

**TRAINING EFFECTIVENESS AMONG EMPLOYMENT MODES: A  
KNOWLEDGE-BASED VIEW IN HOSPITALITY INDUSTRY**

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**ABSTRACT:** *Bureau of Employment and Vocational Training in Taiwan implements Taiwan TrainQuali Scorecard (TTQS) to measure organizations' training effectiveness since 2007. It is trying to link the individual training to organizational strategy. Conversely, knowledge-based view emphasizes the streams of new knowledge that are obtained, transferred, and integrated to enrich and change an organization's knowledge stock. This research seeks to delineate Kang, Morris and Snell's (2007) three dimensions (cognitive, social exchange and network structure) in value creation which, in turn, explain the knowledge flow in training system among employment modes. Two studies were included in this research; first, the case study approach is adopted to explore the knowledge flow and training effectiveness among employment modes. Further, the questionnaire survey is used to enforce the reliability and validity in the finding. In so doing, it would further increase the explanation of training effectiveness among different groups of employees on firm performance from network theory and social exchange theory.*

**KEYWORDS:** Training Effectiveness, Employment Modes, Knowledge-based View, Network Theory, Social Exchange Theory

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## **INTRODUCTION**

Competition in the hospitality industry has accelerated. It is not acceptable to only satisfy the customer. The key to customers' loyalty and commitment are exceptional service and quick and precise recovery approaches when the problems occur. Meeting these new standards requires a workforce that is trained in all respects. It necessitates people who are capable of analyzing and solving job related problems and shifting from job to job as well. Training has increased in importance in this turbulent environment where jobs are complex and change. At the same time when customer demands are increasing, the hospitality work force is changing. Recently there has been a rapid increase in the use of external labor arrangements such as workers from temporary help services and limited-duration direct hires in industry. The growth of external labor arrangement use suggests the need for a theory to explain the sorts of jobs that should be externalized. Ettorre(1994) suggested that overuse of external labor arrangements might reduce an organization's core competencies, and Pfeffer (1994) noted that the trend

toward using temporary help, part-time employees and contract workers, particularly when such people are used in core activities. Nesheim's (2003) survey shows empirical support for the use of external arrangements in core value-creating areas. Externalization of work is explained as a response to intensified competition. To strengthen an organization's core competency, there is increasing demand for numerical flexibility as well as a strategy that fits easily with the mentioned situation (Kalleberg, 2001; Lepak & Snell, 1999).

In particular, as business closures and unemployment levels rise amidst a protracted global economic downturn, a rise in "external" forms of employment could be seen. "External employment" refers to employing temporary or contract employees. Temporary work is usually part-time and casual, with the salary usually paid by the hour. Contract work is typically set up for a specified working period such as one year. Workers need to negotiate a contract extension to stay on longer; otherwise, they must leave the firm when the term expires. A sign of this trend is the growing inclination of companies to hire temporary or contract workers to replace permanent employees, as they search for ways to lower operating costs. Mile and Snow (1984) noted that while certain human resource practices are centralized or standardized for all employees, others might be customized to match the specific requirements of particular employee groups. These distinctions are, in fact, crucial aspects of a firm's strategic approach to human resources. Tsai's study(2010) shows core competency employees are no longer internal employees in organizations, due to changes occurring in firms' organizational strategies. In this regard, a well-developed training system in different kinds of employment arrangements is important to maintain the service quality.

Bureau of Employment and Vocational Training in Taiwan implements Taiwan TrainQuali Scorecard (TTQS) to measure organizations' training effectiveness since 2007. This system is referred to the Investors in people (Iip) Standard in the UK since 1991. TTQS scorecard for organization included three parts of evaluation (plan, design and do). The evaluation items of TTQS links from organizational development strategy to how the training actually be executed. The result of training bases on the work efficacy of trainees which include the employee's identification of the organizational training system in capacity improvement and work performance. Nonetheless, Kang, Morris and Snell (2007) showed there are three dimensions(cognitive, affective, structural) to interpret the knowledge flows between employee groups which include exchanging new knowledge across organizational boundaries or transferring underutilized potentially valuable knowledge within organizational boundaries. As we know, training as the most important knowledge transfer activities, how training result could actually be influenced business performance still remains a gap to discuss. Hereby, this research

is seeking to adopt three knowledge flow dimensions from Kang et al(2007) to explore the current exists training system by using case study approach. Further, the quantity survey would be followed up to strengthen the reliability and validity on the finding from case study. The research questions I would like to clarify as follow.

