Intellectual Capital in the Caribbean Hospitality Industry: Two Case Studies

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Abstract: This paper explores the relevance and awareness of IC in two hotel chains in the Caribbean. A qualitative exploratory case study method was used to gain an in-depth understanding of the constructs relating to IC within indigenous Caribbean hotels. The data collection procedures employed were documentation, archival records and twenty interviews with top managers. Content analysis was used as the major technique for analyzing the data. The major finding is that there is no formal recognition of the construct of IC, but the embedded practices within the organisations suggested the presence of such. The data clustering and analysis of the evidence suggested two themes for HC -personal competencies and human resource praxes; three themes for RC - customer capital, brand and community capital; and three themes for SC - information systems, innovation and organization. The case studies further revealed that the chains had embedded human resource practices and well established customer relationship management systems which created linkages among the components of IC.

Keywords: Caribbean, intellectual capital, hotel chains, case studies

1. Introduction

The Caribbean economies transitioned from agricultural based to service based economies with tourism being the largest contributor to GDP. There is a need for greater understanding of the intangible drivers for this new economy and intellectual capital can assist in this area. Whereas, many corporate leaders understand the physical and financial assets of the organization and how to effectively manage them, they are less knowledgeable about IC which created an impetus for research. The initial research focused on defining IC and its components, (Edvinsson and Malone, 1997; Stewart, 1997; Bontis, 1998); methods for measuring and evaluating IC (Sveiby 2005, Andriessen 2004); examining the impact of IC on performance (Tsai and Ghosal, 1998, Youndt and Snell 2004, Riahi-Belkaoui 2003) and the disclosure of IC (Guthrie and Petty 2000, Brennan 2001, Abeysekera 2008, Bruggen et al, 2009). To this end, the current IC studies have provided a foundation that has successfully furthered our understanding of IC; however, some theoretical tensions have been created concerning the synergistic, dynamic and contextual nature of IC.

IC research from a geographical perspective focused on developed countries, with limited research on developing countries. From an industry's perspective research has focused on high-tech and knowledge based industries and financial services sector but limited research on the hospitality industry with Engstrom et al (2003), Anton et al 2005; Erickson and McCall (2008); Carrington and Tayles (2011); and Laing et al (2010) being the exceptions. The hospitality industry was identified as the area to base the research due largely to its dominant role in the social and economic development of the Caribbean. Additionally, there is a concern that despite the progress taking place with regard to the design of more effective performance measurement systems, hotels are still focusing on more traditional forms of performance measures. Krambia-Kapardis and Thomas (2006) assert that the success of service companies does not depend on a large fixed asset base but on such factors and the management of its intangible assets. IC can assist in this area by deconstructing the complex nature of the service delivery process within hotels. The Caribbean hospitality sector is one of the networked sectors which has benefited from building value through intangibles. Its presence as the leader of economic growth in the Caribbean justifies research to explore the presence of IC.

This paper investigated the characteristics and significance placed on IC in the Caribbean's hospitality industry by assessing the relevance and degree of awareness of IC by managers in hotels. In this paper, we will review the current literature of IC with reference to the hospitality industry. A discussion on the descriptive case studies conducted on two indigenous Caribbean hotel chains will be presented. Finally, it will be concluded that although managers of these chains were unaware of the

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constructs of IC, HC, RC and SC, their day to day activities and embedded practices within the hotels provided evidence that these constructs existed within the chain.

2. Literature review

Intellectual Capital represents the resources of an organisation that have been formalized, captured and leveraged to create assets of a higher value (Bontis 1999, Sveiby 1997). Although there has been a lack of consensus on an agreed taxonomy of IC, a tri-partite model deconstructing IC into human capital, relational capital and structural capital forms the conceptual framework. This classification is consistent with Sveiby (1997) who divided intellectual capital into employee competence, internal structure and external structure and Stewart's (1997) human capital, structural capital and customer capital. Contributions to the literature by Martin de Castro et al (2006) and Tseng and Goo (2005) further deconstructed the attributes of IC. Figure 1 presents the components and subcomponents of IC.

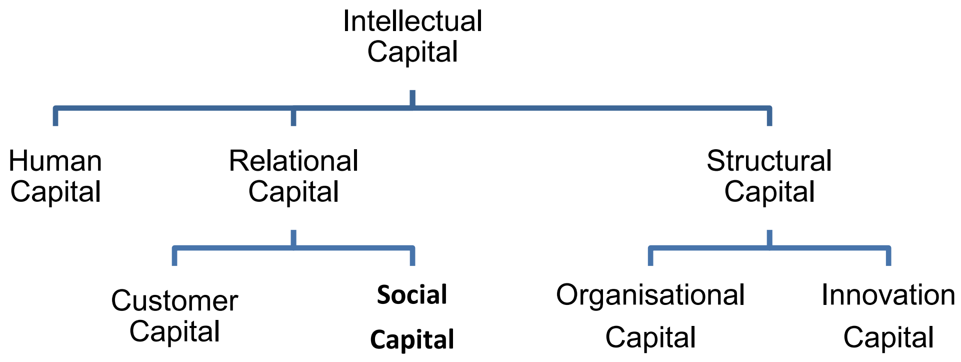

Figure 1: presents the components and subcomponents of IC.

Human capital is not a physical asset of the organisation measured by the number of employees but it relates to employees' education, skills, training, experience, attitudes about life and business, genetic inheritance and values (Edvinsson and Malone 1997; Litschker et al., 2006). Human capital is a multi-dimensional construct encompassing tangible and intangible aspects which serves as one of the inputs into the productive process. Martin-de-Castro et al (2006) in defining human capital speaks to an aspect of its intangibility as they assert that human capital refers to the tacit or explicit knowledge which people possess, as well as their ability to generate it, which is useful for the mission of the organisation and includes values and attitudes, aptitudes and know-how. The hospitality literature is replete with the term "work force", which is being used as a proxy for human capital, as one of the intangible assets. Wolverton et al (2002), O'Neill and Belfrage (2005) have all identified work force as one of the components of the intangible asset value within the hospitality industry. Kinnard et al (2002) argued that in deriving a value of a hotel, a portion of the purchase price is the opportunity cost of assembling and training the required work force. They conclude that a reasonable estimate of the value of an assembled, trained and skilled work force would be 11.5% (6/52) of the annual payroll.

