



# An inter-paradigmatic agenda for research, education and practice in hospitality management



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## ABSTRACT

This paper presents the field of hospitality management as an intersection between the two prevailing paradigms in management – the production and the service paradigms. The paper demonstrates how production and service paradigms relate to hospitality management. The paper proposes an inter-paradigmatic program for hospitality researchers, educators, managers and practitioners in an effort to develop an agenda for research, education and practice in hospitality management.

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## 1. Introduction

From a practical business perspective, tourism and hospitality are important sectors in many countries' economies. From an academic perspective, hospitality management is an interdisciplinary field that focuses on many areas, such as management, strategic management, human behavior, organizational behavior, finance, yield management, planning, marketing and others. Many perceive hospitality management as a field of study with a mission of preparing students for successful careers in this industry and helping the industry solve its problems (Rivera and Upchurch, 2008; Pizam, 2003; Lugosi et al., 2009). Overall, the focus of hospitality management research should be on instrumental research that addresses the hospitality industry main challenges, rather than topics that have little practical implications (Lynn, 2002; Pizam, 2003).

The purpose of this paper is to highlight one of the recent paradigm shifts currently evolving in the field of business and to show how this shift affects the hospitality management field. The paper presents current challenges and the potential for hospitality researchers, educators, managers and practitioners in an effort to offer an agenda for research, education and practice in hospitality management.

## 2. The main business paradigms

In the field of management, Gummesson (1994) presents two main paradigms: the *manufacturing* and the *service* paradigms.

The *manufacturing paradigm* is the founding paradigm with substantial historical foundations in Taylor's scientific management approach. The paradigm is anchored in the concepts of mass production, division of labor and specialization (Smith, 1986). It is technology/engineering-oriented and the main emphasis is on productivity and on efficiency of costs and capital employed. The traditional business transaction is portrayed as a sequential game in which the seller initially acts in its own self-interest and focuses primarily on offering goods and services according to a generic strategic choice of *cost leadership* or *differentiation* (Porter, 1980).

The *service paradigm* is the recent evolving paradigm. It was initially presented as a "perspective" by Grönroos (1994) but evolved over recent years to become a proposed Service-Dominant Logic (Vargo and Lusch, 2008). It offers a focus on the interaction with customers and on service as essential and central element in creating value (Bowen and Ford, 2002; Regan, 1963). It adds to the technical aspects of the manufacturing paradigm a focus on functional elements of service (Grönroos, 1994). The business transaction is portrayed as a simultaneous rather than a sequential game in which sellers and customers interact in a process of value co-creation (Lusch and Vargo, 2008). The service paradigm posits that firm competitiveness will be founded on successful service-based value propositions, which may be based on functional or intangible elements.

Historically, the common practical view of many business organizations had a strong tangible, production-oriented focus. This view had a limited recognition of intangibles such as service as a central or a stand-alone concept in business environments (Bowen and Ford, 2002). The dominance of the manufacturing paradigm was based on the core assumptions of economic theory that agents act in their own self-interest (Stigler, 1961). Sellers cater to

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requirements of their stockholders and stakeholders to above-average performance as measured by tangibles such as earnings, profitability, market share, and other commonly used measures. Sellers essentially act in their own self-interest and focus primarily on offering goods and services according to their competencies and production capabilities.

Buyers also act in their own self-interest and try to reduce information asymmetry by seeking more information. If successful, buyers could make better decisions that would successfully militate toward their self-interest (Stigler, 1961). The better-informed party may exploit its informational advantage at the expense of less informed parties (Makadok, 2011). Historically, information asymmetry put sellers in a more favorable position when the informational disadvantage of buyers was due to the fact that buyers could not know where to investigate *ex ante* to determine the value that a good or service should fetch at a given price. Consequently, individual consumers were evaluated, modified or even manipulated by different disciplines in the organizational context (primarily marketing and advertising) to form the “market aggregate demand” (Prahalad and Ramaswamy, 2002).

