



Service innovativeness and the structuring of organizations: The moderating roles of learning orientation and inter-functional coordination



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ABSTRACT

This paper aims to investigate the influence of organizational structure on service innovativeness by testing the moderating roles of learning orientation and inter-functional coordination. This helps to understand how organic structure influences service innovativeness when it is effectively leveraged with favorable organizational factors. Data were collected from 178 hotel managers and executives in Japan and moderated regression analysis was performed to analyze the data. Findings of the study suggest that higher levels of service innovativeness are positively related to higher levels of hotel business performance. In addition, organic structure makes a positive influence on service innovativeness and an increase in the levels of learning orientation boost the effectiveness of organic structure on service innovativeness. Moreover, the positive association between organic structure and service innovativeness become stronger when all firm's functions make an attempt to cooperate and contribute to disseminating customers and competitors' information in the hotels. These findings contribute to understanding how hotel service innovation is affected by service innovativeness, organizational structure, learning orientation and inter-functional coordination.

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1. Introduction

Most service innovation research is based on production-intensive industries, such as financial, telecommunications, transport, and wholesale services (Aas et al., 2015). In contrast, innovation in the hospitality industry such as in hotels and restaurants is rarely studied (Farsani et al., 2016; Randhawa et al., 2015). Indeed, according to the most recent European community innovation survey, hotels were the second least innovative businesses after retail industry (Robson and Achur, 2012). This results from the high turnover and unskilled labor, which hinders hotels from fully exploiting investments in innovative technologies. Hotels often declare themselves too short-staffed to innovate (Ottenbacher et al., 2006), or argue that innovation does not offer return on investment; it is too costly and not recognizable by customers. However, through hotels can differentiate themselves from both

from direct and indirect competitors in an industry dominated by similar, often substitutable service offerings.

Innovation can have a positive impact on hotels' sales and firm value (Nicolau and Santa-María, 2013) and competitive advantage (Jacob et al., 2010). In addition, hotel service innovation can have wide implications for the economy considering that the global hospitality industry, of which hotels are a core component, accounts for more than 266 million jobs worldwide (Roth and Fishbin, 2015). Moreover, the industry is growing 23% faster than the global economy overall by approximately \$3.4 trillion dollars annually (World Travel and Tourism Council, 2014). It is therefore beneficial both for firm and economic performance to pursue innovations in the hotel sector so empirical research should pursue this relatively unexplored line of study and offer practical guidance on effective ways to innovate.

Service innovation is a radically or incrementally changed service concept, client interaction channel, service delivery system or technological concept that individually, but most likely in combination, leads to increased value creation for either or both the internal and external customer; and requires the application of specialized competencies (i.e. knowledge and skills) and management

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of inter-functional coordination (van Ark et al., 2003). Research by Hirunyawipada and Blankson (2010) suggests that service innovation requires the input of multidisciplinary and cross-functional sources of knowledge in order to have performance benefits. According to Ho (2009) and Stonehouse and Pemberton (1999), a conducive environment that facilitates organizational learning comprises of organizational variables such as organic organizational structure and effective inter-functional coordination. Yeh et al. (2006) and Ho (2009) attest that such enablers influence how firms learn and develop, create, share and protect knowledge. In addition, organic structure and effective inter-functional coordination improve the effectiveness of knowledge management related activities, such as empowering individuals to use their knowledge for innovation (Theriou et al., 2011). In particular, supportive flexible organic structures with decentralized organizational architecture are also found to be more capable to respond quickly to changing external environments and have the ability to assimilate and react to information (Altinay and Altinay, 2006). The rationale is that such organizations are effective in producing a great number of creative ideas from an array of multiple groups within an organization (Olson et al., 1995).

Even though these detrimental effects associated with innovation and business outcomes have been empirically scrutinized widely in the manufacturing industry, very little knowledge exists regarding the impact of organizational structure on service innovativeness and the performance of service organizations such as hotels and leisure facilities (Agarwal et al., 2003; Hodari et al., 2017; Sin et al., 2005). More specifically, to our best knowledge, relatively few management academics and scholars have conducted research, in the empirical sense, on the proposition of the adoption and confluences of organic structure along inter-functional coordination and learning orientation on service innovation (Chang et al., 2011; Øgaard et al., 2008; Tajeddini, 2011).

