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T.E.I. Thessaloniki
Greece



Department of Tourism
Management

UDC 640.4:65.012.4

Rewiev

Received: 12.03.2009

KNOWLEDGE MANAGEMENT AS A NEW MANAGERIAL PARADIGM*

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Abstract: Knowledge management research in Croatian hotels shows that it has become a new pattern of management, but only in cases of managements that handle the hotel product that is a brand (a protected hotel product with a trademark).

Knowledge management as the property of a hotel organization entails the management of a series of processes associated with knowledge, such as: the advancement of the organization's knowledge, protecting the organization's knowledge, utilizing knowledge and sharing knowledge among everyone in the organization.

Although the percentage of branded hotels in Croatia has significantly increased, from 2% in 2003 to 5% in 2007, the number of unbranded hotels still remains very high and adds up to 499 hotels. These are mainly hotels that still fall short of wholly using their knowledge and experience (know-how) as a license or franchise of the hotel product with a brand.

Key words: knowledge and experience (know-how), know-how license contract, product brand image, unbranded hotels.

* This article is the result of the scientific project "Management of Knowledge and Personnel in Tourism as a Feature of Croatian Identity" (project no. 116-000000-0758), financed by Croatian Ministry of Science, Educations and Sport.

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1. KNOWLEDGE MANAGEMENT IN HOTEL ORGANIZATIONS IS RELATED TO MANAGING THE HOTEL PRODUCT

Knowledge management on handling hotel organizations includes the integral *knowledge and experience (know-how)* that is required to conduct modern business management relevant to planning, organizing, personnel replenishment, guidance and control of the hotel product.

The hotel product and its image are recognized and differentiated as a branded product (protected by brand-mark, seal) or as an unbranded hotel product. The difference between a branded and unbranded product represents the first personal determining factor of a guest prior to any booking. Therefore recognition and differentiation of the branded hotel product image from the unbranded product is of special importance.

The *branded product image* includes all the concepts about it in the mind of the guest and of the public. Thus, besides the physical perception, the guest as a consumer also forms a symbolical perception based on the actual product or on the information about it. Contributions to a product's image are its brand, design, packing and selling services, and these are formed through publicity, placement, and other patterns of one's own psychological differentiation in comparison to the competitor's hotel products (Vujonic i Cavlek 2001, 131). The image of the hotel product incorporates the image of the organization, its staff and the tourist destination. On account of the importance of the growing hotel product image for the guest, on the market and in public it is of significance to differentiate the management of hotel products with recognizable and firm images from similar hotel products with unrecognizable images. This means that managerial knowledge in hotel organizations can be distinguished in compliance with their strategic marketing commitment for a branded product image or a unbranded product.

Is a new managerial paradigm (pattern, epitome, example) coming forth in the economics of knowledge management?

We got a *positive response and found good examples of knowledge management* in the hotel organizations that chose to run business on basis of managerial knowledge direction of the branded hotel product. In Croatia today these are predominantly international hotel business organizations that have extended the management of successful hotel products worldwide. For all that, it is clear that besides selling the hotel product, they also sell their „package of knowledge and know-how“ on how to run the management of their successful brand hotel product that is networked within a group or chain of hotels.

We got a *negative response to knowledge management* predominantly among the Croatian hotel firms that are still unresolved concerning the company's marketing policy on the issue of the branded hotel product. Thus, precisely the brand product, that is to say, the hotel product with a brand, conveys a clear symbol of recognition and distinction, not only of the hotel product brand, but of the managers and owners of hotel business organizations who handle the knowledge of both branded and unbranded

products. The term *hotel product with a brand* is reference to the hotel bearing a protected brand mark; a hotel seal indicating it as a protected product on the market.

