Tourism Management 36 (2013) 86–98

Contents lists available at SciVerse ScienceDirect

Tourism Management

journal homepage: www.elsevier.com/locate/tourman

Value-creating assets in tourism management: Applying marketing's service-dominant logic in the hotel industry

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HIGHLIGHTS

► We use S-D Logic to interpret hotels' intellectual capital disclosures.
► Hotels disclose the intellectual capital embedded in their brands.
► Generic disclosures of Brand, Guest, and Employees overlook latent value-creation.
► We highlight the capacity for co-construction of value within a hotel's network.
► Hotels' IC development depends on value co-construction and relational processes.

ARTICLE INFO

Article history:
Received 5 April 2012
Accepted 13 November 2012

Keywords:
Service-dominant logic
Value co-creation
Hotel management
Intellectual capital disclosure

ABSTRACT

Value-creating assets are recognised as critical in today's tourism management field. However, empirical research to date has not yet developed a useful conceptual framework for managing and marketing such assets. This paper presents service-dominant logic (S-D Logic) as a framework for advancing our understanding of intangible assets within the hotel industry. The research used S-D Logic to analyse intellectual capital (IC) disclosures of 20 publicly-listed European and US hotels. Results showed hotels acknowledge IC assets; in particular, the value embedded in their brands. However, the hotel companies' disclosures on generic items of Guest and Employees indicate they are overlooking the capacity for value-creation from such IC. This research, which makes a unique contribution by applying S-D Logic to examine hotel IC disclosures, recommends developing more sophisticated constructs for effective management of hotels' intangible assets. Finally, the S-D Logic framework has potential application in other areas of tourism management.

1. Introduction

This research examines disclosure of intellectual capital (IC) in the hotel industry. From the range of definitions and interchangeable terms used, this paper employs 'intellectual capital' as a comprehensive term to refer to the 'invisible' assets that contribute to a company's value (following Alcaniz, Gomez-Bezares, & Roslender, 2011; Marr, 2005; Sveiby, 1997). While there is no universal definition of IC, it is commonly examined using a tripartite model comprising internal capital, external capital, and human capital (e.g., Yi, Davey, & Eggleton, 2011). Furthermore, although researchers agree that these three elements together play a vital role in generating future cash flows, there is no consensus on how best IC can be measured (Beattie & Thomson, 2007; Petty & Guthrie, 2000). Not surprisingly, IC is traditionally under-reported because of the difficulty in attributing quantitative value to it.

Much research has been conducted on IC disclosure. However, few studies have focused on IC disclosures in the hotel industry, an industry that is greatly influenced by IC assets, especially through training (human capital), efficient processes (internal capital), and branding (external capital). Such intangible assets distinguish hotels as experience-dominant service contexts (Shaw, Bailey, & Williams, 2011), which are increasingly important in today's experience economy (Pine & Gilmore, 1999). Indeed, in the highly competitive environment in which hotels are operating today, the customer experience is regarded as critical to hotel positioning and competitive advantage (Asku & Tarcan, 2002; Nasution & Mavondo, 2008). Building and maintaining a competitive edge in these

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http://dx.doi.org/10.1016/j.tourman.2012.11.009

conditions can no longer be simply about the product, the brand, or innovation but must be more about the integration and distinctiveness of the value-creating assets of the hotel.

Commentators agree that IC assets offer a valuable means of augmenting and differentiating one hotel's offering from its competitors (Engstrom, Westnes, & Westnes, 2003; Jerman, Kavcic, & Kavcic, 2009; Li & Petrick, 2008). However, issues and tensions around managing, measuring, and reporting IC in the hotel industry continue to limit understanding of the links between IC and competitive advantage. Compounding the managerial tensions surrounding IC, the prevailing perspective in accounting literature tends to compartmentalise IC (Yi et al., 2011). We propose that such issues might be addressed by applying the holistic paradigm of Service-Dominant (S-D) Logic, which originated in the marketing discipline in 2004 (Vargo & Lusch, 2004). As Shaw et al. (2011) and Grissemann and Stokburger-Sauer (2012) have recently demonstrated, there are valuable insights to be had from applying this emerging conceptual framework to tourism management.

This paper extends the application of S-D Logic to the context of the hotel industry, specifically to examine the IC disclosure practices of top publicly-listed hotels. We argue that fresh insights into managing IC for competitive advantage are afforded by applying S-D Logic, predicated on value being co-created within a complex network of stakeholder relationships, to interpret voluntary IC disclosures made by hotels in their annual reports.

2. Intangible assets and intellectual capital

Increasingly-competitive business conditions and the knowledge age have intensified interest across disciplines among academics, scholars, and practitioners in the value of the IC of organisations. IC is now considered to be the principal driver of value in today's organisations: "…in the competition of the 'new economy' there is a greater reliance on knowledge-based assets such as human know-how, innovation, technologies and information…[P]hysical and financial assets…have, accordingly become less powerful explanations of business success" (Campbell & Abdul Rahman, 2010, p. 56).

