

The Importance of Service Innovation Stimulus on Service Recovery Performance in Malaysia Hotel Industry

Nuraina Nadiah Binti Rosli*

Universiti Sains Malaysia, Penang, Malaysia

Email: nrainarosli@student.usm.my

Siti Rohaida Binti Mohamed Zainal

Universiti Sains Malaysia, Penang, Malaysia

Email: siti_rohaida@usm.my

** Corresponding Author*

Abstract

Purpose: The purpose of this conceptual paper is to further discuss the importance of service innovation stimulus (leadership, people management, knowledge management and creativity management) towards service recovery performance.

Design/methodology/approach: The method used for this conceptual paper is based on literature review from journal articles, theses proceedings and online news that are relevant to the keywords and research area.

Research implications: This study integrating the literature of service innovation stimulus (leadership, people management, knowledge management and creativity management) into resource-based view (RBV) and service recovery performance literature.

Practical implications: This study helps to identify the new insights of effective of service innovation stimulus (leadership, people management, knowledge management and creativity management) that could help managers/owners of hotel industry, in addition to other service industry, in reducing service failure and enhance service recovery performance.

Originality/value: The success factors between service innovation and service recovery performance has not been clearly articulated to date and this study identifies service innovation stimulus (leadership, people management, knowledge management and creativity management) that influences service recovery performance with focus in hotel industry.

Keywords: Service innovation, Leadership, People management, Knowledge management, Creativity management, Service recovery performance, Hotel industry

1. Introduction

The tourism industry is a significant income contributor to the Malaysian economy. Tourist receipts in 2019 reached RM86.1 billion compared to RM83.1 billion for the same period in 2018 (Tourism, 2020). Despite its fast development, the tourism sector is regarded as fragile as it must adapt to changes in visitors' desire, environmental and economic upheavals, as well as other unforeseen variables such as natural catastrophes and crises. The COVID-19 virus seems to have had a significant impact on tourism, especially due to the grounding of airplanes. A majority of the hotel industry had already been forced out of business while the move control order (MCO) established by every nation had constrained the flow of people all over the world. Under such circumstances, it has become a challenge for the existing hotel firms in Malaysia

to retain their existing customers and attract new ones. Rasid (2019) mentioned that these concerns have therefore, led to the closure of several hotels in Malaysia. Due to such conditions, researchers have accentuated the focus on recovering service performance in the hotel industry in Malaysia. Moreover, due to the current COVID-19 epidemic, Malaysian tourism had lost more than RM6.53 billion in tourist revenue in 2020 compared with the previous year. Aside from that, millions of individuals have lost their employment, indicating a decrease in the quantity of work possibilities compared to the previous year. Continuous monitoring is needed to ensure long-term viability of the tourist industry (MAH, 2021).

In addition, the number of hotels has increased in the last three years (2017-2019), however, hotels throughout the nation experienced a decrease in occupancy as a result of strong rivalry from residence lodgings like homestays. According to a Malaysia Association of Hotels survey, the local hotel sector had a decrease in occupancy of 4.71 percent (60.8 percent) in 2019, compared to 65.51 percent in 2018 (MAH). This has heightened competition among hotels in Malaysia as now the customers can easily switch, which caused hotels in Malaysia to currently suffer from operation loss (Jeremy Teo, 2018). Hotels in Malaysia have also been performing very poorly when it comes to providing better services. Even the quality of service in many hotels in Malaysia has dropped significantly as per the recent report and multiple studies. According to Ahmad, Ahmad, and Zakaria (2018), one of the major reasons of such shortcomings prevailing in Malaysia's hotel industry is because of the low recovery performance to cater to their service failure. Service failure happens once the customer's views of delivery of services fall short of their expectations.