Given the research gaps above, this research attempts to examine the effect of organization structure on service innovativeness and the subsequent effect of receptivity to new ideas on service performance. In order to address this void in the literature, we empirically examine the moderating role of inter-functional coordination along with the organizational learning orientation on service innovativeness. We build our proposed hypothesized model based on the work of Auh and Menguc (2005) who have articulated the leveraging role of inter-functional coordination in strengthening the effect of organization hotel structure. We begin by discussing the theoretical background, followed by the development of hypotheses. To identify and determine which factors lead to higher service innovativeness, regression analysis was employed to test the interconnections. Results are based on data analyzed from questionnaires received from a sample of over 178 Japanese hotels actively involved in service innovation. We conclude by presenting a discussion of theoretical results and practical implications along with research limitations and directions for future research.

1.1. The hotel industry in Japan

The tourism industry is one of the largest sectors in the Japanese economy which contributes to economic growth and job creation (Honma and Hu, 2012). In 2014, the direct contribution of the tourism industry (e.g., hotels, travel agents, airlines and other passenger transportation services) to the GDP of Japan was JPY11,900.6bn (2.4% of GDP) and generated 4,441,500 jobs (7.0% of total employment) accounted nearly for 7% of total employment (OECD Tourism Trends and Policies, 2015). By 2025, it has been forecasted Travel & Tourism to support 4,857,000 jobs (8.0% of total employment), an increase of 0.5% pa over the period (OECD Tourism Trends and Policies, 2015).

Despite the number of Japanese-style inns declining, hotels have been growing in scale and number (JETRO, 2009). In particular, we have witnessed that conventional and unconventional hotels particularly around Tokyo have documented a consistent upward trend in average daily rates since 2012 (Sawayanagi et al., 2014; Tajeddini, 2014). The increasing growth rate of the hotel industry can be attributed to the Japanese governments' programs support of the tourism industry including the launch of a Visit Japan Campaign in 2003 to revitalize tourism and increase the influx of foreign tourists (Honma and Hu, 2012), the enactment of a Basic Act for Promoting a Tourism-Oriented Country in 2007, the establishment of a Japan Tourism Agency in 2008, and the factor of "Abenomics" (i.e., an aggressive set of monetary and fiscal policies, combined with structural reforms) (Sawayanagi et al., 2014). By 2020, Tokyo's hotel pipeline is expected to increase by around 8% or an additional 7500 rooms (Sawayanagi et al., 2014). With these efforts, the demand for hotel rooms has increased significantly. For instance, the number of foreign visitors grew from 3.3 million in 1995–8.3 million in 2008, although this number declined to 6.9 in 2009 due to the global economic crisis (JETRO, 2009).

Another remarkable trend that has contributed to the high growth rate of hotels is the surge of foreign-capital hotels, including prominent brand hotels such as Four Seasons, Mandarin Oriental, The Conrad, The Ritz-Carlton and The Peninsula (JETRO, 2009). Nevertheless, hotels in Japan are challenged by the continuing economic downturn, resulting in a downtrend of domestic leisure and business trips (Takeuchi, 2010). However, little knowledge exists about the relationship between the hotel structure, learning orientation, inter-functional coordination and their influence on innovativeness and economic service performance. This study stresses the need to provide top hotel managers and executives with more possible course of actions on specific structural elements and entrepreneurial activities influencing hotel innovation and enhancing efficiency and effective hotel performance.

2. Theoretical background and hypotheses

2.1. Service innovativeness and performance

Prior research has documented a relationship between non-price factors (e.g., product variation, quality, design, customization, features, innovation, differentiation) and sales growth (Trueman and Jobber, 1995). Given the importance of differentiation and innovation in the dynamic global market, firms are recommended to be innovative if they want to be competitive in the long term. The innovativeness of a firm can be seen as an openness to new ideas, which is indicated by the ability to develop new products (services/processes), knowledge and technology. Despite the incongruence in the concept of "innovativeness" (e.g. Tajeddini, 2010), a particular common notion reveals that innovativeness can be viewed as "a measure of discontinuity in the status quo in marketing and/or technology factors" (Garcia and Calantone, 2002). In recent years, the increasing importance of the value of innovation and innovativeness in the service industry is on the rise. This is due to the nature of service offerings being experiential, which makes service organizations need to constantly innovate in order to enhance consumers' service experiences (Zolfagharian and Paswan, 2008).

Innovativeness in the service industry embraces a wide spectrum of multiple activities. These activities include supportive leadership, improved services and safety, new technologies, new strategy development, communication technologies interaction and a new friendly environment. Service innovativeness along with superior quality is regarded as the key to competitive performance (John and Storey, 1998). Slater and Narver (1995) observe

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