Relational capital is described as either relationships existing between employees and external economic actors (Edvinsson and Malone, 1997; Stewart, 1997), or relationships existing among employees and other departments within the organisation (Tsai and Ghoshal 1998). Martin-de-Castro et al. (2006) deconstructed relational capital into social and business capitals. Social capital has its roots in the field of sociology where it was largely used to describe organisational effects developed through socially derived connections in broader communities, societies and cultures (Nahapiet & Ghoshal 1998; Baker 2001). Business capital on the other hand, according to Martin-de-Castro et al. (2006) refers to the value of direct relationships which the firms maintain with customers, suppliers, partners and shareholders and indirect relationships with the community, government, trade unions and the mass media. Bontis (1999) coined the term customer capital as a subset of relational capital. However, Brooking's (1996) concept of market assets incorporates several attributes contained in the construct of relational capital most relevant to the hospitality industry. She identified brands, customer type and loyalty, corporate image, collaborative agreements and distribution as market assets whereas the hospitality literature used the construct intangible personal property to identify such components. O'Neill (2005) posits that a large part of a hotel's value is intangible and based on the goodwill of its brand name. O'Neill and Belfrage (2005) study reported that hotels affiliated with the

Hyatt brand, and using their proprietary central reservation system increased room revenues by approximately thirty four per cent. Other empirical studies have shown that name recognition and good reputation for high-quality service ('name brand'), plus affiliation ('flag') increases the value of a successfully operating hotel (Kinnard et al 2001; Nilsson et al 2002; Ailawadi et al 2003). These assertions are supported in the marketing literature which has documented the relationship between such market assets and firm’s performance. Hancock (2005) posited that good corporate citizenship contributes to improved business performance. Fombrun and Shanley (1990) maintain that a good reputation is important to obtain competitive advantage through cross selling and increased customer loyalty.

Structural capital includes all the non-human storehouses of knowledge in organisations, such as databases, organisational charts, process manuals, strategies, routines, legal parameters, patents, trademarks, research and development and anything whose value to the company is higher than its tangible value (Bontis, 1999; Roos et al. 1997; Edvinsson and Malone, 1997). Tseng and Goo (2005) divided structural capital into innovation capital and organisational capital, defining innovation capital as the ability to build on previous knowledge. Hjalager (2002) study on innovation in the tourism sector identified product innovation, process innovation, management innovations, logistics innovation and institutional innovations as categories of innovation. Product innovation incorporates loyalty programmes and environmentally sustainable accommodation facilities; process innovation relates to computerized management and monitoring systems; management innovations incorporate new job profiles, collective structures and authority systems; logistics innovation involves the vertical linkages in the food and restaurant industries and integrated destination information systems and institutional innovations represent the collaborative and regulatory structures aimed at reforming the financial systems to meet the needs of the tourism industry (Hjalager (2002).

It has been argued that structural capital is responsible for the company’s renewal and value creating processes. The linkage between human capital, innovation and knowledge management is critical. According to Cooper (2006), knowledge management is critical for tourism organisations to respond, adapt, survive and compete in the face of increasing environmental changes. In addition, contends Cooper (2006) a lot of the changes are brought about by technology and given the fluid state of technology, human capital is critical for the management of knowledge. However, the management of knowledge within the hospitality industry is quite difficult given the large percentage of temporary and inexperienced workers (Cooper 2006). Becherel and Cooper (2002) argue that excellent human resource practices can assist in employment and retention of highly skilled employees which is a requirement for the knowledge economy. The interaction among the three components is critical for success in the hospitality industry.

Several empirical studies have examined the current practices pertaining to the reporting and disclosure of IC information (Guthrie and Petty 2000; Abeysekera 2008; Bruggen et al 2009). Krambia-Kapardis and Thomas (2006) in their empirical study on intangibles in the hotel and tourism industry in Cyprus found that local companies continue to focus on traditional reporting despite the serious limitations. In addition, there have been several published articles both in practitioner and academic journals outlining the merits and demerits of the various methods for measuring IC (Pike and Roos, 2005; Sveiby 2007; Sudarsanam et al, 2005), however, to date they has been no agreement on an acceptable measurement system. The transition of economies from agrarian to knowledge-based warrants measuring and reporting systems that would guide management and investors as to the drivers of performance in this new economy and enhance business reporting. While IC has received increasing attention from academic researchers and practitioners, it is not known to what extent managers of hotels within the Caribbean consider IC and its attributes in their decision-making process. To contribute to the literature on IC, two basic research questions were framed for this exploratory study:

- Do hotel managers use intellectual capital information to assist them in their operational decisions relating to staffing, customer and supplier relationships?
- What components of the intellectual capital constructs are captured in the reports of management?

The following section refers to the qualitative methodology used to explore IC in two hotel chains.

3. Methodology

A case study was used to gain an in-depth understanding of the constructs relating to IC within the Caribbean's hospitality industry. The case study approach enabled the researcher to understand the social and cultural context of IC within the hotel chains and how managers reacted to management accounting information. Purposive sampling was used to select two regional hotel chains for this study. Regional hotel chains were selected as it was important to discover if there are any peculiarities of IC embedded within indigenous hotel chains. There are four indigenous chains, Almond Resorts Inc, Sandals Resorts Inc., Elegant Hotels Inc and SuperClubs operating within the Caribbean. Almond Resorts Inc and Sandals Resorts Inc were selected because of ease of access to the case site, size of the chain, and the diversity of operations in terms of locations and countries.

