

## ORGANIZATIONAL CHANGE AND PERCEIVED PERFORMANCE IN THE NEPALESE FIVE STAR HOTELS

Dhan Raj Chalise\*; Krishna Prasad Neupane\*\*; Nabin Poudel\*\*\*

\*Assistant Professor,  
Faculty of Management,  
Shanker Dev Campus, Tribhuvan University, Nepal  
<https://orcid.org/0000-0001-7920-234X>  
Email id: chalisedr@shankerdevcampus.edu.np

\*\*Faculty Member,  
Shanker Dev Campus, Tribhuvan University, Nepal  
Email id: neupanekris123@gmail.com  
<https://orcid.org/0009-0006-4380-8765>

\*\*\*Research Assistant,  
Shanker Dev Campus, Faculty of Management,  
Tribhuvan University, Nepal  
<https://orcid.org/0009-0000-3112-3554>  
Email id: nabinpoudel94@gmail.com

**DOI: 10.5958/2278-4853.2024.00025.7**

---

### ABSTRACT

*This study investigates the scope of organisational transformations, strategies for managing change, and the role of a participative culture in influencing organisational performance within the Nepalese hospitality sector. The research was carried out in the five-star hotels of Nepal. An descriptive research design was employed to select ten distinct five-star hotels utilising purposive sampling methods. A structured questionnaire employing a Likert-type scale was meticulously crafted to gather data from 250 individuals occupying managerial positions, utilising stratified random sampling methodologies.*

*The findings demonstrated that the Environmental-Adaptive strategy surpassed the Empirical-Rational strategy in its efficacy for managing change and enhancing hotel performance. Furthermore, the results indicated a negligible effect of participative culture on the performance of five-star hotels, while demonstrating a noteworthy positive influence on organisational changes and strategies for change management. The research further emphasised that the process of implementing change is among the most intricate endeavours, as it necessitates a shift from familiar territory to uncharted realms, potentially undermining organisational performance. Nonetheless, alterations in structure, behaviour, and procedures were identified as catalysts for enhancing employees' creativity, innovation, skills, knowledge, and capabilities, thereby fostering sustainable change management.*

*Essential Concepts: Transformation Oversight, Transformation Oversight Approaches Luxury Accommodation, Organisational Effectiveness, Collaborative Environment*

**KEYWORDS:** *Change Management, Change Management Strategies Five Star Hotel, Organizational Performance, Participatory Culture.*

---

## 1. INTRODUCTION

Organisational change pertains to alterations in mission, operational restructuring, mergers, collaboration, and related aspects. Organisational change refers to the transformation of an organisation. While change is recognised as a necessary progression, individuals often struggle to accept it (Kotter & Schlesinger, 2008).

Organisations frequently establish and regulate their work routines through established rules and systems to enhance operational efficiency (Aunno, 2000). Organisational change alters repetitive work routines by implementing new rules and systems within operations. According to structural inertia theorists like Hannan and Freeman (1984), organisational change is challenging due to the strong internal resistance generated by institutionalised routine activities. Organizational Change refers a sequence of actions that facilitate developmental course within organisations. Organisational change typically encompasses rightsizing, new development, technological advancements, operational rescheduling, and the establishment of major partnerships. Organisational change encompasses alterations in mission, strategy, operations (including structural modifications), technology, and the attitudes and behaviours of personnel. It also involves addressing resistance from various employees and aligning them with the strategic objectives of the organisation (McNamara, 2011). In a dynamic environment, change is essential for any organisation for advance and thrives in an evolving business landscape. A survey showed by McKinsey utilising 5 year of data included 1,536 companies, primarily focused on organisational change. The survey results indicate that 38 percent of organisations succeeded in achieving high employee performance (Isern & Pung, 2007).

The hospitality industry serves as a crucial component of the economy in nearly every nation. While certain countries excel in self-promotion, others require significant improvement in this area. The hospitality industry serves as a significant profit-generating sector in any progressive nation. It contributes significantly to national economic growth. The hospitality industry encompasses various factors that attract foreign visitors, thereby creating numerous opportunities for cultural exchange, international collaborations, and employment for local populations (Sharma, 2012).

