries over the past two decades (Davenport & Prusak 1998; Hall & Paradise 2005; Nonaka & Takeuchi 1995), scholars argue that there are still many areas within the KM domain unexplored (Chae & Bloodgood 2006; Gu 2004; Hazlett, McAdam & Gallagher 2005; Raub & Ruling 2001). One such area is in the hospitality industry (Bouncken 2002; Cooper 2006; Hallin & Marnburg 2008; Yun 2004). Recently, there have been calls in the literature for researchers to explore how service organisations in China manage knowledge as the Chinese service industry continues to grow (De Long & Seemann 2000; Peng, Moffett & McAdam
Given few studies of KM have been conducted in the hospitality industry, in particular in China; this presents a research opportunity for this paper to explore the effectiveness of KM as a process to strategically manage organisation-specific knowledge in emerging markets such as China.

**LITERATURE REVIEW**

The strategic management of knowledge is viewed as an effective process to support competitive advantage (Barney 1991; Davenport, De Long & Beers 1998; Grizelj 2003; Nonaka 1991; Penrose 1959; Schumpeter 1934; Wernerfelt 1984). This process was widely used as part of the overall consultancy portfolio by many large consulting organisations in the late 1980s to assist organisations in identifying, obtaining and leveraging organisation-specific knowledge to gain competitiveness (Tuomi 2002). The concept of ‘knowledge management’ (KM) was first coined by Karl Wiig during his keynote address at the International Labour Organisation conference in Switzerland in 1986 (Beckman 1999). Over the past two decades, the concept of KM has emerged as a well-accepted multi-disciplinary management theory (Cooper 2006).

The concept of KM draws on various practical and theoretical works from a number of practitioners and researchers. According to Sveiby (2001), the historical roots that formed the foundation of KM include three major phases. The first phase of KM development was on organisational information processing system (Tuomi 2002). In the 1960s, the main concern of organisations was to determine how to store, process and share knowledge with computer-based systems to improve productivity (Sveiby 2001; Tuomi 2002). Many implicit computer-orientated KM initiatives focussing on the management of the rapidly expanding volume of information were implemented by organisations from the mid 1960s and onwards (Tuomi 2002). In the 1980s, knowledge-based technology and expert systems were commonly introduced as a solution to alleviate to loss of human expertise resulted from organisational reengineering and downsizing (Feigenbaum, McCorduck & Nii 1988). During the second phase of KM development in the 1980s, consumers were demanding products and services that could provide more value for their money (Wiig 1997). As the consumer market shifted from production to market-driven, organisations had to reemphasise their operations based on
knowledge. The focus of KM initiatives during this phase was largely on the strategic analysis of external information related to market trends and competitors (Fuld 1996). However, in pursuit of perfect information, organisations were overloaded with data and resulted with top management not knowing who had the critical knowledge (Tuomi 2002). Business intelligence experts were engaged to develop systems and processes to manage access rights of organisation-specific knowledge to make information relevant and actionable (Fuld 1996). By the early 1990s, the core focus of KM initiatives was on effective utilisation of human experts, social communicative networks and sense-making (Tuomi 2002). The third phase of KM development started to emerge in the mid-to-late 1990s as the Western World entered into what Drucker (1993) described as the knowledge society. According to Drucker (1993), in the knowledge society organisations must develop strategies to learn and create new knowledge that is relevant to the new competitive environment. To compete in the new knowledge society, Drucker (1993) proposed that organisations must reinvigorate their knowledge by continuing to improve on their core activities through development of new processes based on their successes and innovations. The increasingly dynamic competitive environment based on knowledge and innovations drives organisations to intensify their efforts to strategically manage KM as an organised process and to replace any knowledge that has become outdated (Tuomi 2002).