An analysis of the structure of the most successful hotel brands worldwide detects a *connection between the names of hotel organizations, the names of hotel brands and of knowledge managements and know-how*. The connection between names of hotel organizations and names of hotel brands, based on managerial knowledge and know-how, is demonstrated in the following examples of leading hotel brands and their accommodation facilities (Hayes and Ninemeir 2005):

- **Marriott International** is a hotel organization that manages hotel brands under the name **Marriott Hotels, Resorts & Suits**, Courtyard by Marriott, Marriott Conference Centers but likewise under other names such as the Ritz Carlton, Residence Inn et al.,
- **Hilton Hotels Corporation** manage the brand **Hilton Hotels**, Hilton Garden Inns but also under the names Conrad International Hotels, Hampton Inns et al.,
- **InterContinental Hotels and Resorts** manage the brands **InterContinental Hotels** and Resorts, but likewise others such as Holiday Inn, Holiday Inn Express, Crown Plaza et al.,
- **Disney** is the organization and brand name of **Disney Hotels**, round-trips, amusement parks, and a more all-inclusive producer of toys, television shows, animated films, etc.

The connection between names of hotel organizations with a brand and names of hotel brands is based on hotel knowledge and „know-how“ experience. This means that the branding of a strong and sure hotel product involves applied knowledge and know-how. The trinity of the hotel product with the brand simultaneously makes branding: the product, the organization, and the staff connected to management and know-how. Further, this means that the managerial knowledge of a brand hotel product, in addition to the brand hotel product, includes the managerial knowledge of directing the branded organizations and staffs with the same standards of knowledge that are further networked in hotel chains or hotel groups.

Nowadays it is deemed possible to acquire **hotel know-how** as soon as knowledge and established experience is accumulated in one place. Such accumulated knowledge and know-how is formed as *one's own, from an external source, or a combined hotel know-how*. In the first place it is asserted through the business of one's own facilities as competitive knowledge and know-how, which means that it is partially well-known already, and as a rule unpatented, but well-protected nevertheless.

By means of hotel know-how license contracts, as well as binding agreements on hotel franchise, management and leasing, knowledge is protected from further selling, whether singly or as whole packages, of knowledge on management of hotel products, business organizations, personnel staff and destinations.

An analysis of structures of certain representative Croatian hotel organizations shows the nonexistence of connections between the name of a hotel organization, name of a hotel product and *managerial knowledge and know-how*. This is the consequence of an inheritable commitment by a management that is not focused on a hotel product's brand development but rather on the generally unbranded hotel product. This nonexistence of a strong connection between the hotel organization, name of the hotel product and managerial knowledge and know-how is evident in the following examples:

- **Liburnia Riviera Hotels** manage the unbranded hotels under the names Ambassador, Admiral, Kvarner, Kristal, Istra, Excelsior et al., and managerial knowledge and know-how are not connected to hotel products with a brand.
- **Ugo Hotels** manage unbranded hotels Grand, Four Opatija Flowers, Agava together with the branded Millenij Hotel World Hotels Opatija. A changeover of unbranded Ugo Hotels into branded hotel products under the brand name **Milenij** Hotel Opatija, Milenij Grand Hotel and Milenij Agava Hotel is currently under way, developing their own management organization to handle facilities of their own, as well as facilities belonging to others.
- **Imperial d.d. Rab** manage the hotels Padova, Imperial, Eva, Karolina et al., and is accumulating knowledge and know-how so as to regulate the rules and procedures of hotel standards through the development of their own brand name of Imperial Hotels Rab.
- **Jadran d.d. Crikvenica** manage the hotels International, Kastel, Omorika et al., but their managerial knowledge and know-how are not connected with a hotel product brand, but with the unspecific hotel type.

In the case of hotel organizations that have chosen the policy of a brand hotel product it is evident that this kind of business management supports the brand of human capital having the hotel chain knowledge to run the business of a hotel product brand. Likewise, hotel organizations that produce the unbranded hotel product, their management is directed in favor of the unspecific unbranded hotel product.

