KNOWLEDGE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE IN HOSPITALITY SMEs IN THAILAND

by

Chanin Yoopetch
Mahidol University International College, Mahidol University
999 Phutthamonthon 4 Road, Salaya, Nakhon Pathom, Thailand 73170
E-mail: chanin.yoo@mahidol.ac.th
KNOWLEDGE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE IN HOSPITALITY SMEs IN THAILAND

by

Chanin Yoopetch
Mahidol University International College, Mahidol University
999 Phutthamonthon 4 Road, Salaya, Nakhonpathom, Thailand 73170
E-mail: chanin.yoo@mahidol.ac.th

Abstract
The current paper highlighted the impact of knowledge management practices, together with other organizational factors, on organizational performance. The questionnaires were applied to collect the data and sample size of the study was 516. The informants of the survey included the owners or managers of small and medium sized hospitality companies. Multiple regression analysis was used to test the research hypotheses. Research findings based on survey data showed that many organizational factors had positive effects on the performance. For example, regarding knowledge management practices, knowledge conversion indicated the highest influence on organizational performance, followed by knowledge application and knowledge acquisition. Additionally, teamwork demonstrated no impact on organizational performance. Discussions of finding and research implications were included.

1. Introduction
Knowledge is considered the main source of competitive advantage in modern management (Martín-de Castro, 2015; Anand et al. 2010). There are new and old or existing knowledge and in order for the organizations to improve their operating, focusing on development knowledge management practices appears to be one of the very important instruments. Hospitality industry is known as one of the fast-growing industries in the past decade (Falk, 2016). The emergence of new hotels, airlines, and restaurants are significantly high in almost all categories, including luxuries, midscale, budget and others. Thailand has been relying on the tourism and hospitality industry in order to support the growth of the overall economy. In 2016, Tourism and hospitality industry contributed more than 10% for the gross domestic products of Thailand, after only for the export sectors. Similar to other industries, more than 90% of tourism and hospitality sectors were fueled by small and medium-sized companies, such as hotels and restaurants (Kontogeorgopoulos, 2016). The general research question for the current study was “What types of knowledge management practices will have the significant influence on organizational performance of hospitality SMEs?”. This research is aimed to test for the empirical evidence on the relationship between the efforts of the small and medium-sized hospitality companies in managing their knowledge resources and the organizational performance or organizational outcomes, in many dimensions including financial and non-financial aspects.

The objectives of this study were developed, firstly to identify the characteristics of knowledge management practices in Thai SMEs in hospitality industry, secondly to identify the level of organizational performance of Thai SMEs in hospitality industry and lastly to test the relationship between knowledge management practices and organizational performance of Thai SMEs in hospitality industry.
Regarding the context of research study, Thai small and medium-sized companies in the hospitality industry were targeted to be further tested and the results from the study can be analyzed to develop the implications for practitioners.

This study aims to provide clearer evidence regarding the relationship between the practices of knowledge management for the SMEs and how such practices helped the enterprises to achieve their goals. Few studies have explored the relationship in this context of hospitality industry. The highly importance of tourism and hospitality industry in Thailand makes the contributions of the current research obviously valuable, because knowledge is the key resources in each organization and understanding the relationship between knowledge management and firm performance can directly lead to the useful guidelines for other companies to further develop their operations. Furthermore, the expected benefits of the study are to help the managers of hospitality SMEs to develop the guidelines to improve knowledge management practices. In addition, the findings are expected to show the most influential factors to affect organizational performance. Therefore, the managers of hospitality SMEs could refocus their resources to create direct impacts on the firm performance.

