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Knowledge Management in the Hotel Industry Before and After the Entry in the EU: The Case of Slovenia

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The paper deals with the impact of the EU entry on knowledge management in the hotel industry in Slovenia. For this purpose, the empirical research on knowledge management was carried out among hotel managers. It explored the changes in knowledge management between 2003 and 2006; that is before and after Slovenia entered the EU. The research revealed a progress in this period of time in knowledge management goals definition, transformation of not-owned into owned knowledge, inclusion of knowledge management in business reports, identification and elimination of the gaps between planned and actual knowledge. On the other hand, there was no further progress in the field of strategies and policy of knowledge management, perception of the importance of knowledge management's measurement, development of measures of knowledge management and diminishment of barriers to knowledge development. Further, several recommendations are suggested for hotel managers.

Key words: EU entry, knowledge management, hotel industry

1 Introduction

Knowledge management has become a hotly debated topic since there is a continuous growth of interest in knowledge management. Competitiveness of the hotel industry in the global marketplace depends on the ability to develop knowledge. Brooking (1997, 364) argues that knowledge gives the company power in the marketplace. Further, according to Bollinger and Smith (2001, 8) knowledge is a critical factor affecting a company's ability to remain competitive in the new global marketplace. Thus, knowledge management plays a major role in the survival and success of companies. Many scholars have argued that knowledge and knowledge management contribute to establishing competitive advantages in the tourism industry (Bouncken, 2002; Cho and Leung, 2002; Gronau, 2002; Hattendorf, 2002; Kahle, 2002; Pechlaner, Abfalter and Raich, 2002). Knowledge management enhances the effectiveness of tourism companies through knowledge development. The tourism industry has characteristics (such as information technology usage or complexity of the hotel products) that make knowledge management inevitable. Therefore, knowledge management is essential for the ability of the Slovenian hotel industry to change and adapt to new opportunities that the EU brings to Slovenia.

Slovenian companies face increased competition of other companies in the EU; the European market is a domestic market for Slovenian companies, fully open to global competition (Šuštar and Šuštar, 2005). Therefore, knowledge management is fundamental today for ensuring competitiveness in the hotel market.

Tourism is highly influenced by the new demands deriving from the widening, deepening and enlargement of the European integration; policies and integration in the EU are decisive factors in the development of tourism in the EU (Cardoso, Ferreira, 2000). For this reason a question arises as to whether the entry of Slovenia in the EU has had any impact on the development of knowledge management in the Slovenian hotel industry. The EU represents a single market and has a remarkable impact on the Slovenian tourism. There are countries in the EU which generate a huge number of tourists every year, like Germany, Great Britain, France, Italy and the Netherlands. They are developed countries with a high GDP per capita and a high purchasing power. This fact is reflected in their tourist demand in Europe and in other parts of the world. On the other hand, members of the EU are important tourist suppliers. France, Spain, Italy, the United Kingdom and Germany are five out of the ten most important countries by international tourist arrivals and by international tourism receipts in 2008 (UNWTO, 2009). Austria is also very important in terms of international tourist arrivals, usually rating between the tenth and the twelfth place. It reflects the high level of development of tourism supply in the EU.

The EU has been successful in significantly reducing trade barriers and establishing rules and policies to create and

sustain integrated and competitive markets (McDonald and Vertova, 2001). The entry of Slovenia into the EU means a higher level of competition for the Slovenian hotel industry, which may contribute to a better quality of hotel services in Slovenia and easier comparisons among hotel services in different EU members. The entry of new members into the EU has always had impacts on tourist flows. Central and Eastern Europe marked a growth of 10% in international tourist arrivals in 2004 because of the EU enlargement to ten new members (UNWTO, 2006).

Further, knowledge management can give the Slovenian hotel industry an enormous capacity to provide new opportunities to attract more tourists, create more revenue and increase its profitability. Additionally, the hotel industry in Slovenia has been subject to several changes as a result of Slovenia's entry into the EU. The question arises here as to how was the Slovenian hotel industry prepared – through knowledge management – to face the changes that the EU brings along with the single European market.

The paper proceeds as follows. The next section shows the fundamentals of knowledge management in the hotel industry. Then the research is presented. The paper concludes with a discussion of how the entry into the EU influenced knowledge management in the Slovenian hotel industry.