2. MANAGERIAL KNOWLEDGE OF HOTEL ORGANIZATIONS ON THE BRANDED HOTEL PRODUCT BRAND AND THE UNBRANDED HOTEL PRODUCT

Managerial knowledge is formed in a standard way as a „package of knowledge“ protected as intellectual ownership for the purpose of further sale in the form of a hotel franchise with a brand of either singly or wholly directed management of the hotel brand. In the case of unbranded hotels the managerial knowledge of the hotel organization is unprotected since, as a rule, it is not transmitted outside of the organization anyhow.

Present-day managerial knowledge of hotel organizations in Croatia, linked to their introduction of international hotel standards, have been developing since 1996. This knowledge has been developing within the framework of hotel organizations Istraturist Umag, Jadranturist Rovinj et al., under the ownership of the Zagrebacka bank and management of Hrvatskih Hotela i Ljetovalista - Croatian Hotels and Resorts (CHR). CHR was founded as the first Croatian international hotel organization for management of hotel brands. After a successful sale of the CHR organization to the Spanish Sol Melia organization in 1999, managerial knowledge continued development within the framework of hotel organizations Istraturist Umag, Maistra Rovinj, Valamar Porev, Rabac, Dubrovnik, Horwath Consulting Zagreb, Karamarko Consulting Rijeka, et al.

The knowledge of hotel organizations can be defined in general as an assemblage of all practical knowledge (know-how or cognition) necessary for optimal management of development and business dealings of the organization, and which are linked to: the tourism and hotels market, brand products and services, managers and staff, technology and organization of work, and so on.

For example, the knowledge of hotel organization Milenij Hoteli Opatija was constituted and shaped within a system of 10 reference manuals for managers, in accord with the realms of their responsibilities for business results and quality. The manuals prescribed the proper Standards of Rules and Procedures (SRP) of the Ugo Group that formulates its hotel products with the Milenij & Solaris brand. In this way the SRP Administration manual also prescribed their own standards for the Management and utilization of the hotel organization's knowledge, and this was executed as follows:

The knowledge of hotel organization Milenij & Solaris is the property of the organization and is managed by the Administration in the interest of development and business management of the organization.

*The Administration of the organization is responsible for the management and utilization of the organization's knowledge and for coordinating it with: the **vision** of running the organization's business, with the accepted **strategies**, and with the **team** of company employees who work in a coordinated manner on knowledge management and know-how as a skill of their own.*

The Administration strives to discover better ways of how to maintain and increment the knowledge that it has.

In doing so, particular emphasis is on the importance of:

- *Present-day information science and technological support,*
- *good communication, and in the process, security is of exceptional importance,*
- *feedback information on results of knowledge applied in hotel business activities,*
- *the Managerial Information System (MIS) and*
- *the program of guest and clientele loyalty to the organization.*

The management and staff of an organization must have perpetual insight into the knowledge that the organization has access to. Thus practical knowledge becomes the property of the organization and its most important organizational resource, enabling strategic advantage in front of the competition.

Only the knowledge made use of in business dealings and of a kind that is incessantly being bettered and brings gains on the market becomes the property and organizational resource of the organization.

The Management must know how to handle and make use of business knowledge, because a competitive business result is based on a constant utilization of better and more competitive knowledge.

The Management should be aware of the cognition that it is most difficult to know how to be and stay competitive in managing business results and product development under conditions when:

- *the market is exceptionally competitive, and innovations are ever more rapid so that knowledge has to be continually enriched;*
- *competitor organizations are increasingly focused on creating additional values for the guest, and while doing so they are decreasing the number of employees, whereas the remaining staff has to know more and more (the making of universal employees and household work organizations);*
- *fewer and fewer employees on the labor market have the required knowledge, therefore hotel organizations must use their own knowledge for a better and faster management in the interest of better business activity;*
- *the adoption of knowledge requires time, and knowledge itself depends on the employees' experience;*
- *employees have less and less time for studying, therefore the importance of organizing, i.e. enforcing standards as to who and what one ought to know, as well as applying self-education and self-evaluation of employees through work;*
- *in the trend of heightened fluctuation of manpower, knowledge management is of importance to ensure decentralization of knowledge in keeping with the segments of the hotel business, instead of a knowledge monopoly by the management;*
- *successful knowledge management calls for a clear understanding and defining of the meaning of knowledge as the property of the hotel organization – "an assemblage of all knowledge on the market, products/services, employees, technology and work organization, which are necessary for optimal development of the business."*

