

Impact Of Service Inovation Behaviour On Service Development In Hospitality Industries (Research On Hotels & Restaurant In East Java Indonesia)

Zainul Wasik, Mahjudin, Kuncoro Catur Nugroho, Dody Suhermawan

Universitas Muhammadiyah Gresik, East Java, Indonesia

mahjudin@umg.ac.id

Abstract

The ability to inovate is very important task for a multinational hotel where this is the main goal is to get a competitive advantage, which allows them to provide services that exceed customer expectations. Service innovation capabilities also contribute to hotel competitive advantage, however, there is very little research exploring ways to improve service innovation capabilities. In addition, while social capital fosters the power of innovation, research on the process of transforming available resources embedded in social interactions into actual service innovation capabilities is also limited. Thus, the aim of this study is to investigate the effect of social capital on the ability of service innovation through knowledge sharing in the hospitality industry. The sample used in this study is the hotel industry, especially hotels with 4 or 5 stars in East Java, the results of this study indicate that sharing knowledge mediates the effect of social capital on the ability of service innovation and knowledge sharing is a mechanism for transforming social capital innovation into service innovation capabilities.

Keywords : Service quality, service innovation, hospitality management

Abstrak

Kemampuan berinovasi merupakan tugas yang sangat penting bagi sebuah hotel multinasional dimana tujuan utamanya adalah untuk mendapatkan keunggulan kompetitif, yang memungkinkan mereka memberikan layanan yang melebihi harapan pelanggan. Kemampuan inovasi layanan juga berkontribusi pada keunggulan kompetitif hotel, namun, sangat sedikit penelitian yang mengeksplorasi cara untuk meningkatkan kemampuan inovasi layanan. Selain itu, sementara modal sosial memupuk kekuatan inovasi, penelitian tentang proses transformasi sumber daya yang tersedia tertanam dalam interaksi sosial menjadi kemampuan inovasi layanan yang sebenarnya juga terbatas. Dengan demikian, tujuan dari penelitian ini adalah untuk mengetahui pengaruh modal sosial terhadap kemampuan inovasi layanan melalui berbagi pengetahuan di industri perhotelan. Sampel yang digunakan dalam penelitian ini adalah industri perhotelan khususnya hotel berbintang 4 atau 5 di Jawa Timur, hasil penelitian ini menunjukkan bahwa sharing knowledge memediasi pengaruh modal sosial terhadap kemampuan inovasi layanan dan knowledge sharing merupakan mekanisme untuk mengubah inovasi modal sosial menjadi kemampuan inovasi layanan.

Kata Kunci : Kualitas pelayanan, inovasi pelayanan, manajemen perhotelan

There is a fundamental difference between creativity and innovation. Creativity means developing potential new and useful ideas, and employees can share these ideas with others, which are considered as the initial stages of the innovation process. Innovation refers to the successful implementation of new and useful ideas at the organizational level (Amabile, 2010). Creativity also has another definition which is "the production of novels and ideas that are useful in any domain," while innovation is defined as "the successful application of creative ideas in an organization." Innovation means the successful implementation of ideas or products produced at the organizational level (Oldham and Cummings, 2004). Thus, creativity becomes the seed of all innovations (Amabile et al., 2004: p. 1155). Another opinion says that creativity is an important input to the successive generation stages of the innovation process (Ford, 2004). Creativity is treated as part of an organization's climate or culture, and this climate or culture can improve innovation and performance (Swann and Birke, 2013). Promotion of employee creativity and the generation of new ideas are considered as key factors, which are needed to implement innovation (Montes et al., 2012). High levels of employee productivity and creativity are needed to develop new services and products and continue to improve internal processes (Forbes and Domm, 2004). However, creativity concepts and innovation are often used interchangeably in literature (Scott and Bruce, 2000; Awamleh, 2000; Martins and Terblanche, 2012; Mostafa, 2013). For example, Mostafa (2013: p.8) introduces a definition for creativity or innovation as "the systematic development and practical application of new ideas." Therefore, creativity and innovation are closely linked in the minds of individuals as one term and they use these terms interchangeably. There are several opinions which state that creativity and innovation are basically the same phenomenon, but they occur at various levels of analysis (Ford, 2004). For example, creativity is the initial stage of the innovation process, while innovation refers to the successful implementation of useful new ideas. Thus, innovation is an important process for organizational success that has lasted a long time (Amabile, 2010). As a result, the concepts of creativity and innovation are generally expressed together because they are related to each other even though there are some differences in their meaning, such as creativity being the production of ideas, while innovation refers to the application of the ideas produced (Coveney, 2008).