2. Literature Review

2.1 Resource-based view theory

Based on resource-based view theory in strategic management, Sirmon et al. (2010) noted that having valuable, rare, inimitable, and non-substitutable resources was necessary to achieve a competitive advantage. Firms must manage those resources effectively in order to gain sustainable competitive advantage, including managing the resource portfolio, collecting resources to generate capabilities, and leveraging those capabilities with the suitable strategies. In planning the firm's resources, managers must also select, develop, and bundle both tangible and intangible resources to create capabilities. Barney &Hesterly (2006) suggested that resources that could provide a firm with competitive advantage should have following four qualities, valuable, rare, imperfectly imitable, and non-substitutable. The resource-based view theory has proved to be useful means to analyze how organizations become successful and achieve competitive advantage by focusing on various forms of resources within organizations (Cragg, 2008).

2.2 Knowledge

Anand et al. (2010) suggested that knowledge can be classified into two types, namely explicit knowledge and tacit knowledge. Explicit knowledge is distinguished by information that is relatively easy to communicate precisely and formally, found in sources, such as books and manuals. Blackler (1995) suggested that tacit knowledge in firms can be embodied (e.g. individual know-how), embedded (e.g. rooted in a firm’s routines, culture, or top management schemes) or embrained (e.g. possessed by a person, who is not able to articulate it). Markus (2001) stated that the two dimensions of knowledge that are widely accepted are explicit knowledge and tacit knowledge. Explicit knowledge is referred to knowledge that has at least been captured and articulated before being ideally codified, documented, structured and disseminated. In contrast, tacit knowledge is referred to knowledge that exists only in people’s memory and is difficult to be documented.

2.3 Knowledge management

Knowledge management is a process that helps organizations find, select, organize, disseminate, and transfer important information and expertise necessary for activities (Gupta et al., 2000). Bhatt further (2011) defined knowledge management as a process of knowledge creation, validation, presentation, distribution and application. While Nielsen (2010) said that knowledge management is getting the right information to the right people at the right time, helping people create knowledge and sharing and acting information. In addition, knowledge management is the creation, extraction, transformation and storage of the correct knowledge and information in order to design better policy, modify action and deliver results (Horwitch &Armacost, 2002).

Wang (2007) concluded that knowledge management is to create and use new knowledge improving productivity and generating wealth. Syed &Xiaoyan (2013) further explored the linkage between knowledge management practices and company performance and found a positive relationship between these two variables as well.

2.4 Knowledge management practices at the organizational level

According to Tseng (2016) and Brahma & Mishra (2015), knowledge management practices have been steadily gaining importance as a decisive factor to affect the firms’ ability to achieve competitive advantage globally in the last couple of decades. Prado-Gasco et al. (2013) summarized the outcome of knowledge management as greater productivity and efficiency, as well as reduction in costs and increase in revenues. In other words, these have been achieved since knowledge management provides faster and more efficient ways of solving problems, reduces errors or defects in products or processes, and provides more efficient ways to achieve a certain goal. Other benefits that are difficult to quantify are such as increased innovation, superior customer service, increased staff motivation and involvement, promoting, reduction in drop-out rates and staff rotation, better learning capacity of employees, improved teamwork and quality on organization. Based on the study of Supyuenyong et al. (2009) on the influence of Small and Medium-Sized Enterprises (SMEs) characteristics on knowledge management processes, they found that management and support structure as well as culture and behavior characteristics of SMEs have a more positive effect than other SME characteristics on knowledge management processes. Meanwhile, system, process and procedure, customer and market characteristics resulted with a more moderate effect and human capital management obstruct rather than facilitate knowledge management processes.