Almond Resorts is the largest hotel chain in Barbados with three properties accounting for approximately 13% of the hotel rooms in Barbados, and the other two properties in neighboring St. Lucia accounting for 11% of the total hotel rooms being second to Sandals who have three properties and 16% of total hotel rooms. In addition, Almond Resorts Inc, is a public company which would provide the researcher with access to published financial statements. Sandals Resorts Inc. with its corporate headquarters in Jamaica, is a private company, with sixteen properties and 4,160 hotel rooms spread across the Caribbean. Sandals is the largest chain operating with the Commonwealth Caribbean. This chain operates two brands, the traditional Sandals brand and their extended brand Beaches. The chain operates in the islands of Jamaica, Antigua, St, Lucia, the Bahamas and the Turks and Caicos Islands.

This study used a holistic multiple case study design as the analysis was at the level of the chain and not the individual property. The holistic design enabled the researcher to focus on the global nature of the organization as the single unit of analysis. The hotel chains identified as case subjects had a number of properties, which could be construed as units of analysis, however, the top management of these chains tended to be centralized and the managers at individual properties operated within this framework. The managers used common information systems, accounting and reporting systems, procedures manuals, and organizational culture which are some of the common attributes of intellectual capital, therefore analysis at the subunit was not deemed necessary.

The data collection procedures consisted of interviews, documentation and archival records. Twenty semi-structured interviews with senior managers, ten from each chain, selected from various functional areas and different hotel properties enabled the researcher to capture the multi-dimensional aspects of IC at each chain. An interview protocol was developed from the methods documented in Wengraf (2001). The documentation and archival records included in the case study database included digital recordings of interviews stored on compact discs, hard copies of transcripts, employee survey and marketing survey reports; customer satisfaction, employee satisfaction and internal customer satisfaction reports; annual reports, procedures manuals, marketing brochures, and newspaper articles. This rigorous case study protocol greatly enhanced the reliability of the case study, so that if the study was repeated under identical or similar conditions the findings would be the same.

Content analysis was used as the technique for analysing the multiple sources of evidence. The transcriptions of the interviews, case notes from documentation and archival records were typed and formatted into text files and uploaded into NVivo[1], a qualitative research software by QSR International.. This enabled the classification of the information to explore the emerging themes. This was in keeping with the methodological procedure for conducting qualitative content analysis as suggested by Kapborg and Bertero (2003). The text was first read and initial codes emerged which enabled data reduction by flagging up those chunks of text where key themes seemed to recur as suggested by David and Sutton (2004). Interpretive content analysis was then used to clarify vague, unclear and contradictory sentences. Reports on each initial code identified were produced from textual data through a systematic method of reduction and analysis as suggested by Priest et al (2002). This process resulted in two themes for human capital, three themes for relational capital and

[1] Weitzman (2000 in Denzin and Lincoln 2000) terms NVivo a code-base theory building software programme which allows the researcher to represent relations among codes, build higher order classifications and categories, and formulate and test theoretical propositions about the data. In addition this software has a sophisticated search and retrieval function.

three themes for structural capital. These emerging themes were further analyzed in relation to the relevant theories.

Cameron and Guthrie (1993) argue that annual reports provide an opportunity for firms to communicate with investors by going beyond reporting financial information. To ascertain the level of external reporting of IC, Almond Resorts Inc. annual reports for the years 2005 to 2008 were analysed. Oliveria et al (2006) presented a coding scheme which identified specific categories of IC which they used to conduct content analysis of annual reports to evaluate the level of IC disclosures. This coding scheme which was an adaptation of the widely used Guthrie and Petty's (2000) framework, contained fifteen items under HC, fifteen items for RC and twelve items for SC. The coding sheet recorded the frequency of occurrence of each item under each category for each year.

4. Results and discussion

The major finding of these case studies was that there is no formal recognition of the construct of IC in the Caribbean hospitality industry. Several managers were unaware of the terminology associated with IC, but the concept intangibles was widely recognized. The analysis of data suggested that although managers appeared oblivious of the construct of IC, their management, measurement and internal reporting indicated an awareness of IC.

4.1 Human capital

The content analysis of the data revealed terms which can be classified as attributes of HC. Nineteen of the twenty (95%) managers argued that training was one of the most influential factors in developing the human capital. One Director asserted "*we invested a significant amount of resources in training....";* The Regional Director of Human Resources asserts "*This training we do with managers is separate and distinct from any other group in trying to upscale them in terms of ensuring that they have an understanding of the importance of the human capital."*

The recruitment process was highlighted by 65%, employee skills by 45%; and employee qualifications for the higher level positions by 55% were identified as important attributes in developing the HC. Other attributes identified included staff appraisal (25%) and reward and recognition schemes (20%). Figure 2 illustrates the HC attributes and the respective number of managers.