Rapid changes in customer demand and values make it difficult for companies to maintain quality and form of service that can maintain a sustainable competitive advantage. Based on a resource-based perspective, Wu (2008) shows that, in a dynamic environment, social capital embedded in customer relationships is a valuable and distinctive resource that is difficult to emulate and be replaced only by competitors. To develop marketing strategies using social facilities that are in the consumer environment, the hotel business needs to have new service capabilities to meet changing customer demand. Social capital or facilities cover three dimensions: structure, relationships, and cognition (Nahapiet and Ghoshal 2010), while each has a different effectiveness in increasing competitiveness (Wu 2008). This study examines the impact of individuals from three dimensions of social capital on the ability of service innovation.

Service capabilities must combine fragmented knowledge into new services (Nicolau and Santa-Mar 2013a 2013). Although knowledge sharing is conducive to creating new services, the key to successful knowledge sharing involves encouraging professional staff who are willing to share knowledge. Personal knowledge is an advantage of these professionals in the organization (Hu et al. 2009). To meet this challenge, social capital, which allows intermediary activities that bring knowledge from other actors to the main actors (Burt 2010) can be introduced. Compared with information systems and formal control systems, social capital is considered as an effective element in accelerating the sharing of knowledge implicitly and explicitly among members in the organization (Carmona-Lavado et al. 2010; Grant 2004). That is, sharing knowledge can transform hidden potential into actual competitive ability, perhaps becoming a mediator in explaining how social capital influences the ability of service innovation, which is a secondary objective of this research. The hospitality industry has many choices to determine which products and services will add value to customers. Hotels need to evaluate the value that will be added to services to customers before introducing new innovations for services or products (Victorino et al., 2013). The difference in the level of hotel quality does not really have an impact on hotel operations, but the difference between high and low quality hotels is the quality of additional services and physical evidence.

Thus, innovation is considered as the main lever for developing and improving operations in hotels (Wong and Ladkin, 2008). In the service industry, both "novel" and "useful" are important characteristics for identifying creative ideas (Madjar and Ortiz-Walters, 2008). Despite the importance of creativity and innovation in the hospitality industry, several studies have been carried out to investigate creativity or innovation in that industry. Human capital skills and abilities demonstrate an important role in successful innovation. The study also found that innovation activities were positively related to performance as evidenced by the generation of more rentals in innovative hotels. However, the literature shows a lack of empirical studies in organizational creativity in the hotel sector, although some research investigates employee creativity, creativity or innovation rather than organizational creativity. Therefore, there is a need to investigate organizational creativity in the hospitality industry.

Although there are no empirical studies in the relationship between creativity and innovation, Heunks (2010) supports the view that creativity is related to innovation in 200 organizations from six countries in the European Union. He revealed that creativity has a significant positive relationship with product innovation in old organizations (over 32 years), but creativity can also drive process innovation. Creativity tends to have several specific personal backgrounds: Risk taking, challenges and entrepreneurship, while innovation has other aspects: Risk taking, education, self confidence, future orientation, leadership, external capital, and information. As a result, risk taking is the only personal background common to creativity and innovation.

More comprehensive results are presented by Prajogo et al. (2004), who argue that creativity and idea generation have a significant and positive relationship with product innovation and process innovation in manufacturing and non-manufacturing organizations based on managerial perspectives, but have a stronger relationship with product innovation than with process innovation. The study also found that product processes and innovations are highly interrelated. As a result, organizations need to develop creativity to promote product processes and innovation.

2. Theoretical Background

2.1. Service Innovation Capabilities

While there is vast literature on innovation in general, including some interesting works on innovation capabilities, as discussed above, very few studies actually investigate this topic in the specific context of services. This is a paradox because the academics do agree that service innovation differs greatly from product innovation in various respects, for instance the dichotomy of 'product/process' innovations is less evident in services (Droege et al., 2009; Sundbo and Gallouj, 2010) and the role of technology is less prominent in service innovation (Gallouj and Weinstein, 1997). Some notable exceptions of works that do focus on service innovation capabilities specifically include the contributions of Froehle and Roth (2007), Menor and Roth (2008), den Hertog et al. (2010) and Zhou and Wei (2010). Froehle and Roth (2007), in their 'resource-process framework of NSD capability, have identified specific practice constructs underlying both the resource-oriented (intellectual, organisational and physical) and the process-oriented (design, analysis, development, and launch) sides of new service development capability. The work of Froehle and Roth (2007) is probably the most extensive contribution to the service innovation capabilities topic. The authors were the first to really stress the importance of both resource and process-related aspects of new service development. Their contribution is the cornerstone of the theoretical side of our work.