2 Knowledge Management in the Hotel Industry

The entry of Slovenia in the EU is one of the greatest challenges for the Slovenian hotel industry. In fact, there is a new working environment in the EU that gives new opportunities and threats to the hotel industry, so considerable attention should be given to knowledge management in the hotel industry since knowledge is the key resource even in traditional industries, such as the hotel industry.

The hotel industry is concerned with knowledge management in the field of knowledge workers, information technology, relationships with stakeholders, management philosophy and so on. Various studies have reported consequences of effective knowledge management (Darroch, McNaughton, 2002, 226): it creates some kind of competitive advantage, enhances performance, it enables a company to be more innovative, it allows a company to anticipate problems better and it enables a company to analyze and evaluate information better. Hence, effective and successful knowledge management in the hotel industry enables the success of hotel companies. Further, knowledge management is not important just for the hotel industry per se, but it has important impacts on the whole economy since the tourism sector has – according to Sirše and Zakotnik (1999) – high production multiplier effects.

A review of current literature reveals that there are several definitions of knowledge management. According to Quintas, Lefrere and Jones (1997, 387) knowledge management is the process of continually managing knowledge of all kinds to meet existing and emerging needs, to identify and exploit existing and acquired knowledge assets and to develop new opportunities. Further, Wiig (1997, 400) states that knowledge management focuses on facilitating and managing knowledge-related activities, such are creation, capture, transformation and use. At this point we have to stress that a unique way to manage knowledge does not exist. Hotel companies should manage knowledge in their unique and specific ways, following the basic models of knowledge management (Jelčić, 2003), such as Brooking's model (Brooking, 1998), Skandia Navigator (Edvinsson and Malone, 1997), Sveiby's model (Sveiby, 2001), Petrash's model (Petrash, 1998) and Allee's model (Allee, 2000).

Demarest (1997, 380-381) defined the major areas of knowledge management. They are:

- construction (the »making« of knowledge through complex processes involving creation, theft, trading and reinterpretation),
- embodiment (transformation of tacit knowledge, i.e. knowledge in workers' heads, into processes, machinery, materials and cultures)
- dissemination (the distribution of embodied knowledge throughout a company or value chain),
- use (the application of disseminated, embodied knowledge to particular problems to make knowledge work), and
- management (the monitoring, measurement and intervention in construction, embodiment, dissemination and use by knowledge managers).

According to Demarest, several variables to measure knowledge management in the hotel industry were developed and studied (Nemec Rudež, 2005). According to the mission of the hotel company, goals in the field of knowledge should be set and achieved. The achievement of a company's goals results in the fulfilment of the mission of the company. The strategy of the company tells us how to achieve these goals. As a result, the strategy should define the kind of knowledge the hotel company needs and how to achieve the goals in the field of knowledge.

Policies of the company provide broad guidance for decision making throughout the company (Hunger and Wheelen, 1996, 13). The policy of the hotel company should contain several mechanisms connected with knowledge management. These are mechanisms to measure knowledge development, mechanisms to measure knowledge gaps between planned and achieved knowledge, mechanisms to eliminate knowledge gaps, mechanisms to eliminate barriers to knowledge development and mechanisms to transform knowledge in people's heads into company's owned knowledge. Mechanism that measure knowledge development enable the company to know the value of its knowledge as a whole and its specific parts. There exist several methods of knowledge measurement which should be adapted to the specific company (Edvinsson and Malone, 1997; Sveiby, 1997; Kaplan and Norton, 1996). Further, business reports should include knowledge assets and as such serve to make knowledge assets visible. Thus, business reports have to be prepared to give relevant information about knowledge that is supplementary to other parts of the report.

Mechanisms that measure knowledge gaps should identify missing or even redundant knowledge; similarly, mechanisms that eliminate knowledge gaps can develop and acquire the required knowledge. Barriers to knowledge development (such as lack of trust, different cultures, lack of time and meeting places, narrow idea of productive work, intolerance for

mistakes, unpleasant atmosphere, unmotivated employees) should be resolved and diminished by the right knowledge management. Additionally, mechanisms that transform not-owned to owned knowledge of the company may ensure that knowledge does not leave the company. Not-owned knowledge is connected only with a single employee. For this reason knowledge ownership transformation is particularly important in tourism where employee turnover is substantially high (Hjalager, 2002, 470).