Despite the historically limited view of service and the popularity of the production paradigm (Levitt, 1972; Nayyar, 1990) the technological and informational revolution have changed the business reality. The massive data availability drastically changed the dynamics of the business transaction in two main ways (Teece, 2010). First, it offered more information to both parties (sellers and buyers) thus reducing information asymmetry. Second, it changed traditional products by including service and informational features thus adding a significant information or service “layer” to existing products or even converting products to services. These trends have increased attention on the service paradigm, which emphasizes simultaneity and focuses on intangibles (Lovell and Gummesson, 2004; Miles, 1993) which are radically different from the traditional sequential concept of the production paradigm (Vargo and Lusch, 2008). The focus on service also highlights the fact that some consumers’ self-interests may have a subjective, intangible personal side that may include evaluations of reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988). This ongoing and persistent shift in the balance of power between sellers and buyers forces companies to rethink their strategies. In many industries, the sequential game in which a better-informed supplier makes initial decisions that will be evaluated by a less-informed customer is over. Firms’ ability to address simultaneously expressed customer-specific intangibles becomes a significant determinant in the business transaction and a main factor in business success.

### 3. Reality check, service evolution and revolution

The focus on service and on customers suggests that the traditional production paradigm is complemented by service concepts of the service paradigm. The popularity of the service paradigm is manifested through the Service-Dominant logic proposing that all economies are service economies and that service (and not the product) is the fundamental basis of exchange. This logic suggests that suppliers and customers co-create value in a simultaneous (and not sequential) transaction (Lusch and Vargo, 2011), which includes technical and functional elements (Grönroos, 1994). The technical elements still include the (traditional) product-oriented tangibles and the functional elements include service-oriented intangibles (Moran and Ghoshal, 1999; Grönroos, 1994). Under this developing view, performance is vaguely defined and being assessed through perceptual rather than actual tangible and traditional measures of firm performance (Ordanini and Parasuraman, 2011).

The paradigmatic shift is evident throughout the business environments as many traditional transactions are adapted to include a thicker service layer and more customer involvement (Lusch, 2011; Grönroos, 1994). Drucker (1997) suggests that this trend may require novel economic theories, fresh theorization and re-conceptualizations of some traditional business practices. In the context of hospitality and tourism management, Clark and Arbel (1993) have already recognized the need for a new paradigm. They proposed that what is needed for the future are managers who not only will be motivated by supplier self-interest and profit maximization, but will also consider the long-range impact of their decisions on both the global community and the global environment in terms of their growth and long-term survival.

In reality, the production/service mix takes different forms. In some industries, this progression takes the *traditional path* in which the production paradigm largely dominates the business game. These industries include, for example, traditional low-tech industries such as the capital-intensive textile sector with a strong production and efficiency focus. In this context, service is only a supplement for the core business. However, in many industries, firms are facing a dynamically changing reality. In some sectors, the physical product is central but service is constantly increasing in importance. These industries take the *service evolution path*. For example, in the automobile industry the traditional transaction is product based and centered on the physical sale of a car. However, an increasing number of the cars sold in the United States today are bundled as part of a primary service lease and not sold as a stand-alone product. In other industries, the progression takes a *service revolution path* in which the mix of products and services is evolving toward a more drastic service orientation (Farber and Wyckoff, 1991). For example, in the consumers music and movie industries, the traditional transaction included a significant physical component (the physical delivery and ownership of an audio or a video cassette or CD). Over the years, a drastic change caused the product to completely disappear and replaced by a mere service transaction (pay-per-view) that has no physical attributes for the customer.

### 4. Hospitality management inter-paradigmatic agenda

In the hospitality industry, a service revolution that will obviate the physical components of the transaction is *not* a probable scenario. It is safe to state that hospitality will always include a dominant physical product with an essential service component. Therefore, scholars and practitioners will always have to address a certain combination of tangibles and intangibles in a product-service mix. This suggests that the paradigmatic scenery of the field of hospitality management will always include possible combinations of the production and service paradigms.

Academics, educators and practitioners must pay attention to the interface (or lack thereof) between the two paradigmatic foundations. Most scholars focus on research within their paradigm with only little inter-paradigmatic dialog. Inter-paradigmatic research should not be confused with inter-disciplinary research. If the collaboration is among scientists who were educated in a certain paradigmatic domain, even if their disciplinary background is diverse, it is possible that they will have a less-diverse orientation (Linstead, 1981). The potential for groundbreaking research and practice may be in inter-paradigmatic, rather than interdisciplinary, research groups and management teams incorporating individuals from the manufacturing and service paradigms.

The production and service paradigms each have solid foundations in prescribing and describing how managers, employees and customers act. The focus on efficiency is at the core of the production paradigm (Prahalad and Ramaswamy, 2002). Intangible components and subjective customer satisfaction are at the core

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