The primary product provided by hotels is service. Hotel industry emphasizes the characteristics of labor intensiveness, immediate consumption, and a pleasant lodging experience (Canina et al. 2013). Because of these special characteristics, the hotel industry faces great challenges and pressure in providing customers with superior service. In addition, the globalization of the tourism market has increased the difficulties for hotel management, especially international tourist hotels, which must provide an immediate and positive consumer experience that is noteworthy to customers from different cultures. Service innovation creates superior value for customers (O'Cass and Sok 2013). Customer expectations and requirements toward service are changeful, hotels must constantly develop new services for creating higher customer value and maintaining competitive advantage. To provide customers with services that engender a perceived value that is higher than their price, hotels must implement service innovation. Through service innovation, hotels reduce service costs, increase the quality of service and products, and enhance service value for customers.

Service innovation has a positive effect on the customer value provided by service organizations (O'Cass and Sok 2013). The development of new services not only provides customers a unique consumer experience and excellent core value (Møller et al. 2008; O'Cass and Sok 2013; Paswan et al. 2009), but also allows hotels to differentiate themselves from competitors and enhances their service quality and reputation (Ottenbacher and Gnoth 2013). Thus, to maintain a leading position in the market, hotels must be able to continuously update their services to remain ahead of competitors (Agarwal et al. 2012)

2.2 Social capital

Social capital is defined as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. In this definition, we can think of networks as real-world links between groups or individuals. Think of networks of friends, family networks, networks of former colleagues, and so on. Our shared norms, values and understandings are less concrete than our social networks. Sociologists sometimes speak of norms as society's unspoken and largely unquestioned rules. Norms and understandings may not become apparent until they're broken. If adults attack a child, for example, they breach the norms that protect children from harm. Values may be more open to question; indeed societies often debate whether their values are changing. And yet values – such as respect for people's safety and security – are an essential linchpin in every social group. Put together, these networks and understandings engender trust and so enable people to work together.

The concept of social capital became fashionable only relatively recently, but the term has been in use for almost a century while the ideas behind it go back further still. “Social capital” may first have appeared in a book published in 1916 in the United States that discussed how neighbours could work together to oversee schools. Author Lyda Hanifan referred to social capital as “those tangible assets [that] count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit”. That gives some sense of what's meant by social capital, although today it would be hard to come up with a single definition that satisfied everyone. For the sake of simplicity, however, we can think of social capital as the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together

The second dimension of social capital is trust culture. This dimension is critical for the hotel industry for the following three reasons: First, a trusting relationship promotes the sharing of service experience, specifically, experiences concerning service failures. It is occasionally difficult for employees to share their knowledge because the knowledge was learned through painful service experiences (Tan 2000).

Within a trust culture, service employees do not worry about being mocked or feeling humiliated, thus they are more likely to share their experiences regarding service failures and remedies. Second, trust is the core of social interactions, which makes those involved in knowledge sharing and feel at ease. When a service employee faces a difficult situation, the employee seeks crucial knowledge to solve problems. In addition, the existence of trust culture causes the employee's colleagues to feel eager to be the sources of desired knowledge (Levin and Cross 2004) that helps other service employees or the hotel provide better services. Third, in the hotel industry, service employees rely on a high level of interdependence to successfully accomplish their tasks (Whitener et al. 2010). Trust culture fuels the mutual interactions between people which is the key to successful teamwork.

The potential benefits of social capital can be seen by looking at social bonds. Friends and families can help us in lots of ways – emotionally, socially and economically. In the United Kingdom, for example, a government survey found that more people secure jobs through personal contacts than through advertisements. Such support can be even more important in countries where the rule of law is weak or where the state offers few social services: clans can fund the education of relatives and find them work, and look after orphans and the elderly.

2.3 The effect of Social Capital on Knowledge Sharing

Knowledge sharing is defined as a team process in which "team members share task-relevant ideas, information, and suggestions with each other" (Srivastava et al. 2006, p. 1239). If knowledge is not shared, the resources that can be obtained in a hotel are not fully utilized (Argote 1999). Knowledge sharing not only creates a flow of collective information but also offers opportunities for employees to synthesize dispersed knowledge into new service ideas. In the hotel industry, service employees are expected to share and possess valuable knowledge, including the service goals of the hotel, expertise in conducting tasks, customer preferences, and tips for face-to-face interactions with customers (Hallin and Marnburg 2008; Hu et al. 2009; Yang 2010; Yang and Wan 2004).