Service Recovery Performance in the hotel industry has been linked through HR practices and management styles (Hewagama, Boxall, Cheung, & Hutchison, 2019), transformational leadership (Luo, Guchait, Lee, & Madera, 2019), error tolerance (Wang, Guchait, & Paşamehmetoğlu, 2020), and error management culture (Wang, Guchait, & Paşamehmetoğlu, 2020). These variables were proven to have a significant impact on service recovery performance. Unfortunately, in the hotel industry, little emphasis is placed on the importance of service innovation. The service recovery performance in Malaysia's hotel industry has been reported to be higher in comparison to other industries (Breier et al., 2021). Kraus et al. (2020) highlighted innovation as a possible option for recovering from the crisis and establishing a more sustainable basis for the future, necessitating a shift in approach. If an organisation is innovated by making significant modifications to its components and/or their arrangement, it is said to be innovative (Foss & Saebi, 2017), where new possibilities could well be pursued, which improves company performance and might even aid in the recovery of the hotel sector. There has been little investigation on innovation in the hotel sector, however it seems that innovation concerns are empirically important in this area.

As per the above discussion, good service innovation stimulus produces a successful service recovery performance in hotels. Therefore, the present research looks at the connection between service innovation in relation to service recovery performance in Malaysia's hotel industry. The issues will be addressed in depth so that effective service innovation stimulus can be utilised to increase service recovery and decrease service failure in Malaysia's hotel industry.

2. Literature Review

2.1 Theoretical Background

The theoretical foundation of this study is based on a resource-based view (RBV). The RBV theory has been widely used in the studies of organisational performance (Innocent, 2015). The RBV theory talks about organisational unique resources and capabilities which differentiates one organisation from another in a similar industry. The RBV also tries to answer the question

of how organisations can achieve a competitive advantage over other industry organisations and enhance their performance (Ahmed, Khuwaja, Brohi, Othman, & Bin, 2018).

The RBV suggested that organisational achievements are truly based on the internal properties of an organisation. Both organisational assets (tangible and intangible) and capabilities (internal knowledge and competencies) are defined as organisational internal properties (Chuang & Lin, 2017). In line with RBV, this study is based on the intangible resources such as service innovation stimulus to enhance service recovery performance. These assets and capabilities enhance organisational performance and work as a basis for competitive advantage.

2.2 Service Recovery Performance

The measures performed by managers and workers in reaction to service failures are referred to as service recovery performance (Hewagama et al., 2019). Insufficient rooms at check-in, giving the incorrect bill, Wi-Fi not functioning, dirty rooms, cuisine not correctly prepared, and commodities not provided throughout the stay are instances of service failures prevalent in the hotel business that need service recovery performance (Lee, Singh, & Chan, 2011; Luo et al., 2019). Despite the reality that service failure results in unhappy consumers, the idea is that efficient service recovery may address this discontent and possibly improve customer relationships (Hewagama et al., 2019; Sajtos, Brodie, & Whittome, 2010). Failures in service are unavoidable, but unhappy consumers are not. Service recovery effectiveness has indeed been related to a variety of successful outcomes, such as customer experience, commitment, positive word of mouth, and buy intent (Luo et al., 2019).

2.3 Service Innovation

All recently founded or substantially enhanced services provided by the business are referred to as service innovation (Hameed, Nisar, & Wu, 2021). Service innovation seems to be a powerful tool to enhance the current services, create new ones, or increase service quality (Cheng, Chen, & Tsou, 2012). This is a competitive advantage which allows service organisations to manage at elevated levels (Al-Ababneh, Masadeh, Al-Sabi, & Al-Badarneh, 2021). The majority of past research has concentrated on service innovation's influence on service quality and delivery, with little thought given to the effect of service innovation on service encounter. Instead, service innovation, according to Irfan and Kee (2013), may enhance service quality in organisations.