Furthermore, Knowledge management is a means of more actively leveraging the knowledge and expertise to create value and enhance organizational effectiveness which provides the firm a new way to achieve explicit and tacit knowledge sharing (Gold et al., 2001). Desouza&Aawuz (2005) suggested that an organization can maintain its capability in knowledge management if it can implement their activities with rigor, clarity, effectiveness, and efficiency. Organizations that show signs of a greater level of knowledge management capacity experience a learning effect that can enhance their capabilities in reducing redundancy, responding rapidly to change, and developing creative ideas and innovation. Gold et al. (2001) proposed organizational capability theory, which approaches knowledge management effectiveness from the perspective of organizational capability. They indicated that the tendency to effectiveness of knowledge management of a firm is based on knowledge management infrastructure and process capabilities. The knowledge management infrastructure capabilities comprise of three key capabilities cultural capability (organization’s vision and values, and its attitudes toward learning and knowledge transfer), structural capability (formal operation and command structure and the existence of norms and trust mechanisms), and technological capability (basic information technology structure of the organization such as hardware and software, internal and external system networks, and
internal and external databases). On the other hand, the knowledge management process capabilities comprise of knowledge acquisition, conversion, application and protection. Nielsen (2006) identified that knowledge management into eight main activities (knowledge creation, knowledge acquisition, knowledge capture, knowledge assembly, knowledge sharing, knowledge integration, knowledge leverage, and knowledge exploitation) where these activities are combined into three dynamic capabilities of knowledge development, knowledge (re)combination, and knowledge use. He concluded that the dynamic capabilities and the related knowledge management activities generate flows to and from the firm’s stock of knowledge while they also encourage the formation and use of organizational capabilities. Gharakhani & Mousakhani (2012) examined the relationship between knowledge management capabilities and SMEs’ organizational performance in Iran and found that knowledge management capabilities are positively related to SMEs’ sales growth, quality improvement, and customer satisfaction. In other words, three factors of knowledge management capabilities have positive and significant effects on SMEs’ organizational performance. According to the study of Maguire et al. (2007) on knowledge management in SMEs in the UK, they suggested that the main limitation for small firms in terms of e-business and knowledge management may be their incapability to make the necessary investment to take advantage of the new concepts and ICT as they may have to depend on external consultants; meanwhile, larger enterprises tend to have a greater capability to make use of e-business and knowledge management due to their access to the required skills and resources. Furthermore, Maguire et al. (2007) concluded that knowledge management is a relatively new concept for SMEs. In this study, the knowledge management practices, based on knowledge management capabilities, included knowledge acquisition, knowledge conversion and knowledge application (Nielsen, 2006; Gharakhani & Mousakhani, 2012).

2.5 Organizational Performance

Organizational performance in the current study focuses on the impact of managing knowledge resources within the organization. Implementing knowledge management leads to improvement in organizations. Gooijer (2000) has suggested that the results of knowledge management can be resulted in organizational performance. Several scholars have discussed that measures of organizational performance can result in many dimensions, including employee performance, business performance, market performance, and intellectual capital (Bontis & Fitz-Enz, 2002; Bresnahan et al., 2002; Saherwal & Becerra-Fernandez, 2003; Anantatmula & Kanungo, 2006).

2.6 Teamwork

Sapsed et al. (2002) referred teamwork as teams that develop a collective mind. Vivas-López et al. (2015) considered teamwork to cover team-to-team co-ordination and integration. Sapsed et al. (2002) mentioned that most organizational behavior theory tends to overstate the interpersonal dynamics or strong group factor in teamwork. In addition, interpersonal dynamics and attraction to colleagues are not a requirement for successful teamwork. Homogeneity can be the basis for interpersonal attraction in teams; however, diversity among team members tends to improves creativity and project performance even though the cohesion is lower. Chuang et al. (2016) and Totterdill (1997) indicated benefits of teamwork as enhanced ability to respond to market demand, improved quality, lower overhead costs, reduced work-in-progress, fewer recruitment, retention and absenteeism problems, simplification of planning, and improvement throughout the company. In conclusion, effective teamwork leads to successful performance.

