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Managing human capital in a privately owned public hotel chain

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Abstract

This study analyses human capital (HC) management practices in a small privately owned public hotel group, in the context of intellectual capital. Previous studies have highlighted how firms measure and report HC; however, few studies have examined the HC management practices of firms. This study analyses these practices using multiple data methods—namely, observation, interaction with staff, examination of internal financial and management reports, and semi-structured case study interviews—on a continuous basis over a 1-year period. The results of this study indicate that, through HC management practices, this group of hotels engaged in value extraction rather than value creation as a way of maximizing the value of the firm. The study identifies several possible reasons for this and presents a number of ways of encouraging value creation.

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1. Overview

Several factors inherent in the current global situation have highlighted the importance of human capital (HC). Contemporary forces, such as globalization, new technology, the relatively free flow of capital, increased competition, the demand for innovation, changes in customer demands, changes in economic and political

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structures, and the growing role of the state in supporting knowledge economies, are constantly reshaping the way business is carried out (Buckley and Carter, 2000; Thorne and Smith, 2000; Volberda et al., 2001). Previous research has claimed that firms have begun to realize that technology-based competitiveness is transient, and that sustainable advantage lies in managing intangible resources such as HC (Johanson et al., 2001) and in a firm's ability to create value through managing knowledge (Lev, 2001; Sveiby, 2001).

This paper presents the findings of research into the HC management practices of a group of privately owned small hotels in the public hotel industry in Australia. Four major factors motivated this study. First, although substantial research has previously been carried out into the HC measurement and reporting practices of firms (Bart, 2001; Zsidisin et al., 2003; Abeysekera and Guthrie, 2004), there is a dearth of research into HC management practices, and in particular into the practices of small firms. Second, there is a serious lack of case-based research that addresses the HC management practice of firms on a longitudinal basis. Third, stricter state government legislation relating to patrons consuming alcohol and playing gaming machines in Australia (Australian Hotelier, 2003) has heightened the importance of managing HC within the public hotel industry. Fourth, salaries and wages comprise a substantial cash outflow in proportion to the overall turnover of a public hotel, which highlights the financial impact of staff and staff-related costs on the profitability of a public hotel.

In examining the HC management practices of a privately owned group of public hotels in Australia, the current research focuses on the process of value creation or value extraction in the context of intellectual capital (IC). Value creation can be described as making profits without the exploitation of labour, while value extraction can be described as making profits through the exploitation of labour (Macve, 1999). To put it another way, one could argue that HC management practices in value creation treat HC as an asset, and in value extraction HC management practices treat HC as cost.

The paper is organized as follows. Section 2 provides a brief review of the IC literature, focusing on the management of the HC of a firm. Section 3 provides the theoretical background. Section 4 briefly outlines the research site and describes the research method employed to collect and analyse disclosures in the study (document analysis; data gathering through observation and interaction with staff). Section 5 presents empirical evidence and a discussion from the data analysis. Finally, Section 6 presents concluding remarks, noting the limitations of this study and providing suggestions for future research.

2. Literature review

In defining IC, several authors take the view the benefits of IC being long term rather than short term. However, the definitions of these authors vary significantly (Edvinsson and Sullivan, 1996; Brooking, 1997; Edvinsson, 1997; Edvinsson and Malone, 1998; Klein, 1998; Nasser, 1998; Saint-Onge, 1998; Ulrich, 1998; ASCPA

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