2.4 Service Innovation Stimulus

2.4.1 Leadership

Leadership is the capacity to shape corporate culture, and therefore, is important to the achievement of market-driven transformation (Tajeddini, Martin, & Altinay, 2020). The survival of a company in an uncertain climate is dependent on the leadership abilities of its owners or managers, as well as their talent, energy, and abilities. The leadership element is equally important in developing staff values about customer orientation and translating organisational performance commitment into customer service and employee actions (Clark, Hartline, & Jones, 2009). Numerous prior research have looked at how leadership may contribute to an improved performance (Bamiatzi, Jones, Mitchelmore, & Nikolopoulos, 2015; Dabić et al., 2021; Fontana & Musa, 2017; Koryak et al., 2015). Tajeddini et al. (2020) stated that leadership communication with primary customers could indeed ensure effective new service offerings by providing important assistance for innovation champions, while interacting suggestions for improvement through the use of a purposefully collaborative management perspective and also in a positive way that could really encourage innovation (Binder, Mair, Stummer, & Kessler, 2016). As a result, it is regarded as a trustworthy measure of service recovery performance.

2.4.2 People Management

People management refers to the process of training, motivating and directing employees to optimise workplace productivity and promote professional growth (Tajeddini et al., 2020). Alternatively, it may be defined as the practise of guiding workers in order to maximise workplace efficiency and encourage professional development. Every day, executives, supervisors, or heads of departments utilise person management to monitor workflow and improve performance of the staff. Consequently, this dimension necessitates a shift in top management mentality from a traditional top-down, control-oriented management style to a more flexible, decentralised one. By transferring additional tasks and empowering workers with available resources, a service company may develop trust with its workers. They may then experiment with new ideas and methods, as well as provide chances for personal initiatives.

2.4.3 Knowledge Management

Knowledge management represents the process of creating, applying, and sharing of knowledge to improve the performance of the organisation (Tajeddini et al., 2020). Knowledge management demonstrates how much a company uses its knowledge both internally and externally. In impact, the right people (employees) receive proper understanding at the right time, allowing them to disseminate as well as enforce information in a manner that aspires to create new approaches, effective collaborations, adopt insights and experiences, and ultimately enable companies to fulfil market requirements and improve the competitiveness of the organisation (Grant, 2001). This emphasizes the need of businesses supporting organisational learning in order to increase knowledge that may be used in the future, allowing the company to achieve continual development (Baker & Sinkula, 1999).

2.4.4 Creativity Management

Creativity management refers to the combination of information in people's brains which enables for cognitive flexibility in the creation of something new and valuable (Tajeddini et al., 2020). Creativity is widely recognised as the primary contributor to the creation of innovative services and the maintenance of a competitive edge in changing settings (Li & Sandino, 2018). Furthermore, workers might have a unique, fresh, as well as amazing concept, but until that idea results in an improved solution to a problem, it remains just a unique thought. As a result, creative management is critical in an innovative service environment.

3. Hypothesis Development

In the service recovery context, a leader may inspire employees to resolve a service failure to satisfy a customer and meet customer expectations, that is, to provide their best service recovery performance. Luo et al. (2019) found that leadership had a positive influence on service recovery performance among frontline hospitality employees. Lastly, Mirahmadi, Tousizadeh, and Rashidi (2021) found that leadership influenced service recovery performance among employees from a bank company. Based on the above, the hypothesis is as follows:

H1: There is a significant positive relationship between leadership and service recovery performance.

Knowledge management is an essential part that business actors need to have and apply. Although knowledge management and service recovery performance were not tested in previous studies, (Santoso, 2021) found that knowledge management had a positive influence on business performance improvement among 45 small and medium batik enterprises. Laudon and Laudon (1999) say that management knowledge increases business actors' ability to understand the business environment by combining their knowledge in running a business. Based on the above, the hypothesis is as follows:

H2: There is a significant positive relationship between knowledge management and service recovery performance.

Service firms need to assess the training needs and allocate adequate budget for people management. Investment for employee skill development, motivational activities and incentive packages will result in greater productivity, lower employee turnover, and increased organisational performance. Even though previous studies had not measured service recovery performance, (Bashar, Hasin, & Jahangir, 2020) found that people management had a positive influence on organisational performance from 227 small, medium and large-scale garment manufacturing industries. Based on the above, the hypothesis is as follows:

H3: There is a significant positive relationship between people management and service recovery performance.