Social capital is a type of social relation resource embedded in an organization that can promote knowledge sharing. The following section explores the effects of the three dimensions of social capital on knowledge sharing. First, network ties are the channels in which knowledge resources flow. Through social interaction, an actor can receive resources from other actors (Leana and Van Buren 1999). High quality social relations can improve the quality and diversity of knowledge flow, which can compensate for insufficient transmission of information and knowledge through regular structures and procedures. Network ties provide opportunities for service employees to learn new knowledge from other group members' experiences or lessons. Consequently, establishing adequate network ties among service employees within a hotel can provide mutual support and allow implicit know-how to become usable for those who require it.

Trust increases employee motivation and involvement in sharing knowledge. The existence of a culture of trust can strengthen the frequency of interaction among members and increase the possibility of exchange of knowledge to give members opportunities to receive assistance (Mayer et al. 1995; Nahapiet and Ghoshal 2010; Tsai and Ghoshal 2010). If team members trust each other, they want to share their knowledge with each other, and don't have to worry about being harmed. When trust exists, people are more willing to offer useful knowledge and learn from others (Mayer et al. 1995). Therefore, extensive and intensive exchange of knowledge across functions can occur (Tsai and Ghoshal 2010). Yang (2010) found that employees are better able to share information, ideas, advice, and professional knowledge when a culture of trust exists in a hotel.

Finally, a shared vision is a valuable resource in the organization because it provides a focus for learning that produces energy, commitment, and goals among people (Day 2000). An organization is a group of people who are bound together by a shared vision of the future they create together (Teare and Pantin 2002), which makes them have a common goal in their organization and work. A shared vision facilitates cooperative action between unit members (Li 2013) and helps them to integrate various knowledge (Inkpen and Tsang 2013). The existence of a shared vision gives employees meaningful goals to be devoted, thereby elevating hotel benefits above personal interests and encouraging employees to solve shared problems and share knowledge. The existence of a shared vision in a hotel can facilitate the process of knowledge transfer, which makes individuals exchange knowledge and collaboratively produce new knowledge (Magnini 2008). Findings in previous studies also show that shared vision can inspire employee motivation to exchange knowledge (Magnini 2008).

2.4 The effect of Knowledge Sharing on Service Innovation Capability.

The form of service in the hospitality industries like hotels and resort, requires closeness between employees and consumers. In this case the services provided by employees to customers will be part of the products offered by the company (Lee and Hidayat, 2018). Furthermore, customers who have consumed the service products will ultimately assess the quality of services that have been provided by the company. Hu et al. (2009) explains that customers who have enjoyed the innovative services provided by the company will be participants in assessing the service products that have been provided. Satisfied customers for every service it receives make it a loyal customer (Kotler and Keller, 2009). Hu et al. (2009) says that those who work in the service industry must be able to keep and attract new customers by meeting the demands of customer needs. In serving every customer, the company needs closeness between employees and consumers. Therefore an emphasis on knowledge sharing between management and employees needs to be developed (Lin, 2007). Effective knowledge sharing practices allow for reuse and regeneration of knowledge at the individual and corporate level (Chaudhry, 2005). Furthermore Matzler et al. (2008) said that knowledge sharing will contribute positively to the company's performance, especially on improving service quality.

Sharing knowledge will create opportunities to maximize the company's ability to meet its needs and generate more efficient business solutions to enhance competitive advantage (Lin, 2007). Lin (2007) and Darroch (2005) describe the sharing of knowledge as a culture of social interaction that involves the exchange of employee knowledge, experience, and skills through all elements within the company that ultimately enhance the company's innovation capabilities and sustain the company. This is in accordance with the opinion of Hollins and Shinkin (2006) who said that the performance of service innovation can help improve the company's economic growth. The increasing number of customers who consume product service innovation can be an indicator of the success of the company to implement innovation (Lee and Hidayat, 2018). This makes the performance of service innovation an important issue at the moment (Levitt, 2002)

Successful innovation depends on the convergence of various functions (Lee et al. 2012). Knowledge convergence offers an organization the ability to provide new services to meet customer needs (Ordanini and Maglio 2009). Through creative processes to increase service values, hotels are able to convergence of unrelated things to meet customer demands (Lee et al. 2012), such as intangible services, tangible goods, technology, and management to deepen customer experiences. A hotel that values service innovation uses new ideas, technology, and customized services to create high service values, thereby providing frequent guests with different experiences during their stays.