Although knowledge management has been long recognized as an important factor of business success, it is still a topic of interest in the most recent literature (for instance, Debowski, 2006; Award and Ghaziri, 2007; Srikantaiah and Koenig, 2008; Ricceri, 2008; Hawamdeh, Stauss and Baranchini, 2009).

4 Research

Knowledge management plays an important role in making Slovenian hotel companies competitive in the European single market where the competitiveness is very strong. Knowledge management is required to achieve the requested service quality and success in the Slovenian hotel industry after the accession to the EU. In line with the literature review, the following hypothesis is proposed:

Knowledge management has been developed further in the Slovenian hotel industry after the entry of Slovenia into the EU.

The constraint of the study is the shortness of the research period. The research is founded on two surveys. The first was conducted in 2003, that is before Slovenia entered the EU. The second survey was performed in 2006, which is just two years after Slovenia entered the EU.

4.1 Methodology

To test the hypothesis, empirical research using the survey instrument was undertaken. A written questionnaire for the study was designed to estimate knowledge management in the Slovenian hotel industry according to the literature review. The questionnaire comprised 10 seven-point Likert-type scales (ranging from 1 = I absolutely disagree to 7 = I absolutely agree) asking hotel managers to rate their observations about knowledge management (see Table 1). There was an additional question about the size of hotel companies. The same questionnaire was used in 2003 and 2006. Respondents were hotel managers. A pilot test was conducted with 3 managers of hotel companies in 2003 to ensure the clarity of the questionnaire. No further changes were required after the pilot test.

The questionnaire, along with a cover letter, was distributed to 69 hotel companies in 2003. It was a small sample because of the small hotel market in Slovenia. The response rate was 52.2%. Thus, 36 hotel companies answered and completed the questionnaire. There were 11 or 30.6% respondents from small hotel companies, 17 or 47.2% respondents from medium hotel companies and 8 or 22.2% from large hotel companies. The number of hotels to analyze was low and we tried to maintain at least the same level in 2006 as well. In fact, three years later – in 2006 – a sample of the same size of hotel companies was analyzed. In 2006, the research included 10 or 27.8% respondents from small hotel companies, 16 or 44.4% respondents from medium companies and 10 or 27.8% respondents from large hotel companies.

The collected data were analyzed using the Statistical Package for Social Science (SPSS). Firstly, descriptive statistics were used; means and standard deviations were calculated. Secondly, a paired-sampled t-test was carried out to determine if there are statistically significant differences between knowledge management in the Slovenian hotel companies between 2003 and 2006.

4.2 Findings

The ten statements used to measure knowledge management in the hotel industry in 2003 and 2006 were analyzed. The interpretation of t-test results was done at 5% level of significance. Table 1 demonstrates that the general level of knowledge management is not good. The analysis shows that hotel companies' strategies are oriented towards knowledge management (on average 5.31 in 2003 and 5.36 in 2006), but according to the paired-sampled t-test no improvement was made in this regard between 2003 and 2006. Further, the analysis revealed that tourism companies had better defined goals on knowledge management in 2006 than in 2003. Respondents graded the clearness of goals definition in the field of knowledge management with 4.97 out of 7.00 in 2003 and 5.58 out of 7.00 in 2006. Hotel companies did not make any further development regarding policy making on knowledge management between 2003 and 2006. High standard deviations show big differences among respondents.

The significance of knowledge management was recognized as important by hotel managers in 2003 and in 2006, who gave it an average grade of 5.67 and 5.56 out of 7,00. However, at the same time managers admit that measures of knowledge management are not successfully developed (on average 3.36 in 2003 and 3.44 in 2006). Hence, this statement had the lowest average value in both years. Knowledge assets were better included in business reports in 2006 than in 2003, but the average value is still low. It was only 4.06 in 2006 and 3.37 in 2003.

Additionally, t-test results showed that there is a significant difference in the level of systematic transformation of not-owned knowledge into the owned one between 2003 and 2006. Unfortunately, respondents gave to this statement an average value of only 3.56 in 2003 and 4.64 out of 7.00 in 2006 respectively. There was a development in mechanisms to identify and eliminate knowledge gaps between 2003 and 2006 as the paired-sampled t-test reveals. The average value in 2006 was 4.61 for both – identifying and eliminating knowledge gaps - whereas in 2003 both were under 4.00. There was not a significant difference in the level of diminishing barriers to knowledge development in the same period (on average 5.03 in 2003 and 5.19 in 2006). A better positioned policy in the field of knowledge management in hotel companies would further diminish barriers to knowledge development.