In order to generate new ideas and uncover new perspectives on problems and opportunities within the service context, creativity management is needed. Although creativity management and service recovery performance were not tested in previous studies, (Mujanah et al., 2022) found that creativity had a positive influence in improving business performance among 108 business managers. Consequently, by inserting creativity management into an organisation, it is thought to help the recovery of service performance. Based on the above, the hypothesis is as follows:

H4: There is a significant positive relationship between creativity management and service recovery performance.

Based on the literature review above, the proposed research framework in this study gives a clear picture of the whole idea of the study and the schematic diagram is illustrated in Figure 1.

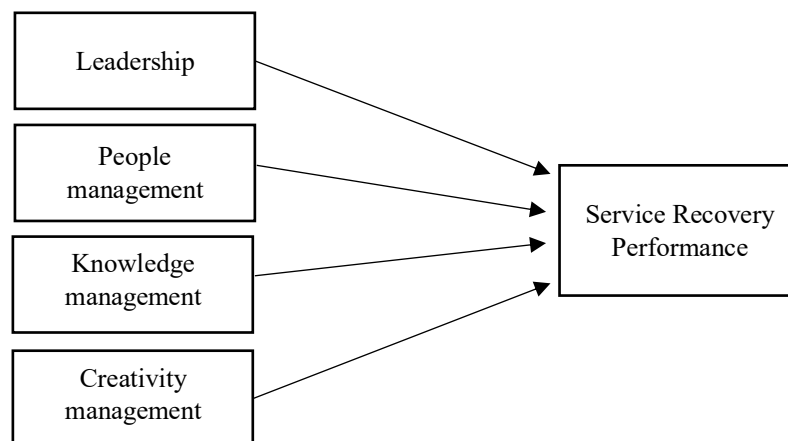


Figure1: The proposed research framework

Discussion and Conclusion

This study investigates the role of service innovation stimulus (leadership, knowledge management, people management, and creativity management). Overall, this study provides a better understanding of the factors that may influence service recovery performance. The findings from this research should be useful to managers/owners in the hotel industry. The findings can inform the managers/owners about how they can optimise the innovation of hotel firms. The optimised innovation can translate to a more positive brand image of hotel firms leading to greater revenue and customer satisfaction. Hence, the contribution of this study can assist other service firms in developing and managing their strategies and initiatives which aim

to enhance and recover their services. As part of an ongoing research, the authors will seek for the measurement items from the literature and empirically validate the proposed framework.

Theoretical Implications

This study provides a theoretical framework to understand the relationship between four constructs (leadership, people management, knowledge management, and creativity management) to promote service recovery performance in Malaysian hotels. Although several researchers present service innovation among several firms, the role of service innovation stimulus is not highlighted in the service recovery context.

Other than that, prior studies mostly investigated the impact of transformational leadership, error management culture, HR practices, and management styles in predicting service recovery performance. Research on service innovation in the hotel industry is scarce but indicates that service innovation considerations are empirically relevant in this industry. In addition, the research by (Breier et al. (2021)) also identified service innovation as new opportunities that can be addressed to increase firm performance and may help the hotel industry to recover. Thus, this study fills this gap in investigating the influence of service innovation stimulus on service recovery performance in the hotel industry.

This study also provides a greater understanding on service innovation stimulus and service recovery performance through the lens of the resource-based view (RBV) theory. Theoretically, the current research model presents an idea that is strongly underpinned by the theme of these theories. As a result, integrating the literature of service innovation stimulus into resource-based view (RBV) and service recovery performance literature contributes to the theoretical development of this study.

Practical and Social Implications

From a practical perspective, this study provides valuable insight for hotel managers/owners to better understand and promote service innovation stimulus (leadership, knowledge management, people management, and creativity management) and service recovery performance with the help of a conceptual framework and providing significant information for hotel management by designing new services to promote business performance. Consistent with the Resources Based View (RBV) theory recommendations, the findings of this study provide several valuable insights for hotels. The findings will provide practitioners with a clear understanding of leadership, people management, knowledge management, creativity management, and service recovery performance in the hotel industry. The practical implications of this study can be summarised into other service organisations.