The hotel sector within the hospitality industry significantly contributes to a nation's economic growth and development. A hotel is an establishment that offers paid accommodation for short durations. Historically, basic accommodation included only a room with a bed, a cupboard, a small table, and a washstand. This has largely been supplanted by rooms equipped with modern amenities, such as en-suite bathrooms and air conditioning or climate control. Common features in hotel rooms include a telephone, alarm clock, television, and internet connectivity. Mini-bars may provide snack foods and beverages, along with facilities for preparing hot drinks. Larger hotels often offer various additional guest amenities, including restaurants, swimming pools, and childcare services, as well as facilities for conferences and social events. Hotel rooms are typically assigned numbers or names in smaller establishments, such as B&Bs, to facilitate guest identification of their accommodations. Certain hotels provide meals included in a room and

board package. In the United Kingdom, legislation mandates that hotels provide food and beverages to all guests during specified hours. To circumvent this obligation, it is common to encounter private hotels that are exempt from this requirement (Satyal, 1999).

Hospitality has long been part of Nepali culture. The second periodic plan (1962/65) emphasized the importance of establishing contemporary, star-rated hotels. In 1972 Tourism Master Plan stressed the need for modern hotels and travel facilities to boost tourism. The Hotel Management and Tourism Training Centre was founded in 1972 by the government to meet tourism and hospitality industry human resource needs. Nepal's hospitality business is among the oldest. The hospitality industry experienced significant growth following the peace process initiated in 2008, with an annual growth rate of 8%. The hotel industry in Nepal is recognised for having the highest level of local private sector investment, amounting to approximately Rs 100 billion, as reported in the Economic Survey for 2016/17. The Hotel Association Nepal, established in 1966, encompasses 120 star along with 985 non-star accommodations, with lodges and resorts. More than 15,000 capable workers has been contributing for advancement and sustainability of hotel industry. Tourist arrivals have exhibited a consistent upward trend since 2008, indicating sector growth supported by significant investments from both domestic and foreign investors. Hospitality and tourism industries are interconnected and together contribute approximately 2.1% to the national economy (Economic Survey; 2016/17).

The hospitality industry has experienced significant transformational changes over the past two decades, a trend expected to persist in the future. It has experienced several overarching tendencies in the international community. Consumers are evolving, with the new type of consumer has emerged. Knowledge also evolving rapidly, making it challenging to adopt e-commerce and e-tourism. The hospitality industry currently operates within a dynamic and transparent environment that necessitates the enhancement of economical benefit and requires more active customer relationships management with the better institutional conduct. Emerging markets such as India, China, Russia, and the Gulf countries have presented significant opportunities for the growth of the hospitality industry (Lamba, 2014). The effectiveness of hotel operations relies on the quality of staff, and the overall performance of the organisation is associated with the management of organisational change triggers (Agut, Grau & Peiro, 2003; Aksu, 2005; Hai-yan & Baum, 2006).

## **2. Statement of Problem**

Senior and Fleming (2006) agree that the necessity for change is critically important both currently and in the future. Goodstein and Burke (1991) assert that organisational change is an inherent aspect of contemporary life. How should an organisation manage these changes? Is it possible for an organisation to be excessively adaptive to changes? An organisation that adapts to every external signal ceases to function as a cohesive entity. The fundamental conditions of organisational life—recurrent behavioural cycles, predictability, and internal coordination—would rapidly vanish, leading to the loss of properties that distinguish the organisation from its environment (Katz & Kahn, 1978). The employee's qualifications, the administrative efficiency of hotel management, and the training and experience supplied to employees are identified as significant predictors of organisational performance; however, the geographical element was not determined to influence organisational performance in the Nepalese hotel sector (Chalise, 2021).