Knowledge management as property of the hotel organization, has in mind the management of a series of processes connected to knowledge, such as:

- *enhancement* of the organization's knowledge,
- *guarding* the organization's knowledge,
- *utilizing the knowledge and*
- *sharing* knowledge among everybody in the organization.

The purpose of knowledge management is *identification and analysis* of all the utilized knowledge in the processes of planning activities to enhance knowledge for the furtherance of the procedure and fulfillment of the company's organizational goals.

The available knowledge of the hotel organization can be found and identified on several *databases, knowledge bases, card files* et al., and is also contained in the *heads* of the managers and staff.

The list of business knowledge of the hotel organization Milenij & Solaris, which is found in several databases or with the management and staff, is *identifiable* as:

- *the knowledge base system of documented Standards, Rules and Procedures (SRP) of hotel brand Milenij, Solaris* – includes a system of obligatory manuals with prescribed (SRP) for the integral managerial handling of the hotel brand on levels of *organization, product / services and staff*, in keeping with the segments of hotel business and in line with the individual responsibility of managers and wholly on the level of the brand product,
- *the database system on the Managerial Information System (MIS) of Milenij, Solaris* – a system of Reports contrived to instigate managers to undertake action to achieve quality enhancement of business results in the segments and fields of individual responsibility for such business results, as well as cumulatively,
- *the database on guests and business clientele of the hotel organization* – is potentially the greatest capital that the organization has at its disposal and which it has to actively manage in order to hold on to the existing customers and gain new guests, who are currently amongst our market competitors.
- *the database of suppliers and partners of the hotel organization* – covers all information and relations with our suppliers and partners,
- *knowledge of managers and hotel organization staff* – all the knowledge on how to know, and be able to, and want to get abreast of the competition's attending to business, is contained in the heads of the employees. Employees depart from the organization with this knowledge or bring it to the organization, which gives evidence of the importance of managing them.

At this point it is necessary for the Management, within the framework of this SRP, to identify and make a list of all other business knowledge so that everyone in the hotel organization can recognize, utilize and guard it in a more proficient manner. It is especially important that all involved in the organization's business know how to

recognize and utilize the knowledge contained in the heads of the organization's managers and staff.

For better management and utilization of business knowledge it is necessary for all associated members of the Milenij & Solaris organization:

- *to speak the same language as spoken in the organization*, when it comes to knowledge and know-how, so as to prevent misunderstandings,
- *to be capable to identify, shape and implement* all of their own knowledge and the know-how of the organization,
- *to enable the sharing and mutual utilization of the best knowledge* in all sections of the organization and for various applications, according to the adopted brand standards,
- *to develop a culture of knowledge* and instigate employees to a creative practice of cognitive exchanges.

There are several methods and tools that are helpful in exercising knowledge management. Here we single out the application of the SWOT analysis, benchmarking, branding, etc. that make knowledge easier to: identify, form, evaluate and maintain in all sections of the organization in the same manner and in accordance with the same standards.

Information science technologies are increasingly helpful in applying contemporary methods of managing the competitive business activities of hotel organizations, in particular nowadays when the best information science systems in the world used by leading hotel products with a brand are available.

In the course of management and utilization of an organization's knowledge, it is important to *distinguish*:

- identification of knowledge,
- analysis of knowledge,
- application of knowledge, and
- estimation of knowledge quality.