Acknowledgement

The authors would like to thank the anonymous reviewers for their valuable comments on an earlier draft of this paper.

References

- Ahmad, M. J., Ahmad, D. N. b., & Zakaria, N. (2018). Service Recovery Performance: A Critical Review of Literature. *Pakistan Journal of Humanities and Social Sciences*, 6(3), 390 – 411.
- Ahmed, A., Khuwaja, F. M., Brohi, N. A., Othman, I., & Bin, L. (2018). Organizational factors and organizational performance: A resource-based view and social exchange theory viewpoint. *International Journal of Academic Research in Business and Social Sciences*, 8(3), 579-599.

- Al-Ababneh, M. M., Masadeh, M. A., Al-Sabi, S. M., & Al-Badarneh, M. B. (2021). Achieving Service Recovery Through Service Innovation: The Critical Role Of Employee Empowerment. *Enlightening Tourism. A Pathmaking Journal*, 11(1), 40-88.
- Baker, W. E., & Sinkula, J. M. (1999). The synergistic effect of market orientation and learning orientation on organizational performance. *Journal of the academy of marketing science*, 27(4), 411-427.
- Bamiatzi, V., Jones, S., Mitchelmore, S., & Nikolopoulos, K. (2015). The Role of Competencies in Shaping the Leadership Style of Female Entrepreneurs: The Case of North West of England, Yorkshire, and North Wales. *Journal of Small Business Management*, 53(3), 627-644.
- Bashar, A., Hasin, A. A., & Jahangir, N. (2020). Linkage between TPM, people management and organizational performance. *Journal of Quality in Maintenance Engineering*.
- Binder, P., Mair, M., Stummer, K., & Kessler, A. (2016). Organizational innovativeness and its results: a qualitative analysis of SME hotels in Vienna. *Journal of Hospitality & Tourism Research*, 40(3), 339-363.
- Breier, M., Kallmuenzer, A., Clauss, T., Gast, J., Kraus, S., & Tiberius, V. (2021). The role of business model innovation in the hospitality industry during the COVID-19 crisis. *International Journal of Hospitality Management*, 92, 102723.
- Cheng, C. C., Chen, J. S., & Tsou, H. T. (2012). Market-creating service innovation: verification and its associations with new service development and customer involvement. *Journal of services Marketing*.
- Chuang, S.-H., & Lin, H.-N. (2017). Performance implications of information-value offering in e-service systems: Examining the resource-based perspective and innovation strategy. *The Journal of Strategic Information Systems*, 26(1), 22-38.
- Clark, R. A., Hartline, M. D., & Jones, K. C. (2009). The effects of leadership style on hotel employees' commitment to service quality. *Cornell Hospitality Quarterly*, 50(2), 209-231.
- Dabić, M., Stojčić, N., Simić, M., Potocan, V., Slavković, M., & Nedelko, Z. (2021). Intellectual agility and innovation in micro and small businesses: The mediating role of entrepreneurial leadership. *Journal of business research*, 123, 683-695.
- Fontana, A., & Musa, S. (2017). The impact of entrepreneurial leadership on innovation management and its measurement validation. *International Journal of Innovation Science*.
- Foss, N. J., & Saebi, T. (2017). Fifteen years of research on business model innovation: How far have we come, and where should we go? *Journal of Management*, 43(1), 200-227.
- Grant, R. M. (2001). Knowledge and organization. *Managing industrial knowledge: Creation, transfer and utilization*, 145, 169.
- Hameed, W. U., Nisar, Q. A., & Wu, H.-C. (2021). Relationships between external knowledge, internal innovation, firms' open innovation performance, service innovation and business performance in the Pakistani hotel industry. *International Journal of Hospitality Management*, 92, 102745.
- Hewagama, G., Boxall, P., Cheung, G., & Hutchison, A. (2019). Service recovery through empowerment? HRM, employee performance and job satisfaction in hotels. *International Journal of Hospitality Management*, 81, 73-82.
- Innocent, O. (2015). The performance of commercial banks: The role of organizational culture as a mediator and external environment as a moderator. *Unpublished doctoral dissertation*. Universiti Utara Malaysia.
- Irfan, S., & Kee, D. (2013). Critical success factors of TQM and its impact on increased service quality: A case from service sector of Pakistan. *Middle-East Journal of Scientific Research*, 15(1), 61-74.