Table 1: Knowledge management in the Slovenian hotel industry before and after the entry in the EU

Statement	Before EU entry		After EU entry		T-test	Sig. (2-tailed)
	Mean	SD	Mean	SD		
A company strategy is oriented towards knowledge management.	5.31	1.28	5.36	1.02	- 0.221	0.872
A company has clearly defined goals on knowledge management.	4.97	1.46	5.58	1.18	-2.101	0.043
Policy of the company provides clear guidance on knowledge management.	4.08	1.38	4.19	1.28	-0.339	0.737
Measurement of knowledge value is important for knowledge management.	5.67	1.24	5.56	1.21	0.412	0.683
A company has developed measures to measure the value of knowledge.	3.36	1.40	3.44	1.71	-0.219	0.828
Business reports comprehend knowledge assets.	3.37	1.24	4.06	1.19	-2.500	0.017
A company systematically transforms not-owned knowledge into the owned one.	3.56	1.25	4.64	1.53	-3.219	0.003
Gaps between planned and actual knowledge are regularly identified.	3.69	1.56	4.61	1.40	-2.434	0.020
Gaps between planned and actual knowledge are successfully eliminated.	3.94	1.17	4.61	0.96	-2.552	0.015
Barriers to knowledge development are being successfully diminished.	5.03	1.48	5.19	1.26	- 0.505	0.616

5 Conclusion

The aim of the paper was to determine whether knowledge management in the Slovenian hotel industry has been further developed after the entry in the EU. The study shows that only some elements of knowledge management have been enhanced, according to hotel managers. Therefore, it can be deducted that the Slovenian hotel industry should put more effort into the development of knowledge management.

Specifically, significant differences in knowledge management were found in five of the ten items used to measure knowledge management performance. Compared to the year 2003, knowledge goals definition, business reports on knowledge, the transformation of not-owned knowledge into the owned one and the identification and elimination of gaps between planned and actual knowledge were more developed in 2006 in Slovenian hotel companies. On the other hand, strategies and the policy regarding knowledge management, knowledge measurement and measures and barriers to knowledge management had not been further developed. Hence, the results do not confirm the hypothesis that knowledge management has been further developed in two years after the entry of Slovenia in the EU. Thus, the hypothesis is rejected. There are some areas of knowledge management that had been neglected. The least developed area of knowledge management in the Slovenian hotel industry is the element of knowledge management measures.

Findings indicate that hotel companies in Slovenia are not performing well in the field of knowledge management since the competition in the single European market is even stronger. Slovenian hotel companies are slow to take up the opportunities that an effective knowledge management could bring. Barriers to knowledge management can be diminished or even eliminated by building relationships and trust among employees, creating common ground through collaboration and creating a more flexible environment and a non-hierarchical approach in the company. The paper addresses the need of the Slovenian hotel industry to further develop knowledge management in order to obtain competitive advantage in the highly competitive European tourism market.

A number of lessons can be drawn from the research. Firstly, the strategies of Slovenian hotel companies should be more oriented towards knowledge management. Secondly, the policy of hotel companies should provide clearer guidance in the field of knowledge management. This consequently means that business processes should be focused on knowledge development. Thirdly, the measurement of knowledge management should be developed systematically. The top management of hotel companies can support knowledge management by recognizing the value of knowledge. Fourthly, barriers that comprehend knowledge management development should be managed more efficiently. This would ensure the availability of knowledge at any time when it is crucial and its distribution to all people in the company and to its customers.

According to the findings, the greatest threat facing the Slovenian hotel industry after the entry into the EU is the absence of the rapid creation of new knowledge. There is an urgent need of careful and purposeful knowledge management to create real opportunities for the development of the Slovenian hotel industry and, therefore, to close the gaps in the field of knowledge management. Knowledge management in the

Slovenian hotel industry requires profound changes in the field of strategy development and knowledge policy.

Given the increasing importance of knowledge management, further research in this field should be carried out after some period of time to analyse if any important changes or improvements happened in knowledge management in the Slovenian hotel industry. Additionally, more studies of knowledge management from other fields of the tourism industry in Slovenia are required.

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