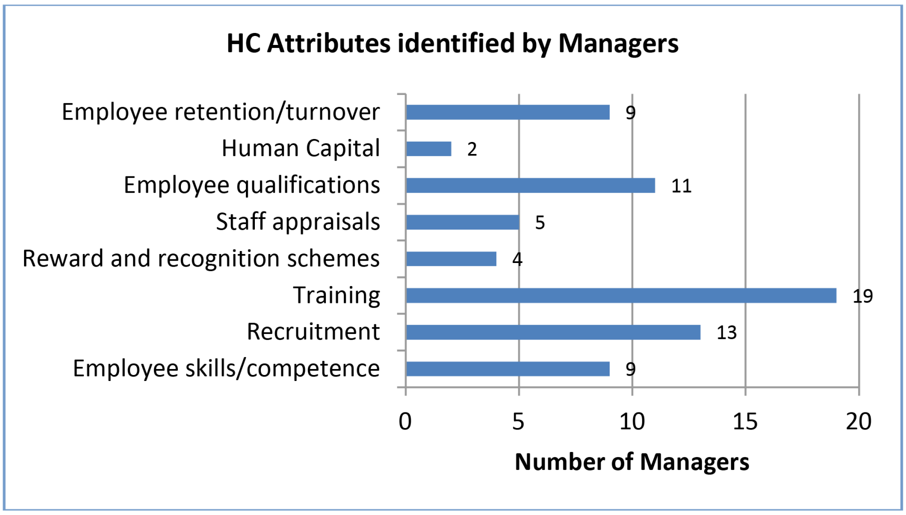

Figure 2: Bar chart HC Attributes

Two themes emerged from the analysis; the first theme categorized as personal competencies relates to attributes individuals bring to the organisation, and the second theme categorized as human resource praxes related to the practices organisations engaged in developing individuals and the stock of HC. Figure 3 illustrates these two themes and their respective attributes.

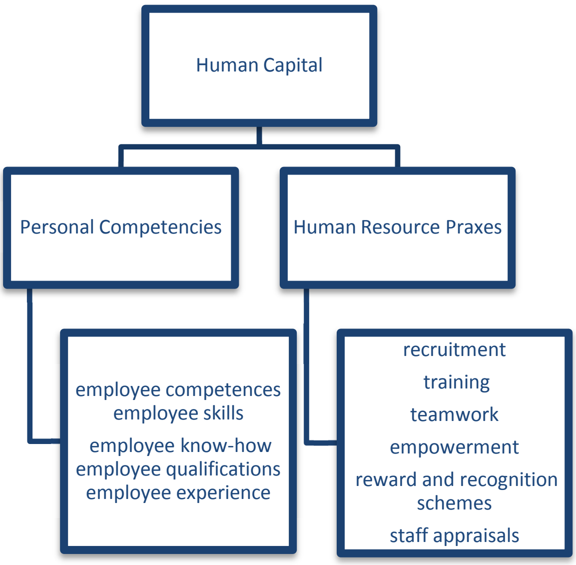

Figure 3: The components of Human Capital

The analysis reveals that managers perceive that the implementation of effective HRM practices contributes to the growth of HC. The practices identified here as human resource praxes have been described in the literature as 'high performance work practices' (Huselid 1995). The implementation of such practices in the hospitality industry supports Connolly and McGing (2007) empirical study on hotels in Ireland. The managers' perception that the implementation of 'high performance work practices' enhanced the chain's HC and its operational performance supports the literature as documented in Becker and Huselid (1998) empirical study. The analysis further revealed that personal competencies, the innate qualities that individuals bring to the organisation, interact with the human resources practices to further enhance the HC. This assertion supports Combs et al (2006) argument that 'high performance work practices' improve organisational performance through its interaction and overlapping of employees' knowledge, skills and abilities.

4.2 Relational capital

Managers appeared to be unaware of the broad concept of relational capital but all twenty of the managers interviewed (100%) stated that the relationships of the chains with travel intermediaries were crucial to the success of the entity. One manager asserts"

> *"Tour operators are crucial, that is how the business works, and that is unfortunate, tour operators can hold us to ransom, using the present business model requires certain volumes just to break-even. We get our volume from the tour operators, they control the seats and so you have to deal with the Virgins, the BAs, the Liberties, they control so much of your business. They can squeeze you or they can make you, they are crucial."*

Ninety percent of the managers stated that customer satisfaction was the number one priority and 70% highlighted the importance of loyalty programmes in increasing customer retention. Additional attributes included: (a) business collaborations and partnerships (40%) (b) financial contracts (15%), (c) brand (80%), (d) community involvement (75%), and (e) licensing agreements (15%). Figure 3 identifies the relational capital attributes identified.

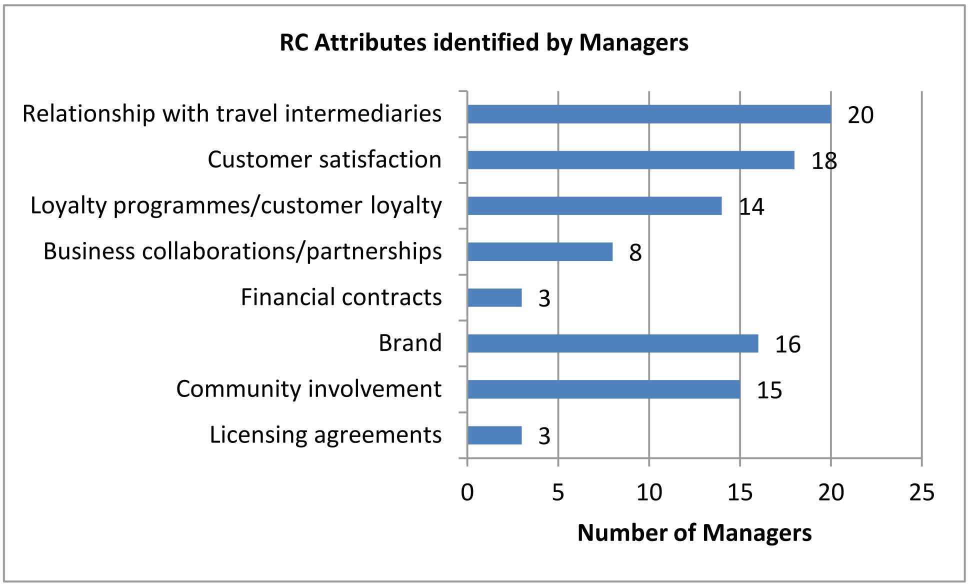

Figure 4: Bar Chart of RC Attributes

Three themes emerged from this analysis; customer capital which refers to the chains' relationship with its customers, brand which refers to the image of the entity and its role in providing customers and strategic partners; and community capital which relates to the entities' community involvement. The community involvement highlights the chains' relationships with civic groups, educational institutions and small entrepreneurs within their environs. These three themes are depicted in Figure 5.