Identification of knowledge in the organization – means to define the kinds of knowledge that the organization has at its disposal, where that knowledge is located, what is its quality, how is it used, what is its form, how to get hold of it and make it better.

Analysis of knowledge – an evaluation of how knowledge can be of help in creating new values; what are the chances to benefit from the knowledge; what effects would application of knowledge achieve in making greater profit; what knowledge does our competitor use, and what does the best organization in our field of business use, etc.

Application of knowledge – defines the manner and deadlines for carrying out the Action planning and controlling of carried out activities in practice.

Estimation of knowledge quality – revision of making use of knowledge.

In the process of managing and utilizing knowledge, the Management should answer the following questions:

- has application of knowledge achieved the desired effect on the branded product,
- has the method for maintaining the knowledge level on competitive brand management been defined; as well as
- the method of creating new knowledge for a successful management of the quality and profit of the hotel brand?²

3. THE STATE OF AFFAIRS AND DIFFERENCES IN KNOWLEDGE MANAGEMENT OF BRANDED AND UNBRANDED HOTELS IN CROATIA

Exploring the state of affairs and difference in knowledge management of branded and unbranded hotels, we analyzed the official „List of categorized hotels (and branded hotels) in years 2003 and 2007, published by the Ministry of the Sea, Tourism, Transport and Development (MMTPR). In the cited lists an analysis was made according to the name of the branded hotel product and the unbranded hotel respectively.

The results of the performed research in years 2003 and 2008 show the following:

- *In year 2003 Croatia had only 8 hotels with a brand product, or a share of less than 2% of all hotels, namely a share less than 5% in relation to the number of accommodation units (hotel rooms and apartments). On the whole, managerial knowledge on the branded hotel product was related to the strategic decision of the hotel owner. The hotel owners, upon proposal of the hotel management, from the very beginning of handling the development of the hotels' real estate have to bring a strategic decision on the competitive standards of the hotel. The decision on the selected standard for the hotel's development is often, due to the ignorance of the owner or the team working on the hotel project's development, not brought in time, even when it is a matter of compulsory national hotel standards for the type of accommodation facility.³ In addition to the compulsory national hotel standards, which are oriented towards a hotel's physical structure and beauty, hotel owners have to bring decisions on the choice of other non-obligatory standards that are essential for the hotel's*

² Pursuant to the SRP system for competitive management of the quality and earnings of branded hotel products developed by Karamarko Consulting for the Hotel Industry & Tourism.

³ Piramida hotel standard according to model Karamarko Consulting.

quality and profitability. It is a question of formally nonobligatory standards such the ISO standards, USALI standards and specific standards for hotel brands, oriented towards business excellence of the hotel product with a brand. In 2003, decisions on development of branded hotel products were brought forth by the following owners:

- Zagrebacka banka d.d. as the owner of hotels Istraturist d.d. Umag and Jadran-turist d.d. Rovinj for hotel brand „Sol Elite Koralj“, „Melia Eden“, „Sol Park“, „Sol Club Istra“, „Sol Inn Adriatic“ (previously from 1996 to 1999 under the management of „Croatian Hotels & Resorts“, the first Croatian international management company),
- Ugo Hotels d.o.o. for hotel brand „World Hotels Millennium“ Opatija,
- Uzel Turizam d.o.o. for hotel brand „Sagrada The Pucic Palace“ Dubrovnik,
- H.B.I. d.o.o. for hotel brand „Sheraton-Zagreb“.

Of the total of 8 branded hotels in 2003 in Croatia, 5 branded hotels were located in Istria, and one each in the counties of Primorsko-Goranska, Dubrovacko-Neretvanska and Zagrebacka.