- 1) From network theory and social exchange theory to explore the possible training factors among different employee group in an organization.
- 2) To discover the bridge between individual job performance training results and firm performance among employment modes.

### **Employment Modes Theoretical Background.**

The transaction costs perspective focuses on characteristics missing from previous research on external labor arrangements: the characteristics of a transaction. There are costs associated with managing employees through market arrangements (transaction costs) in which firms center on securing the most efficient form of organizing employment versus within hierarchical arrangements (bureaucratic cost) in which firms attempt to minimize ex ante and ex post costs associated with managing employment (Williamson, 1975). The characteristics of the position may play an important role in the firm's determining whether it should use market-mediated mechanisms (external employee arrangements) or hierarchical mechanisms (permanent employment relationships) to govern the transaction. Teece (1984) framed the make or buy decisions a special case of market failures. In an attempt to identify the most efficient form of organizing employment, organizations either rely upon the market to govern a transaction or they govern this process internally. From a transaction cost perspective, internalization of employment is appropriate when it allows organizations to more effectively monitor employee performance and ensure that their skills are deployed correctly and efficiently (Williamson, 1975).

From a human capital perspective, the decision to internalize or externalize employment rests on a comparison of the expected returns of employee productivity. Venkatesan(1992) argued that firms should base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm. Organizations develop resources internally only when investments in employee skills are acceptable in terms of future productivity(Becker, 1964). If employee productivity is not expected to exceed investment costs, organizations likely will secure these skills from the labor market (Lepak & Snell, 1999).

**Employment Mode Studies.**

Lepak and Snell (1999) have drawn primarily from transaction cost economic, human capital theory and the resource-based view of the firm to develop a theoretical foundation in various employment modes. They emphasize the fact that the management of human capital often can be broken down into a “make or buy” decision (Miles & Snow, 1984). Organizations would internalize employment and build the employee skill base through a training and development initiative. The potential benefits of internal employment include greater stability and predictability of a firm’s stock of skills and capabilities, as well as better coordination. On the other hand, firms would externalize employment by outsourcing certain functions to market-based agents (Rousseau, 1995). This outsourcing would enable firms to decrease overhead and administrative costs and enhance organizational flexibility.

Further, Kang, Morris and Snell (2007) highlight how value creation and the strategic positioning of firms are derived from managing different knowledge stocks found in various employee groups both within and across firm boundaries. Their perspective helps to integrate these differences in knowledge and to create an overall picture of how a firm’s portfolio of knowledge stocks is managed. They mention core employees who possess valuable and firm-specific human capital provide the core knowledge base which is a primary source of competitiveness. On the other hand, Mile and Snow (1984) proposed a typology of strategic types based for the most part on the organization’s orientation toward product-market development. While organizational strategies is embedded in a variety of entities, such as tools, tasks, technologies and people, people-embodied knowledge is the foundation of a firm’s core capabilities and is fundamental to the development of its value proposition (Argote & Ingram, 2000). In this regard, human resource arrangements have become inextricably tied to the larger context of strategic management. Organizational strategies are the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization’s mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs.

**Employment Modes in the Hospitality Industry**

Soltani and Wilkinsons(2010) note the widespread “adoption of flexibility strategies” in the hospitality industry, which involves a variety of employee arrangements. Bridges(1994) observes that organizations are decreasingly likely to commit to full-time “permanent” employees and would rather hire employees on a project-by-project basis. Employers are more