- Jeremy Teo, C. H. Y. (2018). In focus: Malaysia reinvigorated opportunities.
- Koryak, O., Mole, K. F., Lockett, A., Hayton, J. C., Ucbasaran, D., & Hodgkinson, G. P. (2015). Entrepreneurial leadership, capabilities and firm growth. *International Small Business Journal*, 33(1), 89-105.
- Kraus, S., Clauss, T., Breier, M., Gast, J., Zardini, A., & Tiberius, V. (2020). The economics of COVID-19: initial empirical evidence on how family firms in five European countries cope with the corona crisis. *International Journal of Entrepreneurial Behavior & Research*.
- Lee, M. J., Singh, N., & Chan, E. S. (2011). Service failures and recovery actions in the hotel industry: A text-mining approach. *Journal of Vacation Marketing*, 17(3), 197-207.
- Li, S. X., & Sandino, T. (2018). Effects of an information sharing system on employee creativity, engagement, and performance. *Journal of Accounting Research*, 56(2), 713-747.
- Luo, A., Guchait, P., Lee, L., & Madera, J. M. (2019). Transformational leadership and service recovery performance: The mediating effect of emotional labor and the influence of culture. *International Journal of Hospitality Management*, 77, 31-39.
- MAH, M. A. O. H. (2021). No Total Lockdown, What's Next? <https://www.hotels.org.my/article/89888-no-total-lockdown-whats-next>
- Mirahmadi, S. M., Tousizadeh, S., & Rashidi, H. (2021). The Impact of Reliable Leadership and Job crafting on Customer Orientation and Service Recovery Performance; Case Study of Sepah Bank of Khuzestan. *Journal of International Marketing Modeling*, 2(1), 41-54.
- Mujanah, S., Ardiana, I., Nugroho, R., Candraningrat, C., Fianto, A., & Arif, D. (2022). Critical thinking and creativity of MSMEs in improving business performance during the covid-19 pandemic. *Uncertain Supply Chain Management*, 10(1), 19-28.
- Sajtos, L., Brodie, R. J., & Whittome, J. (2010). Impact of service failure: The protective layer of customer relationships. *Journal of Service Research*, 13(2), 216-229.
- Santoso, S. (2021). IMPACT OF KNOWLEDGE MANAGEMENT ON BUSINESS PERFORMANCE IMPROVEMENT: A STUDY ON BATIK BUSINESS. *Strategic Management Business Journal*, 1(1), 40-55.
- Tajeddini, K., Martin, E., & Altinay, L. (2020). The importance of human-related factors on service innovation and performance. *International Journal of Hospitality Management*, 85, 102431.
- Tourism, M. (2020). Tourism Contributes Rm86.14 Billion To Malaysia Economy With 26.1 Million Tourists In 2019. from <https://www.tourism.gov.my/media/view/tourism-contributes-rm86-14-billion-to-malaysia-economy-with-26-1-million-tourists-in-2019>
- Wang, X., Guchait, P., & Pasamehmetoglu, A. (2020). Anxiety and gratitude toward the organization: Relationships with error management culture and service recovery performance. *International Journal of Hospitality Management*, 89, 102592.
- Wang, X., Guchait, P., & Paşamehmetoğlu, A. (2020). Tolerating errors in hospitality organizations: relationships with learning behavior, error reporting and service recovery performance. *International Journal of Contemporary Hospitality Management*.