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Customer disposition to social exchange in Co-innovation

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ABSTRACT

Hospitality research lacks an understanding of customer-driven innovation and the effects of customers' psychological characteristics on the success of co-innovation. This paper aimed to examine the role of social exchange ideology in customers' disposition to social exchange in hospitality co-innovation. The research employed a 2 (co-innovation initiation: customer vs. company) x 2 (disposition to social exchange: strong vs. weak) between-subjects design. Bridging relational aspects of service-dominant logic and social exchange theory, co-innovation contributed to relationship development between a hospitality company and customers through mutually beneficial relational outcomes, operationalized as satisfaction, loyalty and trust. As one of the first studies to examine customers' disposition to social exchange, it established two dimensions: tangible and intangible. Disposition to exchange moderated the effects of co-innovation initiation on satisfaction and partially moderated paths to loyalty and trust. Hospitality providers should focus on customers with strong intangible social exchange disposition and, in most cases, initiate co-innovation to achieve strong relational outcomes of loyalty and trust.

1. Introduction

The tourism industry has enjoyed a rapid and uninterrupted growth period. According to UNWTO (2017) international tourist arrivals globally totaled 1235 million in 2016 compared to 278 million in 1980. This rising demand and increasing flexibility of modern travelers are powerful generators of competition in the global hospitality sector forcing firms to adapt and innovate to remain competitive (Chen, 2011; Hjalager, 2010). The shift of power to the consumer, manifested in the sharing economy of collaborative consumption (Heo, 2016) is explained by service-dominant logic (S-D logic) and value co-creation (Vargo and Lusch, 2016). S-D logic focused hospitality practitioners' attention on the critical aspects of customer involvement in collaborative innovation or co-innovation (Li and Hsu, 2016; Morosan and DeFranco, 2016).

According to S-D logic, the value co-creation process is the mutual, concurrent development of new value, both materially and symbolically, through the voluntary contributions of multiple actors resulting in reciprocal well-being (Vargo and Lusch, 2016). Within the broader scope of value co-creation, four types can be distinguished: collaborative innovation or co-innovation, co-creation of experience, co-creation of marketing, and co-creation of recovery or co-recovery (Shulga et al.,

2017). As a type of value co-creation, co-innovation is "a phase of the innovation process resulting from dynamic and on-going interactions among resources, actions, and a group of actors" (Russo-Spena and Mele, 2012, p. 527),

However, not every actor is ready or wants to be involved in co-innovation projects. Customers might be unable to offer new and creative ideas (Christensen, 1997), have difficulty articulating latent needs (Franke et al., 2009), or lack sufficient competence and expertise to be valuable contributors (Payne et al., 2009). Furthermore, companies may experience challenges participating in co-innovation and be discouraged or withdraw from the process leading to undesirable and even value-destructive results (Payne et al., 2009; Plé, 2016). Hence, it is important to improve a firm's collaborative process competency by strategically choosing partners for new service development, through their psychological characteristics or dispositions that might foster positive co-innovation results (Lusch and Vargo, 2014; Plé, 2016).

While the organizational benefits of innovation were examined (Victorino et al., 2005) and the role of customer involvement in tourism-related innovation recognized (Li and Hsu, 2016), researchers noted that the lack of knowledge of factors influencing customer co-innovation involvement (Morosan and DeFranco, 2016). A deeper understanding of collaborative partners is particularly important in

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0278-4319/ © 2018 Elsevier Ltd. All rights reserved.

hospitality co-innovation that typically relies on customers as co-producers and quasi-employees of the firm (Ford and Heaton, 2001). Accordingly, psychological disposition to social exchange (DSE) defined as a personal belief in the pertinence of a social exchange with the company is posited in this study to affect customer's involvement in co-innovation and its outcomes, operationalized as satisfaction, loyalty, and trust.

S-D logic postulates that value co-creation is relational in nature (Vargo and Lusch, 2016). Researchers, however, agree that there is little understanding of how the relational nature of co-creation influences mutual outcomes (Chang and Taylor, 2016). To begin analyzing the relational aspects of co-innovation, this study aims to examine customer-driven innovation during ideation, the initial stage of co-innovation.

Within the co-innovation process ideation, evaluation, design, test, and launch were identified as five stages of new product development (Åkesson et al., 2016). Ideation as the initial stage of co-innovation is devoted to the process of generating ideas and “piling up alternatives” (Osborn, 1957, p. 115) leading directly to the success of innovation and strongly linked to firm performance (Chang and Taylor, 2016). Researchers point to the importance and benefits of customer involvement during the initial stages of co-innovation, such as diverse perspectives, customer-focused market information, shortened time-to-market and improvements in service quality (Carbonell et al., 2009).