agile without the long-term commitment and salary burden of an extensive full-time workforce because part-time employees could be easily deployed on a “contingency” basis as long as required. The World Tourism Organization (WTO) estimates that the global hospitality industry is responsible for creating approximately 194.2 million jobs in 2003, growing to 351.6 million jobs (or one in every 11 jobs) by 2010 (World Tourism Organization, 2004). Among those jobs offered by the hospitality industry, 92% use external employees. Milman (2003) showed that the employment market in the U.S. had undergone restructuring and offered three reasons to explain this trend. First, the majority (81%) of the new positions created since 1993 were in categories paying above-median wages. Second, a large majority of new good jobs in many industry and occupational categories were more likely to be filled by non-college graduates. Third, a strong labor market expansion generated rising real wages for most workers, especially among low-wage workers. All of these explanations for labor market restructuring mostly emphasize “transactional” concern, which means that organizations hire a greater number of external employees to lower operating costs. Kochanski and Ruse (1996) are among those who have observed that the human resource function has been under pressure to decrease costs for multiple reasons: to improve its services; to increase its impact; and to provide a more satisfying work experience for its own employees, given the challenges of a rapidly changing business environment, a tight labor market, changing customer demand, and increasing competition. Because of these challenges, organizations in the hospitality industry are facing serious challenges in balancing quality and cost control, given the labor-intensive nature of the hospitality industry.

### **Training Effectiveness**

Given the large expenditures for training in many organizations, training is a critical factor in any organization’s strategy because firms don’t always evaluate the business impact of a training program. The problems are much of data need to bridge the gap between training and performance exists in organizations which are individual performance and organizational performance.

Measuring the effectiveness of training programs help the organizations to determine where the training program lies. It also could demonstrate a real and significant benefit the organizations from the training could be able to gain more resource to improve the performance. Kirkpatrick(1959) propose a model to evaluate effectiveness of training programs. In this evaluation, there are four levels (reaction, learning, behavior and result) to show whether a fundamental requirement of the training program was met. At the first stage, it is necessary to know how participants reacted to the program. At level two, it shows to what extent participants

improve knowledge and skills and change attitudes as a result of the training. Further, it is important to know what extent participants change their behavior back in the workplace as a result of the training. The final goal is to find out what the organizations actually benefits resulted from the training. At the first three stages basically evaluate the employee training performance and the level four would further to link the business result.

### **Training from Knowledge-based View**

The competition of knowledge-based focus on the organization's ability both to explore and to exploit knowledge as the source of value creation(Kang et al., 2007). They further mentioned three types of organizational learning from social relations which are structural, affective and cognitive dimensions. These three patterns of learning align with exploratory and exploitative learning.

Training as a vital component in the success of the knowledge shared in organizations. Organizational knowledge is embedded in a variety of entities, for instance, people, technologies, tasks and tools. Training is the most important channels to allocate the knowledge to the others. Knowledge-based views of organizations highlight on the sources of competitive advantage and value creation while knowledge transferred. In this regard, knowledge flows, the streams of new knowledge that are obtained, transferred and integrated to enrich and change an organization's knowledge stock became an important issue to elaborate.

### **Cognitive Dimension v.s. Training effectiveness among Employee Modes**

Shared representation, understanding and systems of meaning are primary component of cognitive learning. There are two forms of shared knowledge to be connected either exploitative or exploratory learning. Common component knowledge is the overlapping knowledge that relates to a subroutine or separate aspect of a firm's operations. Conversely, common architectural knowledge relates to the whole or firm-wide routines and schemas for coordination and combing the various components of the firm and putting them to productive used(Henderson & Clark, 1990). In this regard, the training in internal employee focuses on the specialist skill development within the organizations. On the other hand, for external employees, common knowledge can be built to the employees in broader skill development.

### **Social Exchange Dimension v.s. Training Effectiveness among Employee Modes**

Social Exchange theory indicates the generalized trust need to be built before the exchange. Expectations of reciprocity are required in order for trainee to assemble knowledge of relational partners (Kale & Perlmutter, 2000). The potential values of relationships were realized when

related parties trust one another and are willing to share knowledge. Additionally, the effectiveness of training focuses on deepening and refining knowledge in a particular domain. Exploitative learning is increasing while strong-shared norms to open doors for the exchange of valuable, in-depth knowledge. Generalized trust in external employees training could be enhanced through clan-fostering activities such as socialization program which may reinforce the idea of shared values. Conversely, dyadic trust is developed through personal experience in internal employee training and individual incentives would stimulate trainees' motives to build varied relationships for exploratory learning (Leana & Van Buren, 1999).

