

Structure for Knowledge Creation in Nepalese Hospitality Industry

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Abstract: *This paper examines the different factors promoting structure for knowledge creation in the business enterprises of sectors such as hotel, travel and trekking agencies. The survey was conducted in the month of May, 2015 in Kathmandu valley. The totals of 382 responses were taken for analysis. The total response rate was 83 per cent. Self-administered questionnaires were used to collect the perceptive opinions from the respondents. The study concludes that the majority of employees of the hospitality industry do not need to refer to someone else in decision making processes and have to perform many activities that are not covered by some formal procedures.*

Key words: Centralization, Formalization, Knowledge Creation

I. BACKGROUND AND OBJECTIVE

Nepalese hospitality industry is very competitive. Knowledge is a resource to gain competitive advantage in this sector. It requires obtaining comprehensive information on how knowledge is managed and utilized in hospitality industry. It is also necessary to examine the organisational culture, structure, information technology, processes and creativity that are essential in managing the performance in hospitality industry in order to make it more efficient.

Berraies, Chaher, and Yahia (2014) found that the best path for Tunisian ICT companies to foster knowledge creation was through decentralized and low formalized structure. According to Wang and Ahmed (2004) evaluated that organic structure promotes a metaphor in which organisations are seen as complex and social entities featured by a collection of competing and interacting forces between individuals and social forces. The organic structure has the following dimensional characteristics:

- Flat and team-based. There is a shift from vertical decision making to horizontal collaboration. Organisations composition typically consists of top management, strategic groups and project teams.

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- Divisionalised: Departmental barriers erode to facilitate cross-functional teams and integration of specialised sources of knowledge (Cross, 2000).
- Decentralisation of power and control: Managers empower employees to proactively participate in organisational management and promote a culture of openness and trust.
- A higher level of informality: There is freedom from rules; there is more informal, face-to-face communication and two loops of communications, downwards and upwards; management expands to include managing people, technology, knowledge, and processes.

Organisation structure can encourage or inhibit knowledge management implementation (Hopper, 1990; Ein-Dor & Segev, 1982; Caruana et al., 1998). Ichijo et al. (1998) emphasized that firms should maintain consistency between their structures and how they plan to practically use their knowledge. Organisation structure should be designed in such a way that it can create the foundation for knowledge creation and act in line with knowledge management system. It is important that organisation structure is designed flexible enough to encourage creating and sharing knowledge across organisation boundaries. Many researchers have recommended flexible organisation structure for effective knowledge management (Menon & Varadarajan, 1992). Organisation structure is one of the main Knowledge Management Enablers that consist of two variables: centralisation and formalisation. Both are recognized as key variables underlying the organisation structure and have strong effect on knowledge management (Johannessen et al., 1999; Kanevsky & Housel, 1998).

Centralisation implies the location of decision authority and control within an organisation. The centralisation of decision making authority inevitably reduces creative solutions. Scattering the decision making power facilitates spontaneity, experiment, and expressional freedom. These are the critical forces of knowledge creation. Thus, many researchers believe that a centralised organisation structure makes knowledge creation harder (Nevis et al., 1995; Nonaka & Takeuchi, 1995; O'Dell & Grayson, 1999). Zaltman (1986) stated that in a less centralised organisation structure, more knowledge is created. In addition, centralised structure prevents free interdepartmental communication and sharing of ideas due to the high amount of time spent on communication channels (Raven & Prasser, 1996). It also causes falsification and standing of ideas (Nonaka & Takeuchi, 1995).

Formalisation refers to the degree to which decisions and working relationships are managed by formal rules, procedures, and standard policies (Chase, 1998; Hopper, 1990; Zucker et al., 1996). Knowledge creation requires flexibility rather than work rules (Bennett & Gabriel, 1999). It seems that when strict formal rules dominate an organisation, the range of new ideas shrinks. Thus, flexibility can provide better ways of doing things (Nelson & Coopridge, 1996). When flexibility increases in an organisation structure, knowledge creation tends to increase as well. Knowledge creation also requires variation. In order to be more adaptable when confronting unexpected problems, an organisation

may accommodate variation in both of its processes and structure (Kreitner & Kinicki, 1992). The more formalisation is wiped from the organisation processes, the more openness and variation can evolve to support new ideas and behaviors (Damanpour, 1991). Through wide communications and interactions, knowledge creation is likely to be encouraged (Sawhney & Prandelli, 2000). Formalisation restrains the communication and interaction that are necessary to create knowledge. Lack of formal structure enables employees to interact and communicate each other to access knowledge and its fluent flow (Jarvenpaa & Staples, 2000).

The objective of the study is to examine the different factors promoting structure for knowledge creation in the business enterprises of sectors such as hotel, travel and trekking agencies. Remaining part of the paper has been divided in three sections. Second section presents the research methodology, third section reveals presentation and analysis of data and the final section presents the conclusion of the study.

II. RESEARCH METHODOLOGY

This study largely followed the methodology used by Choi (2002). Basically, it is a descriptive study having the features of survey research. For collecting primary data, a survey technique was been adopted. The study considered hospitality industry of Nepal as its population. However, for convenience, samples were taken only from hotels and travel/trekking agencies from within Kathmandu valley. Hospitality industry was further categorized into two groups, namely, hotels and travel/trekking agencies. 38 hotels and 59 travel/ trekking agencies were selected as sample on the basis of judgmental sampling. Employees of executive, officer and non-officer levels in Nepalese hospitality industry are the respondents of the study. The survey was conducted in the month of May 2015. Of the 458 questionnaires distributed to the respondent-employees, 382 responses were usable making the response rate of 83 per cent.

The descriptive statistical tools were used for the data analysis and presentation. To evaluate and test the various statements in the response, mean values of each variable, standard deviation and ranking were used as per the need of the study.