The view that intangible assets are significantly more important in value-creation than tangible resources is not new (Bontis, 1998; Sveiby, 1997). Considerable research has demonstrated that management practices accounting for such intangible assets and IC are capable of creating long-term competitive advantage for businesses (Davey, Schneider, & Davey, 2009; Fincham & Roslender, 2003; Pike, Fernstrom, & Roos, 2005). IC reporting, which provide an effective integrative framework for identifying a company's value-creating intangible assets and managing their interrelationship, is encouraged both by industry and academics (e.g., EFFAS Commission on Intellectual Capital, 2008; Peppard & Rylander, 2001). However, IC disclosure may in fact be partial disclosure when companies are reluctant to divulge sensitive information (e.g., Davey et al., 2009). Furthermore, research has not consistently upheld the expectation that IC-rich companies will disclose more IC (e.g., Bozzolan, O'Regan, & Ricceri, 2006; Brennan, 2001; Miller & Whiting, 2005).

Although the origins of academic interest in IC extend back more than 70 years, there is still no universal agreement over its definition (Davey et al., 2009; Engstrom et al., 2003; Pike et al., 2005). Definitions typically contain many of the terms "…knowledge skills, know-how, experience, intangible asset, information, processes and value creation…" (Engstrom et al., 2003, p. 288). Researchers do, however, generally agree that IC comprises three elements (although variously named): internal capital, external capital, and human capital (e.g., Abeysekera, 2007; Guthrie & Petty, 2000; Sveiby, 1997; Yi et al., 2011). These dimensions provide a useful framework for examining IC disclosure practices. Table 1 provides the tripartite conceptualisation as used in our analysis.

Some scholars, concerned that this commonly used tripartite conceptualisation overlooks the complexities of IC, have expanded the IC framework into various layers prior to exploring the effects of the separate IC elements on business performance and the causal relationships among the elements (e.g., Chen, Zhu, & Xie, 2004; Wang & Chang, 2005). With particular reference to the hotel industry, Rudež and Mihalič (2007) choose to divide external capital into two sub-categories of end—customer relationship capital and non-end customer relationship capital. Their framework, which segments hotel customers into guests as the direct end-users of the hotel service and other external partners in both the public and private sectors as the non-end customers, thereby acknowledges the heightened significance of relationships within the hotel industry. These various categorisations underpin the ongoing debate relating to the conceptualisation and definition of IC.

Regardless of such conceptualisation difficulties, increasingly researchers and theorists agree that the dynamic flows between the IC categories exert considerable influence on company performance (e.g., Engstrom et al., 2003; Lev, 2001). Thus, the holistic S-D Logic framework, with its emphasis on resource-integrating networks, offers considerable potential as a conceptual base for a deeper understanding of IC assets in tourism management (refer Section 4).

3. Intellectual capital disclosure

Although invisible, IC and its management have been identified as vital for sustainable competitive advantage for companies in most industries (Garcia-Ayuso, 2003; Garcia-Parra, Simo, Sallan, & Mundet, 2009; Vergauwen, Bollen, & Oirbans, 2007). IC is considered a strategic resource, unlike financial and physical capital, since other companies cannot replicate it or use it as efficiently (Davey et al., 2009; Engstrom et al., 2003; Namvar, Fathian, Akhaven, & Gholamian, 2010; Zéghal & Maaloul, 2010). Therefore, financial reporting that focuses on historical value undervalues IC-rich companies (Davey et al., 2009; Guthrie, 2001); stakeholders

Table 1
Tripartite conceptualisation of intellectual capital.

Intellectual capital	A multi-dimensional concept lacking a universal definition; multiple terms used interchangeably. This paper uses intellectual capital as a comprehensive term for 'invisible' assets that contribute to a company's value.
Internal capital	The non-human, accumulated knowledge internalised within the structures, processes, and capabilities of the company which remain when 'employees go home for the night'. These are the only IC resources owned and/or controlled by the company. Examples: Patents, concepts, trademarks, R&D, hardware, software, databases, managerial attitudes, information-system flows, entrepreneurial culture.
External capital	The value embedded in the company's relationships with its external stakeholders, often referred to as the company's 'customer capital'. Examples: Marketing channels, brand names, reputation, distribution channels, customer satisfaction, franchisees, suppliers, and partners.
Human capital	The resources that relate to individuals and which cannot be replaced by machines or written down. They are a key source of potential strategic renewal. An individual chooses to give a company access to these. Examples: Education, skills, attitude, know-how, innovativeness, intellectual agility, competencies, training of employees, and directors/executives.