- *In 2007 in Croatia 25 branded hotels were identified, which constitutes a share just a little underneath 5% of all hotels, and their placement throughout the counties was as follows:*
 - Istria, identifies 8 hotels with brand names, of a total number of 79 hotels, which constitutes a share of 10.1 % branded and 89,9% unbranded hotels in Istria. New brand names after year 2003 were „Valamar Rubin Porec“, „Valamar Bellevue Rabac“, Valamar Snifior Rabac“, „Sol Umag“, „Sol Aurora Umag“, „Sol Garden Istra“ Umag,
 - Primorsko Goranska county identifies 3 hotels with brand names, besides World Hotels Milenij there is the new brand Lifestyle Grand Hotel Adriatic Opatija and Adriatic Luxaly Hotels (ALH) Bonavia Rijeka,
 - Zadarska county has one brand „Funimation Dalmacija“ Zadar, Borik
 - Splitsko-dalmatinska county has two „Riu Borak“ and „Le Meridien Lav“,
 - Dubrovacko-neretvanska county has 6 hotels „Valamar Club Dubrovnik“, „Iberostar Albatros Cavtat“, Hilton Imperial Dubrovnik“, ALH „Dubrovnik Palace and Excelsior,
 - The City of Zagreb has 5 brand name hotels „Best Western Premier Hotel Astoria“, „Arcotel Allegra Zagreb“, „Four Points Panorama“, The Regent Esplanade“, The Westin Zagreb“.

The differences between the number and structure of branded and unbranded hotels in Croatia in 2003 and 2007 can be summarized into the following facts:

- Istria has maintained the largest number of branded hotel products in Croatia; introduced the new hotel Valamar brand, but likewise the county where the first cancellation of contract on the Managmentu brand occurred with the Solmelia company of hotels in Rovinj, due to a change of hotel ownership.
- The number of Croatian counties with hotel brands has increased from four to six counties;
- The share of branded hotels in Croatia has increased significantly from a 2% to a 5% participation among all the categorized hotels in Croatia;
- The share of unbranded hotels in Croatia still remains very high and adds up to 499 hotels, in other words, of all hotels, slightly more than 95% belong to the category of unbranded hotels.

CONCLUSION

Knowledge management in hotel organizations is related to management of a hotel product with a brand. This knowledge includes a comprehensive cognition and know-how that is required for cutting-edge management in the hotel business. The hotel product and its image is firstly identified and distinguished as a brand product (protected trademark, seal) or as an unbranded hotel product.

The same goes for managerial knowledge of hotel organizations, between which distinguishing differences are contingent upon whether the managed hotel product is a branded or unbranded hotel product. Managerial knowledge is formed as „a package of knowledge“ that is protected as intellectual ownership for the purpose of further sale, or as unprotected in the case of unbranded hotels.

The state of affairs and differences in knowledge management of branded and unbranded hotels in Croatia can be related to the decision on the trademark and image policy regarding a product. The structural analysis of the world's most successful hotel brands takes notice of the link between a hotel organization's name, the names of the hotel product's brand, and the knowledge management and know-how of the brand. Contrary to this, the structural analysis of some of the most representative Croatian hotel organizations shows that there is no link between the names of the hotel organization, names of the hotel product and knowledge management and know-how.

The differences between the number and structures of branded and unbranded hotels in Croatia in 2003 and 2007 can be digested into the fact that the share of branded hotels in Croatia has increased significantly. This increase is a 2% to a 5% participation among all the categorized hotels. In spite of this, the share of unbranded hotels in Croatia still remains very high and adds up to 499 hotels, in other words, slightly more than 95% of all hotels are unbranded hotels.

Knowledge management is a new example of managerial handling of hotel business in Croatia. Examples of knowledge management are still related to a smaller number of organizations, and predominantly to those that have strategically taken the side of commitment to a branded hotel product policy, as opposed to the majority of unbranded hotel products. The contemporary knowledge economics are increasingly establishing the development and management of the hotel product on the invisible property of the hotel brand as a product hence it includes the organization's development, human capital and potential of the tourist destination. In general, the large majority of Croatian hotels do not yet wholly handle their knowledge and know-how as a license or a brand hotel product franchise.

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