2.7 Organization communication

Jacobs et al. (2016) defined organizational communication as the exchange of information and ideas among employees or members of a firm to build trusting and open relationships as well as to create understanding. Organizational communication is primarily concerned with the association between social actors which are the organization and its employees using social structures that include a range of formal and informal means of communication between individual employees, teams, project groups, and between staff and line management (Welch, 2012; Jacobs et al., 2016). O’Sullivan (2007) suggested organizational communication plan to be used for knowledge management systems deployments as it will allow the organization to recognize what messages need to be communicated and when to communicate them to achieve the maximum knowledge worker acceptance and to avoid the negative reaction to change that individuals experience when new systems are implemented. In relation to the aspect of knowledge management and organizational communication, Sarka (2014) explained that although the optimum tool for knowledge transfer is face-to-face communication, this means of organizational communication is not always possible. The level of knowledge is believed to grow each time when a knowledge transfer takes place since knowledge does not leave the organization (Tsai, 2001). In addition, mutual learning and inter-departmental cooperation have also been encouraged among different departmental groups. According to Yuan et al. (2011) on leveraging internal knowledge to achieve endogenous innovation goals in small and medium-sized enterprises, individuals and working units inside SMEs tend to have greater opportunities to exchange ideas and communicate with each other internally.

2.8 Social Networking

It is believed that by integrating the social networking tools into an organization’s knowledge management and e-learning practices, peer-to-peer collaboration and knowledge sharing will be fostered (Kane et al., 2010). Since distance, among related organizations in collaborative projects, has been minimized through social networks, communication and interaction has become more rapid among employees and organizations (Heidemann et al., 2012). Social networks offer a platform for employees to involve in activities such as posting questions and answers, discussing, messaging, story-telling, as and sharing experiences; therefore, social networks play an essential role in the emergence of knowledge transmission activities, both explicit knowledge and tacit knowledge, in today’s world (Lai & Chen, 2014). Zhu et al. (2016) regarded online social networks as a new transmission route of tacit knowledge to communicate, which has just emerged and becomes more dominant today.

2.9 Information technology

Information Technology (IT) resources encompass the infrastructure for information technology and systems, human skills in working with IT, and organization’s ability to manipulate IT, combining to form the IT capability (Bharadwaj, 2000). According to Ross et al. (1996), IT capability is the ability to manage these three IT resources. The combination of these resources is a better resource to compete, or better say, is a competitive advantage. Bassellier et al. (2001) defined IT competence in business managers as the set of IT-related explicit and tacit knowledge, or “know-how”, that a business manager possesses which enables him or her to exhibit IT leadership in his or her area of business. Porter & Sullivan (1998) claimed that competitiveness of workers is closely related to level of technology usage. Sophisticated technology requires high level of education and training among workers that eventually help to categorize their level of competitiveness.
Lam et al. (2007) studied the hotel employee behavioral intentions towards adoption of information technology. Results showed that attitude, self-efficacy, and subjective norm are positively related to behavioral intention. Therefore, the role of information technology can have an influence on the overall organizational performance.

As the key factors were defined and discussed in the previous section, seven research hypotheses were proposed as follows;

H1: Information technology is positively associated with organizational performance.
H2: Knowledge acquisition is positively associated with organizational performance.
H3: Knowledge conversion is positively associated with organizational performance.
H4: Knowledge application is positively associated with organizational performance.
H5: Social Networking is positively associated with organizational performance.
H6: Teamwork is positively associated with organizational performance.
H7: Organizational communication is positively associated with organizational performance.

3. Research Methodology

Since the study was focused on the organizational level, the questionnaire was created to measure the overall performance of hospitality firms. This set of questionnaire can only be distributed and collected from the top executives of the hospitality SMEs. The sample size was 516 small and medium sized companies in major destinations of Thailand, including Bangkok. For the measurements, the author reviewed the past literature on knowledge management and other factors. Then, the factors were tested for its reliability before the actual fieldwork. Questionnaires were distributed to the respondents and data collection was around three months.