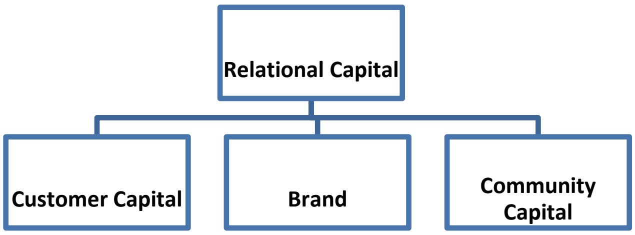

Figure 5: Relational Capital and it components

This deconstruction of RC yielded interesting findings pertaining to the overall construct. The component brand is perceived by managers in value creation terms rather than value realisation terms. Managers do not recognize brand in terms of a dollar value that would be used in financial statements (explicit value) but rather an implicit value used in negotiating deals. This finding supports the literature, as Ailiwadi et al (2003) argued that the 'value of the brand' (here an implicit value) should be used in tactical decisions. Roslender (2009) argues that for success of an entity to continue it is crucial that positive brand associations persist.

Community capital was used to assist in the creation of this implicit brand value as it reflects the reputation and image of the entity in its social community. This subcomponent is highlighted by 75% of the managers as extremely important. Several empirical studies have demonstrated that firms with relatively good reputations were better able to sustain superior profit outcomes (Rindova et al 2005, Flatt and Kowalczyk 2008). Fombrum and Shanley (1990) pioneering study showed that maintaining a good reputation is a prerequisite to obtaining a competitive advantage. The documentary evidence collected is replete with disclosure of the chains involvement in community activities. The chains constant disclosure of their community involvement and relationships developed with civic groups, educational institutions and small entrepreneurs within its environs in newspaper articles, press releases, annual reports and other documentary evidence is geared towards enhancing community capital an aspect of relational capital. The managers reiterate the importance of the chains being seen as good corporate citizens. Almond resorts in their annual report of 2005 states

> "*Good corporate citizenship is one of the core values of Almond Resorts; the commitment to investing in the communities where we have a presence is an essential element of who we are." (Annual report 2005 Page 5)*

The results demonstrate the chains have effectively embedded into their culture, customer relationship management (CRM) systems aimed at developing its customer capital. The data reveals that the successful implementation of such CRM systems enabled the chains to increase their customer satisfaction and customer retention. This finding is consistent with that reported in the literature, as Kale (2003) asserts that CRMs impacts on both customer satisfaction and shareholder value. The CRM systems also supported the chains loyalty programmes enabling them to track and effectively monitor their relationships with their guests. Rigby et al. (2002) argue that to build and sustain RC, organizations must nurture customer relationships, partner with other stakeholders of the organization and establish ties with the community in which they are embedded. Krambia-Kapardis and Thomas (2006) argue that value creating activities such as customers and people pay an important role to decision makers, provides support for the chains strong emphasis on customer capital and their relationship with other stakeholders.

4.3 Structural capital

Information systems, innovation and organisation emerged as the themes. The information systems category relates to the CRM systems and property management systems used to provide services. Innovation identifies those activities that the staff engage in to "delight and wow" guests. Organisation captures elements of management processes, management philosophy and organisational knowledge which coalesced into an organisational culture that emphasizes quality service to all guests. The following figure highlights the three themes.

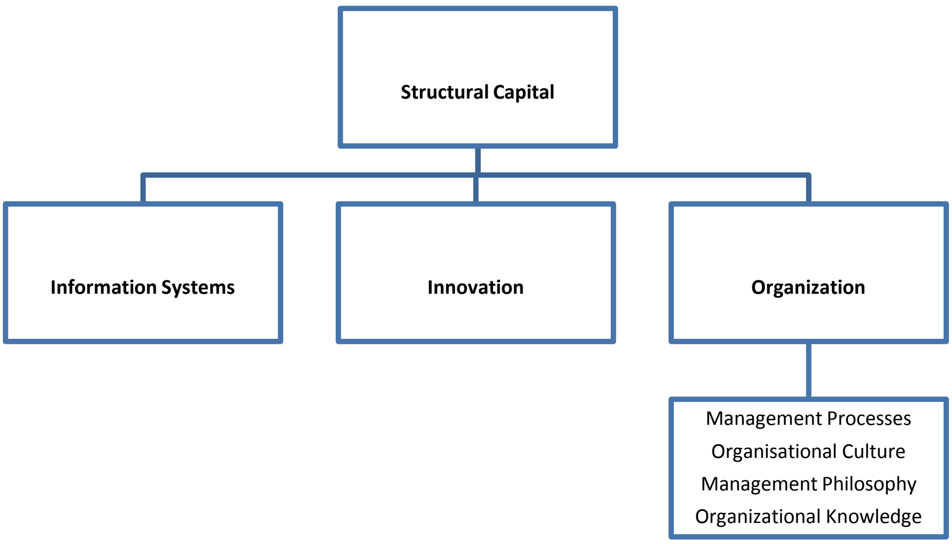

Figure 6: Structural Capital and its sub-components

The managers assert they used information technology to assist them in the performance of their daily tasks. Fifty percent of the managers highlighted the Quality Management Systems, 75% the Customer Management System, 70% the Property Management System and 45% the Computerized Reservation System. One Director asserted

> *"the customer management system called Micros Opera actually complements the quality management system, in that the system actually allows us to capture all guests' requests and guests' complaints. Every single guest request or complaint is in the database and the status of that request or complaint, that is whether it is has been fixed, ongoing, how long has it been outstanding, that is one of our principal ways of operating."*

The non IT based systems and procedures embedded within the organisation and the respective percentage of managers articulating their importance are: procedures manuals 60%, management philosophy 40%, research 45%, organisational culture 25%, and management processes 70%. Sixty percent of the managers spoke of innovation and its role in developing the chain. Figure 7 illustrates the attributes identified.