Organisational change is inevitable and must be guided through suitable strategies to align with the organization's objectives. Developing countries like Nepal are experiencing significant changes in organisational activities, structuring, customer handling behaviour, and product portfolios, particularly within the hospitality industry. Organisational change is on the rise; however, the significant rates of failure suggest a deficiency in effective change management (Lamba, 2014). Nepal encounters several challenges, including insufficient infrastructure, persistent road connectivity deficiencies, and an unfavourable air safety record, all of which impede the development of hospitality industry. Furthermore, political indecision, extended protests and strikes, has significantly diminished prospects within the hospitality industry in Nepal.

The Nepal government is enacting measures to address these issues, specifically by enhancing the nation's aviation regulations in line with recommendations from the International Civil Aviation Organisation. Efforts to modernise airports and establish monitoring stations to improve visibility and communication are currently in progress. Nepal is unlikely to address its road network deficiencies without the active involvement of neighbouring countries. This study investigates the influence of organisational change factors—namely technology, culture, employee development, and resistance management—on performance in the hotel sector of Nepal.

This study offers change management strategies, change implementation and participatory culture as well as their potential effects on employee performance in Nepal's hospitality sector. This study analysed the relationship between independent variables and the dependent variable. This research elucidates the factors influencing organisational change and the associated impacts on employee performance within Nepal's hotel sector. This study provides valuable insights for the hotel industry in Nepal to develop essential strategies and make informed decisions, addressing a significant challenge. This research paper encompasses a comprehensive examination of various aspects related to employee performance. This research examines the key factors that influence employee performance in Nepal's hotel industry. Organizational change in hotel industry is guided by necessity to optimize planned knowledge, know-how, and human capital within a dynamic environment. Consequently, it is beneficial for managers to acquire information and make decisions regarding change management, as it impacts organisational performance in Nepal's hotel industry.

Organisational reform in Nepal's hotel sector is the focus of this study. This study evaluates company strategy changes. This improves understanding of organisational change and its effects on performance, particularly in Nepal's hospitality industry. According to the researcher, few Nepalese studies have investigated organisational transition difficulties. Research in this field is crucial for various reasons. The socio-cultural and economic environment of Nepal will be used to examine organisational change theories and assumptions. We will study how organisational change affects performance. The examination will examine Nepalese hospitality sector organisational change awareness. The suggested research will benefit practitioners and policymakers. Additionally, it will assist the Nepalese hospitality industry in addressing change initiatives to ensure that companies achieve a high level of return from their employees. Therefore, it is significant to contribute to the field of organisational change within the context of Nepal as well. Hence this study is designed to address the following objectives.

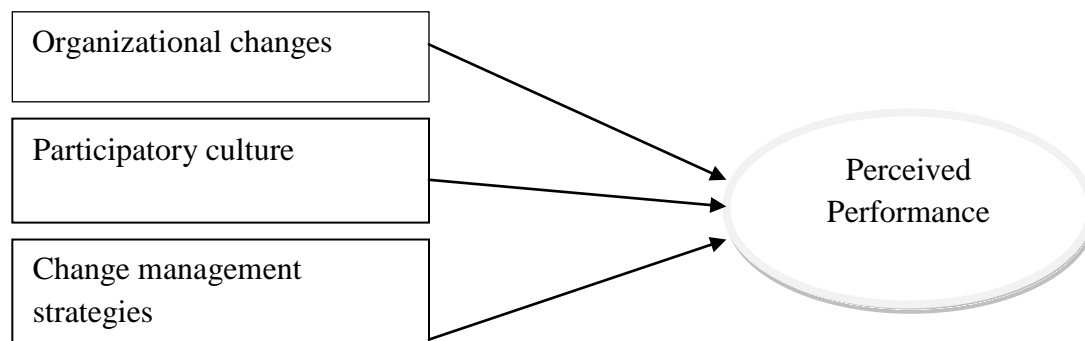
1. To identify effect of participatory culture on hotel perceived performance.
2. To analyze effect of change management strategies on hotel perceived performance.
3. To examine the effect of organizational change on the perceived performance of Nepal's five star hotels.