4. Results

For the characteristics of organizations in the current study, about 22% of the SMEs have been in operations for more than ten years. 30% had operated for five to ten years. The rest of the SMEs provided service less than five years. In addition, 30% of the respondents were actual owners, while 70% were managers in charge of the operations. Out of 516 SMEs, 47% were actual owners, while 70% were managers in charge of the operations. Out of 516 SMEs, 30% had operated for five to ten years. The rest of the SMEs provided service less than five years. In addition, 30% of the respondents have been in operations for more than ten years. 30% had operated for five to ten years. The rest of the SMEs provided service less than five years. In addition, 30% of the respondents have been in operations for more than ten years. 30% had operated for five to ten years. The rest of the SMEs provided service less than five years.

Table 1: Descriptive Statistics and Reliability Test

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Performance</td>
<td>5.8837</td>
<td>.93583</td>
<td>0.86</td>
</tr>
<tr>
<td>Information Technology</td>
<td>6.00</td>
<td>1.056</td>
<td>0.88</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td>5.81</td>
<td>1.042</td>
<td>0.83</td>
</tr>
<tr>
<td>Knowledge Application</td>
<td>5.87</td>
<td>1.041</td>
<td>0.84</td>
</tr>
<tr>
<td>Knowledge Conversion</td>
<td>5.87</td>
<td>1.054</td>
<td>0.91</td>
</tr>
<tr>
<td>Social Networking</td>
<td>5.71</td>
<td>1.037</td>
<td>0.85</td>
</tr>
<tr>
<td>Teamwork</td>
<td>6.14</td>
<td>.754</td>
<td>0.87</td>
</tr>
<tr>
<td>Organizational Communication</td>
<td>6.23</td>
<td>.772</td>
<td>0.80</td>
</tr>
</tbody>
</table>

According to Table 1, Descriptive statistics shows that organizational communication had the highest mean average of 6.23 out of 7-likert scale, suggesting that most enterprises concerned about the importance of communication to support the workflow within the organizations. Furthermore, teamwork had the second highest mean level, followed by information technology. Cronbach’s alpha of all factors indicated acceptable level of reliability with the lowest value of 0.8 and the highest alpha of 0.91.

According to the overall model testing, R-square value is 43.2% and Durbin-Watson is 1.898. Multicollinearity does not exist in the model and VIFs of all factors were below the cutoff point of 10 and the highest value of VIFs was merely 2.135. In addition, ANOVA test of the regression model showed that the model is acceptable with Sig. of .000 and F-value of 55.296. This outputs confirmed the empirical test to be further interpreted in the next step of data analysis.

Table 2: Multiple Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.09</td>
<td>.008</td>
<td>1.328</td>
<td>.185</td>
</tr>
<tr>
<td>Information Technology</td>
<td>1.69</td>
<td>.035</td>
<td>.191</td>
<td>4.898</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td>1.40</td>
<td>.054</td>
<td>.126</td>
<td>2.575</td>
</tr>
<tr>
<td>Knowledge Conversion</td>
<td>1.69</td>
<td>.049</td>
<td>.169</td>
<td>3.470</td>
</tr>
<tr>
<td>Knowledge Application</td>
<td>1.61</td>
<td>.051</td>
<td>.147</td>
<td>3.141</td>
</tr>
<tr>
<td>Social Networking</td>
<td>.086</td>
<td>.039</td>
<td>.109</td>
<td>2.512</td>
</tr>
<tr>
<td>Teamwork</td>
<td>.043</td>
<td>.058</td>
<td>.035</td>
<td>.751</td>
</tr>
<tr>
<td>Organizational Communication</td>
<td>1.43</td>
<td>.052</td>
<td>.118</td>
<td>2.758</td>
</tr>
</tbody>
</table>

From the results in Table 2, all factors had positive association with organization performance, except for teamwork. Information technology showed the strongest relationship, followed by knowledge conversion and knowledge application, respectively. These findings provided the crucial practical knowledge for the practitioners and their priority can be rearranged to enhance to higher degree of organizational performance.