### **Network Structures Dimension v.s. Training Effectiveness among Employment Modes**

Uzzi (1997) has shown that organizational learning is mainly determined by the structure of relationships which means the patterns of connections among parties in an organization. By no means, network structures influenced trainee's opportunities to identify and access others' tacit knowledge. There are two patterns to express the new work structures included strength of ties (how tightly network members are connected to one another) and network density (the overall redundancy of connections in the network) (Granovetter, 1992). Moreover, network density conveys who interacts with whom and strength of ties conveys how often actors interact. In so doing, the effectiveness of training emphasizes on the Guanxi or relationship between trainer and trainee. Strengthen ties and facilitate knowledge transfer could be developed and maintained through job rotations in internal employees (Dyer & Nobeoka, 2000). On the contrary, for the self-directed work typical of knowledge workers, the design of flexible work structures and temporary project teams helps to engender diverse and transitory connections with internal employees (Kang et al., 2007).

#### *A Tentative Schema for Employment Mode in Training Dimensions*

	<b>Internal Employee Training System</b>	<b>External Employee Training System</b>
<b>Cognitive Dimension</b>	Specialist Skill	Broader Skill
<b>Social Exchange Dimension</b>	Dyadic trust	Generalized trust
<b>Network Structures Dimension</b>	Strong/Dense Network	Weak/No redundant Network

## **METHODOLOGY**

There will be two studies included in this research. The study one is an exploratory research in training effectiveness of employee groups from knowledge-based view. Foremost, a multiple

case study methodology was utilized herein to map the structure among employment modes. It offers useful insights that cannot be achieved with other approaches. In particular, it provides high levels of detail and allows for multiple data collection methods. Larger organizations were chosen because they possess significant numbers of employees in different employment modes. Moreover, this study has characteristics of an exploratory case study that is focused on training effectiveness, and thus, employee modes plays an important role in how the knowledge transfer within an organization.

Case studies use a research strategy involving triangulation, in which the protocols that are used ensure accuracy and alternative explanations. Yin (2009) showed that triangulation can occur with data, investigators, theories, and even methodologies. The need for triangulation arises from the ethical requirements to verify the validity of the processes.

The case study data in this research will follow four conventional types of triangulation (Denzin, 1984) to ensure validity. First, for data source triangulation, the data will be collected from multiple sources (at least two interviewees from each organization, along with documentation) to ensure equivalency across different contexts. The rationale for using multiple sources of data is the triangulation of evidence, thereby maximizing reliability and validity. In the context of data collection, triangulation serves to corroborate the data gathered from other sources. Second, investigator triangulation implies the use of two interviewers to examine the same phenomenon. Third, theory triangulation will be accomplished by using network theory and social exchange theory to interpret the same data, thus improving the explanation. Finally, methodological triangulation, e.g., the case study approach, is used first to confine the data and then to follow up the semi-structured questionnaire survey to increase confidence in the interpretation.

Additional, the quantity survey will be designed after collecting the data from case study. Validity and reliability are essential to the effectiveness of any data-gathering procedure. Validity refers to whether a study is able to scientifically answer the questions it is intended to answer in the area of the research. To ensure the content appropriately assesses the skills or characteristics they are intended to measure, expert validity will be implemented to eliminate irrelevant items and to supply new wording for items necessary for the hospitality industry. Therefore, SEMs (subject matter experts) validated the questionnaire in order to receive expert validity. All the SEMs need to have at least ten years working experience within the hospitality industry.



Reliability refers to the degree of consistency that the instrument or procedure demonstrates. To verify the dimensionality and reliability of the research constructs, a purification process including factor analysis, item to total correlation analysis and Cronbach's alpha analysis will be conducted for the second study.

### **THEORETICAL CONTRIBUTION.**

These two studies will make several important contributions to the literature on organizational training and employment modes. First, focusing on knowledge-based view to explore the training system in different employment modes, the framework delineates these three dimensions (cognitive, social exchange and network structure) which, in turn, explain the knowledge flow in training system. It helps to expand the understandings of training effectiveness were influenced by social exchange theory and network theory in both internal and external employees.

In addition, cross functional and reporting and learning analytics provide important connections between the measures of training effectiveness offered by the study two in this research. After implementing a training program, an organization should be observed and recorded a change in performance. In study two, it will try to provide the bridge between training effectiveness and organizational performance. In so doing, it would further increase the explanation of training effectiveness among different groups of employees on firm performance.

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