The process of idea-exchange starts with the first interaction and is identified as co-innovation *initiation*. Although, successful co-innovation initiation might activate consumer involvement (Ettgar, 2008), it is unclear who should lead the initiation. Conceptually, both sides of customer-driven initiation of collaborative organizational processes have been debated (Namasivayam, 2003; Knox and Denison, 1990). While, it is generally believed that co-innovation assumes initiation by the customer (Zwass, 2010), growing evidence suggests that when the company or employee initiates co-creation it may lead to positive outcomes for all involved (Xu et al., 2014). Therefore, to deepen the understanding of what contributes to the success of co-innovation at the ideation stage, this study examines the impact of customer versus company initiation on the relational outcomes of co-innovation.

Thus, this research has three objectives. First, to investigate the role of psychological characteristics of customers involved in co-innovation. Bridging S-D logic with social exchange theory (SET) (Cropanzano and Mitchell, 2005), this is the only study to adapt employees' social exchange ideology, known as sensitivity to social exchange, as customers' DSE in co-innovation and test its moderating effects. Second, to examine the impact of co-innovation initiation (customers versus company) on the relational outcomes of co-creation. Third, to explore how co-innovation factors and customers' DSE contribute to relationship development between a hospitality company and customers through mutually beneficial relational outcomes: satisfaction, loyalty and trust. By introducing the role of customers' DSE to co-innovation and exploring its moderating effects, this study further contributes to the emerging literature on hospitality co-innovation (Chathoth et al., 2016; Morosan and DeFranco, 2016) from S-D logic and SET perspectives. The

paper proceeds with a review of relevant S-D logic and SET concepts, resulting in a conceptual model (Fig. 1). Next, the experimental research design is described, key findings and their theoretical and practical implications are discussed.

2. Literature review

2.1. Customer involvement in co-innovation

In the process of innovation, collaboration is the active involvement of two or more actors in the process of working together, integrating resources, and achieving mutual goals to develop new products and services (Lusch and Vargo, 2014). Researchers argued that direct involvement of hotel employees and travelers led to better co-innovation and service designs (Victorino et al., 2005). Direct involvement of front-line employees in sharing information, internal organization, and technology are factors affecting co-innovation success (Gebauer et al., 2008). For example, collaboration among Marriott customers, employees, and vendors on travelbrilliantly.com led to the creation of a new vending machine offering fresh farmers market style salads installed in the hotel lobby, always available to guests.

However, not all customers are motivated to be involved similarly in a co-creative exchange (Yi and Gong, 2013). Some customers prefer just to be involved with the company by seeking and sharing information. Others may desire more involvement by offering constructive feedback, ideas for service improvement, and helping other customers benefit from the service (Yi and Gong, 2013). The company may encourage or discourage customer involvement in collaboration depending on the value propositions, activities, and resources provided via direct and indirect interactions (Payne et al., 2009; Vargo and Lusch, 2016). For example, by providing opportunities and opening access to interactive platforms for collaboration, Starbucks encouraged customer involvement in new service and product development (e.g. www.mystarbucksidea.com) (Sigala, 2012). However, when a company removes negative but constructive comments from Yelp.com (Handy, 2012), ignores critical reviews on TripAdvisor.com, or controls customer comments on Facebook (Smith, 2016), active customer involvement in co-innovation is discouraged.

Thus, the effectiveness of collaboration may also depend on the organization (Tuli et al., 2007). In fact, Lusch and Vargo (2014) recommended managing collaboration, choosing suitable partners to cooperate, and develop mutually beneficial collaborative relationships. Appropriate collaborative partners should have the required resources, be open to jointly solving problems, interested in pursuing shared opportunities (Lusch and Vargo, 2014), and, therefore, open to social exchange (Cropanzano and Mitchell, 2005).

SET traditionally is used to understand the mechanism and motivation behind social exchange relationships in the workplace (Cropanzano and Mitchell, 2005). Specific to hospitality, customers are often viewed as quasi-employees of the firm (Chathoth et al., 2013; Ford and Heaton, 2001), who are in a strategically advantageous position to perform the roles of managers, consultants, marketers,

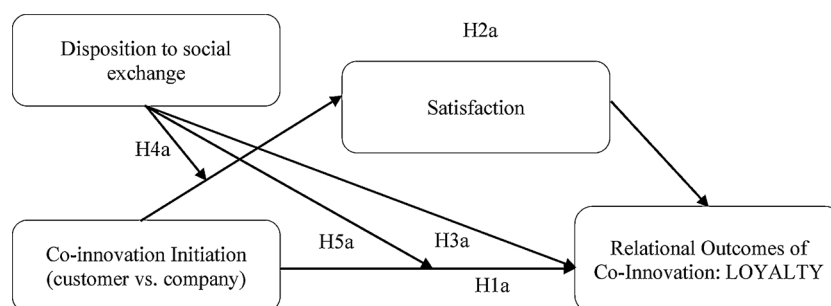


Fig. 1. Conceptual model A of the effect of customer disposition to social exchange for co-innovation on loyalty.

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