5. Discussion

Most of the factors demonstrated significantly influences on organizational performance and the most influential factor was information technology. H1 was supported by the findings. It is well-known about the impact of information technology on the organizational performance (Bharadwaj, 2000; Bassellier et al., 2001). Furthermore, one of the main highlights of this study was on testing the impact of knowledge management practices, including knowledge acquisition, knowledge conversion and knowledge application (e.g. H2, H3, and H4) and the analysis found that all these practices had positive effects on organizational performance. Interestingly, knowledge conversion showed the strongest influence among these three practices, followed by knowledge application and knowledge acquisition, respectively. This is crucial finding, because it highlighted the crucial role of how to convert the existing knowledge and new knowledge before the further application of knowledge. Some companies may fail to pay close attention to the process of
knowledge conversion and therefore the companies, which can effectively convert the knowledge, will have greater opportunity to achieve higher performance (Brahma & Mishra, 2015; Tseng, 2016; Wang, 2007; Syed & Xiaoyan, 2013).

Regarding H5, social networking is found to have influence on organizational performance. This is supported by Lia & Chen (2014) and Zhu et al. (2016). For teamwork, past research noted the importance of teamwork on firm performance (e.g. Sapsed et al., 2002), in this study, teamwork had no influence on the organizational performance, while information technology indicated the highest influence on the dependent variable. This may suggest that with the effective workflow of data, information and knowledge. The process of teamwork traditionally had been implied into the context of virtual teamwork as a part of information technology management. Lastly for H7, organizational communication has a positive effect on the performance. This finding was confirmed by the previous works of O’Sullivan (2007), Welch (2012) and Yuan et al. (2011).

6. Conclusions

The important aim of the study is to contribute to the empirically tested understanding of the association among knowledge management practices (e.g. knowledge acquisition, knowledge conversion and knowledge application) and organizational performance in the hospitality small and medium sized firms. Several other factors were also tested their influences on organizational performance. Therefore, the outputs of the research provided new insights for the academic communities in many folds. Firstly, knowledge management practices had different degrees of influence on organizational performance. Secondly, the output reconfirms the crucial role of information technology on the firms’ performance.

Thirdly, in the context of teamwork, as it is known in the past research that teamwork has influences on the performance, however, due to the analysis, when the effect of teamwork was tested in comparison to other factors, its influence became insignificant on the performance. This implied that many factors (such as organizational communication and information technology) combined could replace the impact of teamwork towards how the organizations operate.

7. Research Contributions

Highlighting the effect of information technology, knowledge conversion and knowledge application, which are the three most influential factors influencing organizational performance. Hospitality managers should pay attention to the effectiveness of their current information technology process in terms of updated version of the technology and widespread usage of the technology across the firms. Additionally, knowledge management initiatives, especially about how to integrate old and new knowledge, should be carefully monitored and supported throughout the firms. Basically, new knowledge has been created regularly and the managers will decide to embrace the new knowledge resources and apply such knowledge into their operations. This can make a difference between successful and unsuccessful organization. Moreover, social networking with stakeholders should be considered one of the crucial tasks to do for success. Additionally, for knowledge management practices, organizational communication should be regarded as the key source of information flow within the firms. Effective communication allows successful companies to ensure that every one has received and understood the message and information in a timely and accurate fashion.

8. Directions for Future Research

The research on knowledge management practices must be continued to investigate the other dimensions, such as human capital and social capital. The impact of knowledge management practice clearly deserves further empirical study to find the more insights for the relationship among these factors. Knowledge is the key source of competitive advantage and the more effective approach to improve in the more detailed levels are needed in terms of how knowledge acquisition can be developed. Researchers may study how the knowledge conversion can fit with different types of organizations. Moreover, knowledge application at different levels of organization (e.g. staff or executives) may be conducted differently and how such a difference can have the effect on organizational performance. Lastly, this research achieved its objectives, but it is not without a limitation. By the nature of cross-sectional study, the findings may not be appropriate to imply the benefits of the findings for the long-term strategic organizational performance. To explain the strategic performance for five to ten years, longitudinal study should be adopted to explain the phenomenon.