### **3 Research Methodology**

A survey research design was implemented to fulfill the study's objectives, with analytical methods used to assess the extent of organizational change within the Nepalese hospitality sector. Data reveal that Nepal is home to 10 five-star hotels and resorts, primarily domestic brands, although international chains such as Radisson, Shangri-La, Crowne Plaza, and Hyatt Residency are also present (MOCTCA, 2017). Moreover, the Ministry of Culture, Tourism, and Civil Aviation has announced plans to establish eight new star hotels and deluxe resorts across different regions of Nepal, incorporating several international brands.

Data were gathered using a structured questionnaire, with the sample consisting of 250 managerial-level employees from all five-star hotels in the hospitality sector to ensure both an adequate sample size and the generalizability of the findings. Although the total population was not explicitly quantified, it would have been determined using the sampling formula suggested by Denzin and Lincoln (2000) if available, with the sampling frame derived from the database provided by the Ministry of Tourism and Civil Aviation. Stratified random sampling was used to select respondents based on their designations. The questionnaire, which comprised closed-ended questions measured on a five-point Likert scale, was pre-tested through a pilot study, and the collected data were subsequently analyzed using analytical statistical techniques. This study has designed in line with the research framework as specified in figure 1

**Figure 1 Research framework of the study**



This study employs the given hypotheses to assess the effect of organizational Change on perceived performance in Nepalese star hotels.

H1a: Organisational changes significantly impact perceived performance.

H1b: The influence of participatory culture on perceived performance is significant.

H1c: Change management strategies significantly impact performance of organization.

A simple regression equation has been developed to test the hypothesis.

Models:  $PP = \alpha + \beta OC + e$ ,  $PP = \alpha + \beta CMS + e$  and  $PP = \alpha + \beta PS + e$

In this context,  $\alpha$  represents a constant,  $\beta$  stands for a coefficient,  $e$  denotes the error term, OC denotes organisational changes, CMS, change management strategies, and PP, perceived performance.

#### 4. Result and Discussion

##### Demographic Profile of the Respondents

Table 1 presents the position-wise distribution of respondents in the study. Among the total 250 respondents, the highest proportion (39.6%) are Officers (99 respondents), followed by Assistant Managers (78 respondents, 31.2%), and Managers (73 respondents, 29.2%).

**Table 1 Position wise distribution of the respondents**

Position			
Manager	Asst Manager	Officers	Total
<b>73</b>	<b>78</b>	<b>99</b>	<b>250</b>

This distribution indicates that the study incorporates perspectives from different managerial levels, ensuring a balanced representation across hierarchical positions within the hospitality industry. The greater number of officers suggests that operational-level insights are emphasized, while managerial and assistant managerial perspectives also contribute significantly to the study.

##### 4.1. Organizational Changes and Perceived Performance

The regression analysis was conducted with organisational performance as the dependent variable (Y) and organisational changes as the independent variable (X). Organisational changes are analysed in relation to organisational performance to evaluate the significance of the independent variable. The regression model and the corresponding regression equation are presented as follows:

$$OP = \alpha + \beta OC + e$$

The regression model examines the impact of Organizational Change (OC) on Organizational Performance (OP) in Nepal's hospitality sector. The correlation coefficient ( $R = 0.351$ ) indicates a moderate positive relationship between the two variables. However, the  $R^2$  value of 0.123 suggests that organizational change explains only 12.3% of the variation in organizational performance, implying that other factors also contribute significantly.

**Table 2 Regression result of 4.2.Organizational Changes and performance**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.351 <sup>a</sup>	.122	.115	.49996	.121	27.9	1	130	.000
a. Predictors: (Constant)									



$$PP = 2.4 + .290 OC + e$$

(9.5) (4.3)

P = (.000)    (.001)

$R^2 = .122$        $df = 130$

Figures in parentheses indicate t value.

The regression equation  $PP = 2.4 + 0.290 OC$  indicates that a one-unit increase in organizational change leads to a 0.290 increase in performance, highlighting a positive effect. Both the constant and the OC coefficient are statistically significant, with p-values well below 0.05, confirming the reliability of the results.