For most hospitality organisations, the ability to collaborate with other industry stakeholders is critical (Hallin & Marnbury 2007). A common characteristic of hospitality organisations such as hotels, travel agents and retail operators is the high reliance on information and communication technology in their knowledge-based and knowledge-intensive operations (Kahle 2002). The nature of the hospitality product and service quality is highly dependent on the experience and interaction between the employees and customers/guests. To be able to learn and share these experiences and interactions amongst other employees is critical, as it can improve future products and service delivery (Kahle 2002; Kotler, Bowen & Makens 1999). The increased dependent on technology to share, store and generate knowledge across most sectors in the hospitality industry has emphasised the needs to expand KM focus to encompass the inter-organisational perspectives based on networks (Baum & Ingram 1998; Cooper 2006; Grizelj 2003). Given this realisation, researchers have called for more
empirical studies in both theoretical and methodology within the field of KM in the hospitality industry (Bouncken 2002; Cooper 2006; Grizelj 2003; Hallin & Marnburg 2007). Over the past thirty years, the Chinese government has played a critical role in the development of the hospitality industry in China. Through introducing significant changes to policies the Chinese government has expanded its hospitality industry as part of China’s overall market-based economic reform (Zhang, Pine & Zhang 2000). With strong support from the Chinese government, China is projected to be the world’s top tourist destination by 2020 (WTO 1999). As KM practices in China is still at its infancy (Taminiiau, Smit & de Lange 2009; Jiacheng, Lu & Francesca 2010) with the majority of KM research and practices based on western business environment and assumptions (McAdam, Moffett & Peng 2012). The rapid development of the Chinese hospitality industry is driving service organisations and practitioners to actively seek to increase their understanding of KM within a Chinese business environment (Lihua 2005).

**RESEARCH OPPORTUNITY**

With the call for more empirical research of KM in the hospitality industry along with the limited development of KM in China, an intersecting issue has highlighted the need for further research of KM in the Chinese hospitality industry. In order to explore this research opportunity, this paper focuses on two hotel chains operating in China. The two hotel chains consist of one international hotel chain and one domestic hotel chain. The international hotel chain is the Marriott International, Inc., (which will be referred to as “Marriott” in this research) and the domestic hotel chain is the Parkyard Hotel Management Group (which will be referred to as “Parkyard” in this research).

The Marriott represents a premium quality US-based ‘hotel and related service provider’ that has endeavoured to increase its global market share via international expansion of its operations (Marriott Website 2013a). Over the past 85 years, Marriott has combined innovation and growth to become a leading global hospitality company with over 3,800 lodging properties operating in 74 countries and territories (Marriott Website 2013a). Today, Marriott has 64 properties located in first and second tier cities across China with over 40 under the brands of Marriott, Renaissance and Courtyard (Marriott
Marriott provides different lodging services to both international guests and the fast growing domestic market. Its international reputation for service excellence throughout the world is well documented, achieving a number three ranking of best hotels in the world in 2010, and being named as one of the “100 Best Companies to Work For” in 2010 by Fortune® (Marriott Website 2010). On the other hand, the Parkyard is a domestically owned hotel management group providing full hospitality service to domestic hotel owners, operators and investors (Parkyard Website 2013a). The Parkyard operates two hotels in China, which are designed to cater for both international and domestic business travellers and trade exhibitors (Parkyard Website 2013b). In 2013, Parkyard operates one hotel in the second tier city of Jiaxing and a flagship hotel in the centre of Shanghai industrial park (Parkyard Website 2013b). The Parkyard Hotel in Shanghai is specifically located in the proximity of Shanghai International Airport and the city’s main exhibition centre to service international business and trade visitors, while the Jiaxing hotel is mainly designed to cater for the domestic business travellers and government officials (Parkyard Website 2013b).

Based on the call for more empirical research of KM in the hospitality industry (Bouncken 2002; Cooper 2006; Grizelj 2003; Hallin & Marnburg 2007), and to explore how service organisations in China manage knowledge as the Chinese service industry continues to grow (De Long & Seemann 2000; McAdam, Moffett & Peng 2010), this paper seeks to explore the following research question:

*What KM issues impact foreign direct investment (FDI) in the Chinese hotel industry?*

**METHOD**

For this research, a total of 32 semi-structured interviews each lasting between 60 and 90 minutes were conducted with the Marriott and Parkyard Hotel senior executives in China. Both the standardised and specific interview questions were formulated to facilitate the aggregation, analysis, triangulation, and validation of information, and enabled the researcher to interrogate the evidence gathered from other sources. These questions were designed to cover the necessary issues, but were framed in an open-ended manner, to allow the interviewees sufficient latitude for introspection and
open reporting of their own perspectives. As a result, the informants were free to pursue those matters that they considered critically important. The collection of primary data using a semi-structured interview method allowed the informants to tell their own story in their own way, thereby allowing the researcher direct access to the experience of the case (Clandinin & Connelly, 1994). These individualised recollections aid to strengthen the inquiry by counteracting the bias that may exist in the secondary documents (Burgess, 1982), by adding matters of fact or detail that may only be recorded in individual memory (Samuel, 1982), and by giving voice to those not usually heard (Fontana & Frey, 1994). The semi-structured interviews enabled the researcher to access facets of the case that would not have been available by any other data gathering technique. Interpretation of the primary and secondary data, and the verification of the conclusions, was facilitated by the use of the QSR NVIVO (version 8) software package.