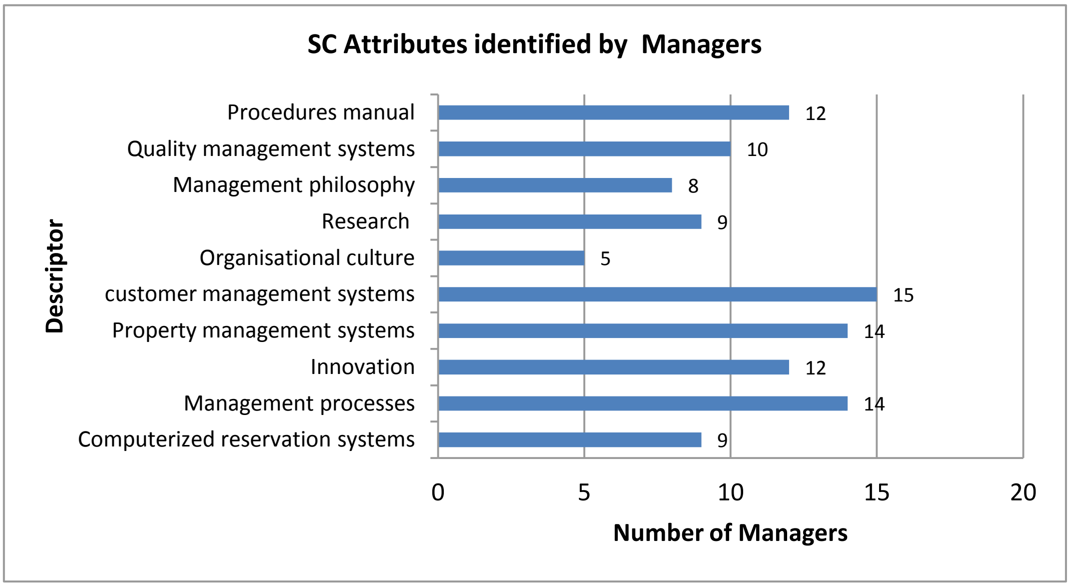

Figure 7: Bar Chart of SC Attributes

The managers argued that the reservation system provides linkages with customers and distributors in this highly competitive environment. The computerized reservation systems, customer management systems and property management systems are fully embedded into the organisations' SC, and this supports Powell and Dent-Micallef (1997) empirical study. The content analysis of the annual reports of Almond Resorts Inc reveals that the chain consistently increased its investments in information technology. The implicit belief of managers is that such increases will result in increases in productivity and profitability. However, empirical studies have demonstrated that it is not the increases in investment in information technology that result in increases in productivity and profitability but the interaction among the information systems, HC and RC. Peslak (2003) study found that information technology spending did not have an overall positive impact on firm productivity. The analysis also revealed that the customization of the information systems provided a critical link among the three components of IC. This finding is consistent with the literature, as Siguaw and Enz (1999) found that hotels that implemented innovated technology to improve the efficiency of internal operations had an indirect effect on customer service and satisfaction.

The managers of both chains argued that innovation enables the chains to be competitive by differentiating their service offerings. This is consistent with the literature on innovation and performance (Victorino et al 2005). Timmerman (2009) found that the implementation of an innovation process at the Ritz-Carlton hotel resulted in an improvement in the organisational knowledge and capabilities of the hotel. The data show that the chains implemented a number of innovative measures; creation of speciality restaurants, swim-up pool bars, constant rejuvenation of the menu offerings, concierge programmes, and butler programmes in an all-inclusive environment. Researchers have argued that minor modifications in the existing hospitality service or use of new or significantly improved technology in delivering the service can be construed as innovative (Ottenbacher and Gnoth 2005, Charies 2004). Finally, the case analysis reveals a measure of distinctiveness within management processes was achieved. Almond Resorts Inc created their distinction in being research driven whereas Sandals Resorts distinctiveness was in their knowledge management efforts.

4.4. Reporting of IC

The content analysis of the interview transcripts of the managers of these chains revealed that they were oblivious to the construct of IC and its components. This suggested that with this lack of understanding, a reporting framework relating to IC would not be present in any of the chains. This was confirmed based on the content analysis of the internal reports. The reports were classified into internal reports which provided managers with information for their daily management, and external reports which provided information to stakeholders. The thirty standard internal reports (Almond Resorts 16 and Sandals Resorts 14) were sub-divided into financial reports, HC reports, RC reports and SC reports based on information they provided and the department responsible for their compilation. It was found that the SC reports were mainly of a compliance nature (HACCP or Green Globe related). The number of reports found in each category at each chain is provided in Figure 8.

