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Knowledge sharing in revenue management teams: Antecedents and consequences of group cohesion

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ABSTRACT

The practice of Revenue Management has received widespread acceptance in the international hospitality industry yet a lack of best practice in terms of organizational integration persists. This paper follows the notion that revenue management is first and foremost a human activity, dependent on knowledge exchange and concerted decision within revenue management teams. One critical attribute of effective teams is group cohesion. The authors contrasted communication networks of 38 revenue management teams by means of social network analysis to identify the antecedents and consequences of group cohesion. It was found that industry employment, age and revenue management experience define the structure of communication networks and that awareness of other's expertise is central in explaining differences team performance across the sample. The findings highlight the issue of knowledge asymmetry in teams and suggest that the Revenue Manager occupies a more active role as an information broker in order to enhance group decision making.

1. Introduction

Revenue management (RM) is a business practice that aims to maximize revenue from every business transaction through dynamic pricing and efficient allocation of available inventory to forecasted demand (Choi and Cho, 2000). RM has become a central managerial activity in hotels and hence practitioner's interest in its intricacies and potential has grown (Mainzer, 2004). The implementation of RM systems is repeatedly reported to yield an increase in revenues (Lieberman, 1991, 2011a,b), most of which flows through to the bottom line (Burgess and Bryant, 2001). Today, RM is applied in airlines, hotels, restaurants, golf courses, shopping malls, telephone operations, conference centers and other service companies that trade perishable goods (Ivanov and Zhechev, 2012). While not essential, most RM approaches used in hotels rely on data-hungry demand forecasting systems and optimization methods requiring use of information processing technology (Cleophas and Frank, 2011). However, they also require input of business intelligence from hotel staff in the areas of sales and marketing, finance and operations. Efficient use of this dispersed knowledge requires the coordination of communication (Hansen and Eringa, 1998), a task increasingly performed by the revenue manager. RM activities require knowledge sharing in order to forecast demand, set room rates, develop strategies and track performance (Gregory and Beck, 2006: p. 62). The Revenue Manager provides a focus for integration of knowledge from members of the organization such as the General Manager, Sales Manager, Front Office Manager, Reservations Manager, Food and Beverage Manager and so on. The revenue manager role involves integration of information from the other staff but some authors have noted that RM is not integrated well into the overall business structure (Ivanov and Zhechev, 2012; Josephi et al., 2011; Karadjov and Farahmand, 2007; Lieberman, 2003). According to Jones and Hamilton (1992), effective RM requires a culture of knowledge sharing that facilitates targeted communication and information flows. In RM, knowledge is a resource (van der Rest, 2006) which should be shared among team members and the social relationships between members facilitate this exchange.

Given the systemic nature of RM activities, the revenue manager's role cannot be considered in isolation but must be nested in a team interacting across functional units. Surprisingly however, prior research examining RM has either studied the RM team as a whole (Jones and Hamilton, 1992; Yeoman and Watson, 1997) or the general manager (Donaghy and McMahon-Beattie, 1998).

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Similarly, studies into the critical success factors for RM do not discuss the role of the revenue manager (Crystal, 2007; Hansen and Eringa, 1998). This broad focus has strongly contributed to the understanding of the systemic processes and the holistic success of revenue management, but does not provide directions for improving RM human capital as suggested by Kimes (2008).

A number of scholars agree that an effective revenue management team is vital for the success of any RM system (Aubke and Wöber, 2010; Beck et al., 2011; Donaghy et al., 1995; Mohsin, 2008; Selmi and Dornier, 2011; Tranter et al., 2008). This research examines the effectiveness of RM teams and how these can be improved, an important issue not just for RM teams but for business managers generally. Team-based organizational structures have become increasingly common over the last two decades and a number of research studies have sought to understand the factors that influence team effectiveness (Cohen and Bailey, 1997; Delgado Pina et al., 2008; Kozlowski and Ilgen, 2006; Mathieu et al., 2008). At a minimum, reaching or exceeding pre-defined performance indicators requires group cohesiveness and effective communication skills. For top management teams, Cohen and Bailey (1997) depict team effectiveness as a function of group composition (demographics, size and diversity), internal processes (communication, collaboration and conflict) and environmental factors (industry traits and market effects). Gardiner and Scott (2014) in a study of tourism clusters in the Gold Coast region highlight the importance of the attitudes, beliefs, values and personal characteristics of individual agents in achieving group outcomes. Personal characteristics that were found to be inducive to effective networks were trust, commitment, positive norms and leadership. It is generally agreed that cohesion is a key factor influencing team effectiveness (Hackman, 1987; Mullen and Copper, 1994; Sundstrom et al., 1990). Groups are said to be cohesive if internal relationships are strong and enhance group identity and willingness to perform as a group. Cohesive social relationships within teams are both dependent on, and facilitators of, communication and knowledge sharing (Staples and Webster, 2008). On the other hand, the literature is inconsistent in respect to network antecedents. The study aims to fill this gap by defining antecedent to group cohesion and hence team effectiveness by examining the knowledge exchange and communication within RM teams. The cohesiveness of knowledge exchange and communication relationships between team members are assessed using network analysis techniques and used to identify factors influencing team performance in the context of hotel revenue management.

