

# **Knowledge Sharing Through Face-To-Face Communication and Labour Productivity in UK Trading Workplaces**

Sergio Salis and Allan M. Williams - London Metropolitan University, ISET

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## **Extended abstract**

Managing knowledge flows effectively is crucial for modern organisations wishing to reach supremacy in the market. Particularly, sharing their employees' tacit knowledge is being increasingly regarded as a primary means by which workplaces can gain competitive advantage since such knowledge is highly idiosyncratic and very difficult to imitate. As it is often argued that tacit knowledge can be better shared through face-to-face interactions, we would expect that, other things being equal, workplaces implementing human resources management (HRM) practices designed in such a way to facilitate physical proximity and dialogue among employees enjoy a substantial competitive advantage compared to workplaces where such interactions are absent.

The main objective of this paper is indeed to investigate empirically whether workplaces adopting HRM practices that enhance face-to-face communication among employees are more productive than those that do not. Evidence in this sense would reflect a competitive advantage by organisations more committed to develop social networks and thus managing flows of knowledge (mainly of tacit nature) more effectively compared to organisations that simply rely on the individual knowledge of their employees to succeed in the market.

To this aim we use data on around 500 UK trading workplaces for which knowledge-sharing (KS) HRM practices enhancing face-to-face communication among employees (problem-solving groups, team-working, meetings of line/senior managers and employees and committees of managers and employees' representatives) and account-based measures of labour productivity (value-added per employee) are available. Information on HRM practices comes from the Workplace Employment Relations Survey (WERS) 2004 and objective measures of labour productivity from the linked WERS 2004 Financial Performance Questionnaire (FPQ) and Annual Respondents Dataset (ARD), made available by the Office for National Statistics (ONS) in London. Importantly, this paper provides new evidence on the relationship between HRM practices and labour productivity in UK workplaces, adding to the limited research on the issue, particularly in terms of using objective rather than

subjective measures of productivity.

This paper presents evidence that problem-solving groups are positively related to gross value-added per worker when 60 to 79 per cent of non-managerial employees participate in them, while for teams the involvement of only 40 to 59 per cent of core employees is required. The adoption of meetings made up of senior or line managers and employees is also found to be positively associated with productivity, and likewise committees of managers and employees' representatives. However, the paper shows that this productivity effect is not attributable to the adoption *per se* of the aforementioned practices. What is crucial for competitive advantage is that such practices are designed in such a way as to *actually* enhance face-to-face discussion among employees. It is therefore important to distinguish between *merely formal* and *effective* KS communities, the latter being defined as those where workers actually interact with each other through face-to-face discussion. Another finding is that the productivity gains attributable to these KS practices are higher when these practices are adopted for a longer time period.

Overall, the results suggest that in order to reap productivity benefits from their potential KS communities workplaces needs to ensure that employees in such communities actually engage in mutual discussion. Furthermore, these communities should be adopted permanently and their size chosen carefully, since knowledge seems to be shared most effectively in permanent communities of medium dimensions.

**Keywords:** Human resources management, knowledge sharing, tacit knowledge, competitive advantage and labour productivity.

**Contact authors:** Sergio Salis (Presenter): London Metropolitan University (ISET), 166-220 Holloway Road - London N7 8DB. E-mail: [ssalis22@yahoo.it](mailto:ssalis22@yahoo.it). Phone: +44 020 7790 0118. Allan M. Williams: London Metropolitan University (ISET), 166-220 Holloway Road - London N7 8DB. E-mail: [Allan.Williams@londonmet.ac.uk](mailto:Allan.Williams@londonmet.ac.uk). Phone: +44 020 7133 2914.

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