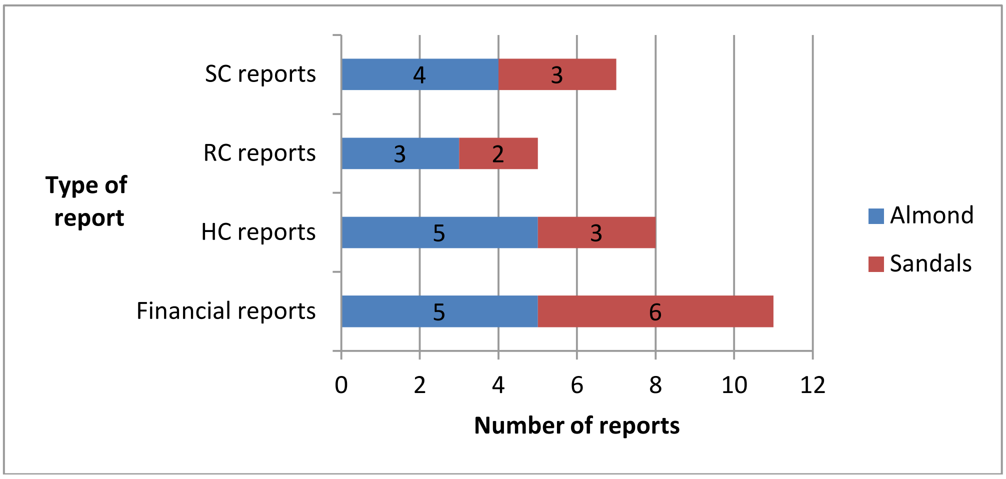

Figure 8: Bar Chart showing the distribution of reports by type and chain.

This analysis revealed that financial reports represented 36.67%, HC reports 26.67%, RC reports 16.67% and SC reports 23.3% of the total reports produced and used by the chains. This finding suggests that although there was no formal recognition of IC or its attributes in the chains their reporting practices not only focused on the traditional financial measures but included reports than can be construed as IC reports. The analysis of the interview transcripts and other documentary evidence collected highlighted some insightful characteristics pertaining to the internal reports. This analysis revealed that the reports, some of which were available online, were disseminated to various functional managers. Table 1 lists the reports prepared by the two chains and the managers who used such reports in their day to day management.

Table 1: Management Reports and respective users at Almond Resorts and Sandals Resorts

Management Reports	Frequency	Guest Relations Manager	Food and Beverage Director	Executive Housekeeper	HR/ Training Manager	General Manager
Financial Reports						
Food and beverage cost report	Daily		✓			✓
Variance analysis report	Monthly		✓	✓		✓
Daily sales report	Daily	✓	✓			✓
Managers Flash*	Daily	✓	✓	✓		✓
Profit and loss statement	Monthly	✓	✓	✓		✓
Break even analysis	Daily	✓	✓		✓	✓
Purchasing summary report	Monthly		✓	✓		✓
Human Capital Reports						
Employee Satisfaction Report	Annually	✓	✓	✓	✓	✓
Management Satisfaction Report *	Annually				✓	✓
Labour report*	Weekly		✓	✓		✓
Internal Customer Satisfaction Report*	Annually	✓	✓	✓	✓	✓
Training report	Monthly				✓	✓
Balance Sheet of Talent*	Annually	✓	✓	✓	✓	✓
Relational Capital Reports						
Marketing reports	As needed					✓
Customer satisfaction Index	Monthly	✓	✓	✓	✓	✓
Quality Alert*	Daily	✓	✓	✓	✓	✓

Structural Capital Reports							
Health and Safety log report	Daily		✓			✓
Equipment Maintenance report	Monthly		✓			✓
Green team report	Monthly		✓	✓	✓	✓
Quality team report*	Monthly	✓	✓	✓	✓	✓

- Reports prepared only at Almond Resorts Inc.

The table indicates that the financial reports were mainly used by the Food and Beverage Managers, Executive Housekeepers and General Managers. The HC report on employee satisfaction provides information on the level of employee satisfaction within the chain by department and this report is used by all operational managers. A comprehensive customer satisfaction index the major RC report is produced by both chains. This monthly report which reported on customer satisfaction by department was used by all managers in their daily operational activities. The managers argued that they used the report in a number of ways, first to identify where employee training was needed, secondly to benchmark properties, thirdly to make comparisons between departments and hotels on their level of customer service, and finally as a catalyst for investigation into departments with low customer satisfaction levels. The report highlights exemplars in service as well as any undesirable acts which are to be eliminated. The Director of Quality posits that results of the customer satisfaction index determine if a quality team has to be assembled to evaluate a department.

> *".. the report is shared with every single department head within the hotel. And those that are not performing when the report comes out they have 7 days to meet with their team and to come up an action plan and how they are going make improvement."*

The frequency of the production of reports was used to assess the relative importance the various types of report to managers. The results of this analysis is illustrated in Figure 9.

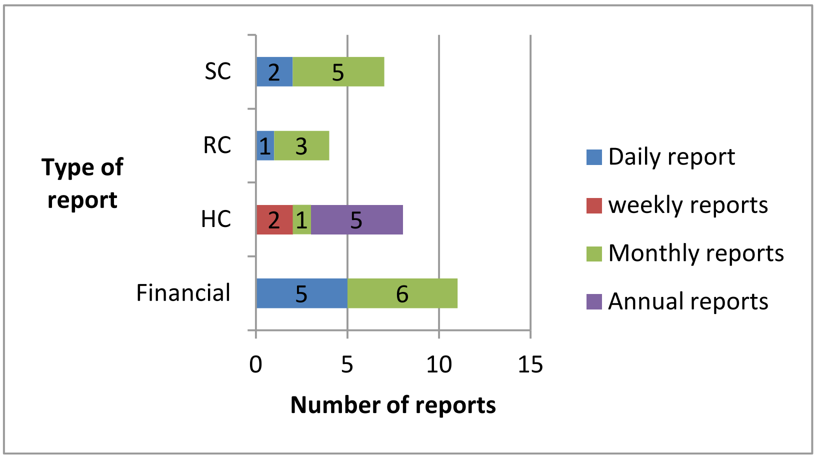

Figure 9: Bar Chart showing the distribution of reports by type of report

The analysis revealed that of the eight daily reports, financial reports accounted for 62.5%; SC compliance-type reports 25% and RC reports 12.5%. The two weekly reports were HC reports relating to man power planning. Monthly reports accounted for 50% of the overall reports, 6 out of the 15 were financial reports, four out of the five SC reports were compliance reports, three were RC reports and the single monthly HC report related to Almonds' training report. The 5 reports that were produced on an annual basis representing 17 percent of the total reports related to HC reports. In using the frequency of reporting as a basis for determining importance, this analysis revealed that financial reports were more critical within the chains since these accounted for 37% of the total reports of which 17% were daily reports. In terms of non-financial reports apart from compliance type reports, the RC reports appeared more critical to managers for their daily operations.