**DISCUSSION**

Three distinct KM issues impacting FDI in the Chinese hospitality industry emanated from our analysis of the primary interview data: a fundamental lack of international/Western knowledge in the labour market; the dilution of skilled labour across labour market boundaries; and the importance of organisational cultural transfer to the development of KM in local employees. The fundamental lack of international/Western knowledge in the available labour market manifest in terms of the basic training required to perform tasks to an international standard; this issue was most prevalent in the period directly after the ‘Open Door’ policy:

Back then China didn’t have the skills, the expertise, or the technology to run international hotels…it used international hotel management companies like the Marriott to upgrade its capabilities….Foreign hotels were a sign of economic development for the domestic governments, and hotels like the Marriott was viewed as the window to the world to most local Chinese and a symbol of economic success to the domestic governments during the early 1990s (General Manager 1, Personal Interview, 2012).
As the hospitality industry was not new to the Chinese market, the issue stemmed not from a lack of understanding about how to manage hotel chains, but rather that the insular and uncompetitive industry structure underpinning the industry had led to complacency and a lack of competitive pressures to improve employee knowledge and skills:

…in the early days our domestic associates needed to be shown how to perform tasks and to be reminded how to work within the boundaries of procedures and processes (Human Resources Director 2, Personal Interview, 2011).

This issue persisted in the Chinese hospitality industry some 20 years after the Open Door policy, emanating from a general resistance to change and an unwillingness to adapt to a Western-style competitive market environment:

…in the 1990s and even in the early 2000s, investing in your employees and treating them well were not common management practices in China… (Human Resources Director 1, Personal Interview, 2012).

International hotels are struggling to implement autonomous workplace conditions or empowerment process in China due to its “fear to get into trouble” culture and the extremely tough employment regulations…we have dedicated human resources officers to deal with the various domestic government departments for all our domestic employment issues (General Manager 2, Personal Interview, 2011).

The ability for Western hospitality organisations to control and develop its KM in this environment appears to be substantially based on managing the differences between national cultures (as it pertains to adapting to competitive market forces) and organisation culture (as it pertains to Western standards of behaviour and personal skill development).

The second issue impacting on KM in the Chinese hospitality industry concerns the dilution of skilled labour across labour market boundaries. As the least resistant (and therefore, relatively higher-skilled hospitality employees) become visible and demanded in non-hospitality industries across China, there are fewer exit barriers (and greater pay incentives) for hospitality workers to change career. This
transience necessarily reduces the KM in the hospitality industry, as well as the capacity for the relatively lower-skilled employees remaining to bridge the gap:

There is gradual ‘dilution’ of skills and experiences in the hotel industry due to the rapid expansion of hotels and poaching by other hotels and industries, such as multi-national companies (MNCs) and government departments (General Manager 5, Personal Interview, 2011)

Twenty years ago the hotel industry was the most sought after industry to work in for young people, but not anymore… (General Manager 2, Personal Interview, 2011)

The hotel industry as a whole is losing the skills and experiences to all other industries, as people do not see working in the hotel industry as their preferred career anymore (Human Resources Director 2, Personal Interview, 2012)

The sad thing is that the hotel industry is now competing amongst other hotels for the leftover (General Manager 5, Personal Interview, 2011)

It is becoming more difficult to employ and retain younger, quality staff because there are so many opportunities now open to young people in China (Mariana Cavalcanti, 2005, as cited in Babitch & Chen 2005).