2. Literature review

This literature review examines three main concepts: group cohesion, team performance measurement and teams as networks. Each of them is now discussed in turn.

2.1. Group cohesion

Group cohesion is considered important as it impacts on members' attitude toward the group and, as a consequence, their motivation to align with the group's output and objectives (Cartwright and Zander, 1968). Within organizational contexts, however, group performance improvements are more likely to stem from an effective organizational culture and norms such as dedication to a task, rather than from team members liking each other (Carless and De Paola, 2000), thus task cohesion (Widmeyer et al., 1985) should be differentiated from interpersonal cohesion (Mullen and Copper, 1994). This suggests that managerial action aimed at improving team performance is less likely to yield significant improvements when targeted at interpersonal factors such as attraction. Instead, the managerial focus should be redirected toward increasing members' acceptance or commitment to group tasks (Mullen and Copper, 1995). Therefore, cohesion researchers commonly conceptualize the group as a collection of individuals, and use the group as the unit of analysis (Keyton, 2000).

Group cohesion studies examining the consequences of cohesion outnumber those examining antecedents, partly because of the difficulty of isolating those antecedents that are independent of the group. Commonly, real work teams are studied at a point in time after their formation, rendering the inclusion of motivational or behavioral variables difficult. Member traits are thus often used as antecedents in group cohesion models. Van Knippenberg and Schippers (2007) suggest group diversity as an antecedent for group cohesion, but Webber and Donohue (2001) found no consistent relationship here. Relatively little attention has been paid to cohesion as mediators for other variables, e.g. Dobbins and Zaccaro (1986) claim that cohesion moderates a leader-follower relationship. In contrast, the consequences of group cohesion – and in particular performance – have received significant attention. In a meta-analysis of group cohesion studies published between 1952 and 1986, Evans and Dion (2012) found a positive correlation between group cohesion and group performance. In contrast, Podsakoff et al. (1997) reported on inconsistent empirical evidence of the relationship between cohesion and performance.

Other meta-analyses (e.g. Beal et al., 2003; Casey-Campbell and Martens, 2009) identified moderators of the cohesion-performance relationships such as group size, level of analysis and group interdependence. In summary, prior studies have not yielded consistent results due to their inherent differences in terms of populations, team tasks, research contexts, measurements and conceptualizations of cohesion (Mullen and Copper, 1995). In consequence, any studies of group cohesion can only be interpreted within the conceptual boundaries of the cohesion definition applied.

2.2. Team performance

Team performance is a complex phenomenon and no uniform measurement for the performance effectiveness of teams exists. As a consequence, performance measures applied in the literature are very diverse, context driven and little attention has been devoted to developing accepted measurement tools. Three levels of team outcomes are commonly used in the literature – organizational level outcomes, team level outcomes and individual (role-based) outcomes. Few organizational level studies are found since few team-level actions are immediately reflected in organizational outcomes. In most cases, team output only partly contributes to organizational performance, if at all. One exception is top management teams whose work is directly aligned with organizational performance (Barrick et al., 2007; Bunderson and Sutcliffe, 2002). At a team level, the outcome measures are more diverse. To group performance measures, Beal et al. (2003) distinguish between performance behaviors and performance outcomes. The first relates to changes in team behavior as a result of work processes as well as team evolution. These authors recommend performance behaviors as the preferred measure of performance. An example of performance behaviors can be found in Kirkman and Rosen (1999), who used a supervisor rating of the team's proactivity, targeting future potential for solving tasks. In a later study on team process improvement, Kirkman et al. (2004) showed that feedback, discussion and experimentation had a positive effect on team performance. Similarly, Edmondson (1999) examined team learning behaviors. Performance outcomes, in contrast, refer to the factual outcomes of team work, which implies that the output is directly attributable to a team, an assumption which often does not hold true. Generally, little attention is paid to the definition of performance, but behavioral performance definitions appear to be more