The F-statistic shows that the overall model is significant, meaning that organizational change has a meaningful impact on performance. However, since  $R^2$  is relatively low, other factors beyond organizational change also influence performance, suggesting a need for further investigation into additional determinants.

#### 4.2. Participatory Culture and Organizational Performance

$$OP = \alpha + \beta PC + e$$

The regression model analyzes the impact of Participatory Culture (PC) on Organizational Performance (OP). The correlation coefficient indicates a very weak relationship between the two variables. The  $R^2$  value suggests that participatory culture explains only 0.2% of the variation in organizational performance, implying an almost negligible effect.

**. Table 3 Regression result of Participatory Culture and Organizational Performance**

Model Summary										
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
	1	.049 <sup>a</sup>	.003	.000009	.52	.0019	.169	1	719	.680

a. Predictors: (Constant)

$$PP = 3.419 + .039 PC + e$$

(7.893) (.392)

P = .00    .680

Figures in parentheses indicate t value.

The regression equation shows that a one-unit increase in participatory culture leads to only a 0.041 increase in performance, which is statistically insignificant ( $p = 0.680$ ). The F-statistic confirms that the model is not significant. Overall, participatory culture does not have a meaningful impact on organizational performance in this study, indicating that other factors play a more dominant role.

#### 4.3. Change management strategies and Perceived Performance

The regression model examines the impact of Change Management Strategies (CMS) on Perceived Performance. The correlation coefficient ( $R = 0.629$ ) indicates a moderate to strong positive relationship between CMS and OP. The  $R^2$  value of 0.398 suggests that 39.8% of the variation in organizational performance is explained by change management strategies, highlighting a significant effect.

$$PP = \alpha + \beta CMS + e$$

**Table 4 Regression result of Change management strategies and Performance**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.629 <sup>a</sup>	.396	.383	.4910	.389	34.077	1	52	.000
a. Predictors: (Constant)									

$$PP = 1.281 + .09 CMS + e$$

(4.920) (4.890)

P = .000    .001

Figures in parentheses indicate t value.

The regression equation CMS suggests that a one-unit increase in CMS leads to a 0.09 increase in OP, which is statistically significant ( $p = 0.001$ ). The F-statistic further confirms the model's significance. Overall, change management strategies play a crucial role in influencing organizational performance, making them an essential factor for organizational success.

This study's findings emphasise the substantial influence of organisational transformation on performance, aligning with other research that highlights the necessity of adaptability in contemporary corporate settings. Research by Kotter and Schlesinger (2008) and Goodstein and Burke (1991) demonstrates that effectively implemented organisational transformation enhances overall performance, competitiveness, and efficiency. Isern and Pung (2007) assert that systematic change management enhances organisational efficacy and employee performance. The findings validate these perspectives, indicating that effective management of transformation projects improves the performance of five-star hotels in Nepal.

This paper contradicts previous studies regarding the role of participative culture in organisational effectiveness. Although many believe that participatory culture is essential for enhancing creativity, commitment, and successful implementation of change (Katz & Kahn, 1978; Hannan & Freeman, 1984), our findings indicate that it has no impact on performance. This indicates that factors such as hierarchical decision-making, regulatory constraints, or leadership styles may more significantly impact performance in Nepalese hotels than a participative culture. This disparity necessitates further examination of industry-specific factors affecting contextual changes and participatory management.



The research corroborates previous studies affirming the essentiality of change management approaches in impacting organisational effectiveness. Denzin and Lincoln (2000) and Senior and Fleming (2006) assert that a corporation's success and the mitigation of resistance to change are contingent upon meticulously structured change plans that are essential. The findings indicate that, particularly for strategic change management, environmental-adaptive and empirical-rational approaches are quite beneficial. This indicates that hotels in Nepal must priorities strategic and flexible transformation programs to enhance efficiency and sustain market competitiveness.