The production of reports on a daily basis suggested that some areas needed the managers' constant focus. Additionally, the frequency of reporting in the financial area could be attributed to established standards for analysing such reports. Neilsen et al. (2006) argue that IC reports do not have a set of accounting standards nor historically crafted set of institutions such as auditors and financial analysts that strongly support these reports. Although, Petty et al (2008) reported that in his empirical study 91 percent of the respondents [Financial Analysts] stated that believed they would find IC reports more decision-useful than the information provided by the traditional financial accounting reports. They also reported that 88 percent of the respondents believed that voluntary disclosure of IC by companies should be rewarded by the capital market in the form of a higher share price. However, the limited adoption of a reporting framework for IC has been attributed to the high cost associated with the collection and collating of IC metrics together with the challenges in their interpretation (Johanson 2003).

4.4 External reporting

The area of disclosure of IC in annual reports has received significant attention in the literature. A fundamental question that can be asked is whether these chains inform their external stakeholders about the composition and performance of its IC resources. The results of quantitative content analysis of the annual reports for Almond Resorts Inc., a public company, for the four year period 2005 – 2008 revealed that this hotel chain did not have a theoretical framework for IC reporting. This finding is quite similar to Yi and Davey (2010) in relation to China. The similarity of this study to that of Yi and Davey is the area of IC is unfamiliar in both geographical areas. The content analysis of the annual reports of the Almond Resorts Inc using Oliveria et al (2006) framework revealed very little evidence of reporting of structural capital. The major area of reporting in this category was information systems, with limited disclosure of management processes and the other items in the category not being referenced. This is inconsistent with findings in other studies using the same framework (Guthrie and Petty 2000; Guthrie et al 2006 and Brennan 2001). Community involvement, environmental activities, brands and customers, and limited reporting on business collaborations and financial contracts were highlighted in relation to relational capital and this category was the most frequently reported, consistent with Brennan (2001) and Oliveria et al (2006). The HC attributes of training, incentives and remuneration accounted for the major disclosures in this component. Very little reference was made of employee know-how, education, work related knowledge, work related experience and vocational qualification which was consistent with the findings of Brennan (2001).

In summary it has been argued by Engstrom et al. (2003) that reports are good devices for managing IC as this gives the hotel the opportunity to allocate its resources according to the priority given in the reports. In addition, guidelines have been developed for preparing and interpreting these reports (Bukh et al. 2001; Meritum 2002 Mouritsen et al 2003) and several European companies have prepared IC statements as an appendix to their annual reports (Skandia, Celemi) but global adoption of this has been quite limited. Martin (2004) argued that these IC statements contained little detail on the relationships between the various IC resources. Therefore combining the limited adoption globally of IC statements due to the cost associated in collecting information pertaining to the metrics used, with the challenges in interpretation, lack of comparability across firms, lack of established standards, no backing by professional associations there is little implementation. The lack of knowledge of IC within this geographical area would inhibit the development of an integrated IC reporting framework although reports are produced that spoke to individual components of IC. The lack of backing by professional accountants is another explanation for the limited use.

5. Conclusion

The objective of this paper was to investigate the characteristics and significance placed on IC in the Caribbean's hospitality industry by assessing the relevance and degree of awareness of IC by managers in hotels. The analysis of the empirical data shows there is an awareness of IC in the two chains. The case study data reveal that although managers were not familiar with the technical terms of IC, HC, RC and SC, their day to day activities and the embedded practices within the organisations suggested the presence of such. Based on this the following conclusions can be drawn.

The RC of the chains was developed as a result of the interaction of the customer capital, brand and community capital. The brand of these chains was seen as being valuable and was used as leverage in contract negotiations. The relationships between the hotels and the community were highlighted as a major factor in the development of RC within the hospitality industry. The implication of this to management is that practices are needed to grow the RC by managing those external relationships with stakeholders in the community. In addition, the study provides insights on leveraging value from customer relationship management systems through the integration of SC, HC and RC. The implication of this to practice is that managers should understand the potential economic benefits of having effective CRM systems in place. However, this study suggests that investment in information systems on its own does not provide the firm with a competitive advantage, but it is the integration of the information systems with the other components of IC.

The limitations of this study relates to the use of a qualitative case study, where two indigenous hotel chains were used. Qualitative research has been argued to have limitations in terms of being able to generalize the research findings to the population. Therefore, the use of two indigenous hotels chains may limit the ability to generalize the findings to the entire hospitality industry. In addition to being large indigenous hotels, the unit of analysis was the chain, therefore the size of the research site together with the centralized management structures of the chains may influenced some of the conclusions of the research. This provides the opportunity for additional research using a survey methodology to assess the level of IC in the hospitality industry in the Caribbean.

Another output of this research is to recommend that policy makers within the hospitality industry seek to encourage managers in the industry to increase the stock of human capital by increasing their academic qualifications so as to enlighten them on the theoretical framework of IC and its attributes. This deficit in knowledge was found in this study as managers were engaging in practices related to IC without any knowledge of its relevance and importance in developing a firm's competitive position.

Finally, this study contributes to the extant literature by providing empirical evidence on IC in the Caribbean. It also contributes to the IC literature by deconstructing the components of IC to create a taxonomy that can be used to describe the attributes of IC as it relates to the hospitality industry. More significantly, the study introduced the construct of community capital as an attribute of IC to highlight the importance of relationships with stakeholders in the community in the development of RC.

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