III. PRESENTATION AND ANALYSIS OF DATA

Table 1 presents the demographic information of the respondents. As the table shows, the majority of the respondents were male (63.6%) and were in the age group of 20- 35 years (66.2%). In terms of marital status, they are almost equally divided. Majority of the respondents are graduates (46.9%), work in middle and operational level (88.7%) and have less than five years of experience in the current position (56.3%).

Table 1: Demographic Data for the Respondents of the Main Survey

Table X

Demographic Object	Items	Percent %
Sex	Male	63.6
	Female	36.4
Manager's age	<20	4.5
	20-35	66.2
	36-50	24.1
	51-65	4.7
	>65	0.5
	Higher secondary	24.1
Manager's highest level of education	Bachelor's degree	46.9
	Master's degree	28.5
	Ph. D.	0.5
	<5	56.3
Manager's work experience	6-10	13.6
	11-15	12.0
	16-20	7.4
	>20	10.7
	Married	50.3
Marital status	Single	49.4
	Others	0.3
Manager's current department	Human resources	12.6
	Finance/Accounting	16.2
	Sales	24.8
	IT	5.0
	Public relations	27.0
	Marketing	14.4
Manager's current position	Top management level	11.3
	Middle management level	47.9
	Operating level	40.8

Source: Questionnaire survey, 2015

The questionnaire contained a list of different statements of observations regarding different factors promoting structure for knowledge creation. The respondents were requested to express their agreement/ disagreement on the given statements by using a seven-point Likert Scale.

The mean values of observation statements varied from 3.03 to 3.95. The majority of the respondents identified that centralisation for knowledge creation mainly affected by "employees in organisation do not need to refer to someone else". Similarly, they thought "employees in organisation do not need to ask supervisor before action" as the second important factor influencing knowledge creation.

Table 2: Promoting Factors for Centralisation

This table reports mean weightage, std. deviation and rank of the responses on the given statements. The mean values, std. deviation and rank of centralisation are presented as well.

S. No.	Statements	Mean	Std. Deviation	Rank
a. Centralisation (locus of decision authority)				
1.	Employees in this organisation do not need to refer to someone else.	3.95	1.622	1
2.	Employees in this organisation do not need to ask their supervisor before action.	3.27	1.734	2
3.	Employees in this organisation can make decisions without approval.	3.03	1.793	3

Source: Questionnaire survey, 2015

Therefore, it can be concluded that the employees of the hospitality industry in Nepal acquire more decision making authority so they do not need to refer to someone else or seniors for decision making. The findings are similar to the study of Migdadi (2005), who discovered that “company members can make decisions without approval” and “company members do not need to ask supervisors before action” are first and second influencing factors for knowledge creation.

Table 3: Promoting Factors for Formalisation

This table reports mean weightage, std. deviation and rank of the responses on the given statements. The mean values, std. deviation and rank of formalisation (formal rules, procedures, and standard policies) are presented as well.

S. No.	Statements	Mean	Std. Deviation	Rank
b. Formalisation (formal rules, procedures and polocies)				
1.	In this organisation, there are many activities that are not covered by some formal procedures.	3.97	1.645	1
2.	Employees in this organisation can ignore the rules and reach informal agreements to handle some situations.	3.42	1.780	2
3.	Employees in this organisation make their own rules on the job.	2.94	1.833	3

Source: Questionnaire survey, 2015

The mean values of observation statements varied from 2.94 to 3.97. The majority of the respondents identified that formalisation for knowledge creation mainly affected by “there are many activities that are not covered by some formal procedures”. Similarly, they thought “employees can ignore the rules and reach informal agreements to handle some situations” as the second important factor, influencing knowledge creation. It can be concluded that employees of the hospitality industry have recognized that many activities in their organisations are not covered by some formal procedures indicating their level of formalisation.

IV. CONCLUSION

Nepalese hospitality industry employees do not need to refer to someone else and they do not need to ask supervisor before action have a larger impact on the knowledge creation while they can make decisions without approval influences less. Many activities that are not covered by some formal procedures and employees can ignore the rules and reach informal agreements to handle some situations have a larger impact on the knowledge creation while make their own rules on the job influences less.

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Annex

Survey Questionnaire on Structure for Knowledge Creation in Nepalese Hospitality Industry

Part I: Personal background

1. Sex: (1) Male (2) Female
2. Age: _____ years old
3. Highest educational level:
 - (a) Plus two
 - (b) Bachelor's degree
 - (c) Master's degree
 - (d) Ph. D.
4. Work Experience: (a) 0-5 years (b) 6-10 years (c) 11-15 years
(d) 16-20 years (e) 21 years and above
5. Marital status: (a) Married (b) Single (c) Others
6. Current department: (a) Human Resources (b) Finance/Accounting
(c) Sales
(d) IT (e) Public Relations (f) Marketing
7. Current position: (a) Top Management Level (b) Middle Management Level
(c) Operational Level

Part II: Survey questions

Please tick (√) on your choice by using the following scale in your ratings to indicate how much you agree/disagree with the following statements.

	1	2	3	4	5	6	7			
	Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree			
S.No.	Factors			SD 1	D 2	SD 3	N 4	SA 5	A 6	SA 7
a.	Centralization			1	2	3	4	5	6	7
1.	Employees in this organisation do not need to refer to someone else.									
2.	Employees in this organisation do not need to ask their supervisor before action.									
3.	Employees in this organisation can make decisions without approval.									
b.	Formalization			1	2	3	4	5	6	7
1.	In this organisation, there are many activities that are not covered by some formal procedures.									
2.	Employees in this organisation can ignore the rules and reach informal agreements to handle some situations.									
3.	Employees in this organisation make their own rules on the job.									