## 5. Conclusions and Implications

Present research confirms that effective change management plays a crucial role in enhancing the performance of Nepalese five-star hotels. Resistance to change introduces costs and delays, making implementation challenging. Effective change management strategies, including training employees, fostering technological acceptance, open communication, participation, and institutional support, are essential for achieving sustainable organizational change. Among the strategies analyzed, environmental-adaptive approaches are the most effective, followed by empirical-rational strategies, while reactive changes play a critical role in the hospitality industry. Change implementation can be complex, as it involves moving from familiar to unfamiliar territory, leading to stress and uncertainty. However, a participative management style, such as employee training during implementation, can equip staff with the necessary knowledge, skills, and abilities (KSA), ensuring smooth and effective change adoption. Additionally, resistance to change tends to be higher in radical transformations than in incremental adjustments.

For hotels to enhance performance, they must undertake strategic organizational changes that optimize resources, reduce operational costs, minimize risks, and better respond to customer needs. Changes in organizational processes, structures, and job roles directly impact employees, making effective change management strategies essential in competitive and dynamic environments. Leadership and organizational culture are key determinants of successful change implementation. A participatory management approach encourages employee involvement, fostering commitment and reducing resistance, thereby improving overall hotel performance. To further support employees during change, hotel management can introduce new incentive schemes, continuous training, and development programs, enabling employees to innovate and adapt. This proactive approach strengthens organizational resilience and competitiveness in the evolving hospitality industry.

## 6. REFERENCES

1. Agut, S., Grau, R., & Peiró, J. M. (2003). Individual and contextual influences on managerial competency needs. *Journal of Management Development*, 22(10), 906–918.
2. Aksu, A. A. (2005). Defining training needs of five-star hotel personnel: An application in the Antalya region of Turkey. *Managerial Auditing Journal*, 20(9), 945–953.
3. Aunno, D. (2000). To maximize their operational efficiency, organizations often develop and govern their work routines through accepted rules and system. *The Journal of International Management Studies*, 3, 345–356.

4. Chalise, D. R. (2021). Barriers to Organizational Change Management in Hotel Industry of Nepal. *Nepal Journal of Multidisciplinary Research*, 4(2), 10-17.
5. Denzin, N. K., & Lincoln, Y. S. (2000). *Handbook of qualitative research* (2nd ed.). Sage Publications.
6. Government of Nepal, Ministry of Finance. (2017). *Economic survey (Fiscal Year 2016/17)*. Singh Durbar, Kathmandu. Retrieved from <https://www.doccity.com/en/economic-survey-of-nepal-2016-17/2310183/>
7. Goodstein, L., & Burke, W. (1991). Creating successful organizational change. *Organizational Dynamics*, 19(4), 4–17.
8. Hai-yan, K., & Baum, T. (2006). Skills and work in the hospitality sector: The case of hotel front office employees in China. *International Journal of Contemporary Hospitality Management*, 18(6), 509–518.
9. Hannan, J., & Freeman, K. (1984). Proposed organizational change is very difficult because the institutionalized routine activities create strong internal resistance to change. *The Journal of International Management Studies*, 5(2), 50–58.
10. Hotel Association Nepal. (1966). *Introduction to NeHA*. Retrieved from <http://www.hostelassociationnepal.org/>
11. Isern, J., & Pung, A. (2007). Survey on organizational change and its effect on employee performance. *McKinsey Quarterly*, 16–19.
12. Katz, D., & Kahn, R. L. (1978). *The social psychology of organizations* (2nd ed.). Wiley.
13. Kotter, J., & Schlesinger, L. A. (2008). Choosing strategies for change. *Harvard Business Review*, 86(7/8), 130.
14. Lamba, M. (2014). *Nepal's tourism & hospitality sector: A bird's eye view*. New Business Age.
15. Ministry of Tourism and Civil Aviation. (2009). *Nepal tourism statistics 2008*. Kathmandu.
16. Satyal, V. (1999). Definition of hotel. *The Leading Hotels Magazine*, 192–194.
16. Senior, B., & Fleming, J. (2006). *The leadership of change, in organizational change*. Prentice Hall.
17. Sharma, D. P. (2012). Hospitality industry is an important pillar in almost every country's economy. [Master's thesis, Central Ostrobothnia University of Applied Sciences].