The service quality of hotels has diminished because if someone steals one of my managers, then I have to promote my young shift captain with limited experience to fill the vacancy as a manager…it is a vicious circle (Human Resources Director 3, 2012)

The key to effective KM in the Chinese hospitality industry, therefore, appears reliant on the ability of hospitality organisations to convince its labour market that the hospitality industry offers a competitive career choice to highly skilled employees. The absence of such industry-based marketing efforts will necessarily coincide with a continuation of skill (and knowledge) migration from the hospitality industry; essentially, hospitality organisations will become responsible for the training and development of employees for other industries able to market their career opportunities more effectively.
The third issue impacting on KM in the Chinese hospitality industry, and inherently linked to the resolution of the first two, concerns the importance of the organisation’s culture to the development and maintenance of KM in domestic Chinese employees. The data demonstrates that the effective transfer of the hospitality organisations’ organisational culture was necessary to establish a link between the organisations’ ‘way of doing business’ and the domestic employees’ knowledge development:

As part of Marriott’s “Spirit to Serve” value, we invest in our people and knowledge to provide our guests with high quality products, services and experiences (General Manager 3, Personal Interview, 2012).

…we have very effective internal mechanisms to assist us in many aspects of operations…these systems surely make our lives easier (Sales Director 2, Personal Interview, 2012).

Data from one of the largest hospitality chains to enter the Chinese market (Marriott Hotels) demonstrates that effective training and development courses need to focus on more than just the day-to-day tasks associated with particular job roles, to instead focus on ‘the manner in which tasks are done’, and their link to other functional department areas, the organisation’s core strategy, and ultimately to the employee’s career advancement:

Marriott is very good with their in-house training programs….we were spending around US$800.00 per manager per year in training expense back in the early 2000s….we value our skilled associates and in China where hospitality skills are very hard to find, we use our in-house training programs to increase our available pool of skilled human resources (General Manager 4, Personal Interview, 2011).

Marriott’s internship program works very well as a screening process…we often have a number of domestic and international interns working at our hotels and we filter out the potential interns and offer them positions in the hotels. Many of them ended up being one of our functional managers…our internship program is an important source of talents…there are many workers in the market, but to find suitable workers that speak English with good customer skills is very difficult…we are not only competing with
other hotels, we are competing with all industries including the domestic government departments for talents (General Manager 3, Personal Interview, 2012).

According to Marriott, their dedicated training and development programs solidified their expectations in training their domestic managers’ Western management skills. Furthermore, Marriott’s senior management leveraged their experienced Western managers to work closely with the domestic workforce to achieve required organisational standards and at the same time, to instil its organisational culture of the “Marriott’s Way”.

CONCLUSION

Implications for KM in China

The KM framework, whilst widely viewed as a concept to support organisation competitiveness (Diakoulakis, Georgopoulos, Koulouriotis & Emiris 2004; Dierickx & Cool 1989; Goel, Rana & Rastogi 2010; Kohli & Jaworski 1990) in most industries over the past two decades, there are still many areas within the KM domain that are unexplored (Chae & Bloodgood 2006; Gu 2004; Hazlett, McAdam & Gallagher 2005; Raub & Ruling 2001). We suggest four main implications for managers to consider: inertia and resistance to change in workplace, the transient nature of skilled workforce, effective internal marketing and ability to instil organisational culture to domestic employees.

This research suggests that there is considerable inertia and resistance to Western-style competition in the Chinese hospitality industry. KM development in the Chinese hospitality industry is restrained to the extent of the resistance to culture change – both national and organisational. The ability for Western hospitality organisations to control and develop their KM in this environment appears to be substantially based on managing the differences between national and organisation culture. This research also suggests that it is incumbent upon Western hospitality organisations operating in China to focus on corporate culture as the basis for KM and to have the ability to effectively transfer their
organisational culture to the domestic workforce as part of their strategic human resources management strategy.

With the transient nature of relatively higher-skilled workforce moving between industries for better career prospects, the hospitality organisations in China are finding it difficult to retain knowledge in their organisations. To alleviate the dilution of KM capabilities through staff turn-over, hospitality organisations need to continually implement effective marketing strategies to promote the hospitality industry as a viable career in the medium to long-term to attract skilled employees. The lack of such industry-based marketing efforts will essentially turn the hospitality industry into training ground for other industries which are able to market their career opportunities more effectively.

**FUTURE RESEARCH OPPORTUNITIES**

It is a recommendation of this research that additional research be undertaken into two key areas: firstly, the extent to which the findings presented here are applicable to organisations in different industry settings and different emerging markets. Secondly, the impact of Western organisational culture development in Chinese organisations.
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