Innovation is typically initiated by frontline service employees because they possess the knowledge of customer needs. However, the design of a new service delivery involves back-office process re-engineering as well (Ottenbacher and Gnoth 2013). This illustrates the importance of communication and collaboration between unit members within innovative service processes. The successful designs and deliveries of innovative services rely on mutual interaction and collaboration among unit members, which include frontline service employees and supportive employees who are in indirect contact with customers (Cho et al. 2011; Crevani et al. 2011).

2.5. The Mediating Role of Knowledge Sharing

Social capital can expand the breadth and depth of knowledge sharing which motivate people to identify critical information and know-how in a social network (Burt 2010; Subramaniam and Youndt 2013). Open environments can serve as channels for employees to acquire, explain, and transmit information and knowledge resources. Through the knowledge-sharing process, service employees have the ability, motivation, and opportunity to use these resources and generate new choices for implementing new ideas and work (Tesluk et al. 2010). The service innovation ability of a unit can be improved by stimulating diverse thinking (Perry-Smith and Shalley 2012). Tsai (2001) argued that social capital can provide channels for transmitting information and knowledge to stimulate and support innovative behavior. Tsai and Ghoshal (2010) found that, among different firm units, both the structural and relational dimensions of social capital are positively related to resource exchange, which in turn contributes to value creation. Wu (2008) indicated that information sharing plays a mediating role in the relationships between the three dimensions of social capital (trust, networkties, and

repeated transactions) and firm competitiveness improvement, which involves providing high-quality products and services to customers. These arguments indicate that knowledge sharing mediates the relationship between social capital and service innovation capability.

Based on the above discussed studies, the following hypothesis is proposed :

1. H1a The degree of network ties within a unit is positively related to the degree of team members' willingness to share knowledge.
2. H1b The degree of trust culture within a unit is positively related to the degree of team members' willingness to share knowledge.
3. H1c The degree of shared vision within a unit is positively related to the degree of team members' willingness to share knowledge.
4. H2 Knowledge sharing in a unit is positively related to the service innovation capability.
5. H3 The relationship between social capital and service innovation capability is mediated by knowledge sharing.

3. Methodology

This research uses descriptive research design with testing data according to the objectives desired by researchers and research questions. Data needed for the current study has been collected in two ways: library research and field studies.

3.1. Measurement

To achieve the study objectives, a self-administered survey questionnaire was developed based on the findings of the literature review. The questionnaire was pre-tested and revised. The survey consisted of eight parts covering the following issues: (1) Social responsibility, (2) Employee treatment, (3) Affective commitment, (4) Job satisfaction, (5) Organizational Citizenship Behaviors, (6) Organizational support, (7) Innovative behavior, and (8) Demographics.

In the social responsibility section, with three items, respondents were asked about their perceptions about social responsibility of hotels (Fombrun et al., 2000). In the employee treatment section, with three items, respondents were asked to rate their level of agreement on the treatment of hotel with employees (Bailey, 2013). In the affective commitment section, with three items, respondents were asked about their commitment to the hotel (Meyer & Allen, 2010). In the job satisfaction section, with three items, respondents were asked about their level of satisfaction with the hotel. Organizational Citizenship Behaviors section includes three items evaluating employees' behaviour. Further, in the organizational support section, three questions were asked to indicate the level of organizational support perceived by employees. Finally, in the innovative behavior section, with three items, respondents were asked about their innovative activities in the hotel.

Measurement of all eight variables were carried out by a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5). The advantage of using an interval scale is that it permits the researchers to use a variety of statistical techniques which can be applied to nominal and ordinal scale data in addition to the arithmetic mean,

standard deviation, product-moment correlations, and other statistics commonly used in management research.

3.2. Data Collection and Analysis

The questionnaires were distributed based on a cluster sampling method and collected at 3- and 4-star hotels in East Java, Indonesia, January 2019. A list of 3- and 4-star hotel in East java Province was provided. Then, hotels were selected randomly from the list. Finally, employees of each selected hotels were selected randomly according to the lists provided by their human resource department. Three hundred questionnaires were distributed and 241 usable samples were obtained after excluding the incomplete ones, yielding an 85% response rate from those who agreed to participate.

Cronbach's alpha was used to verify the internal consistency reliability. Data analysis involves descriptive statistics using SPSS and structural equation modeling using AMOS structural equation program. AMOS is designed to estimate and test structural equation models (SEMs). SEMs are statistical models of linear relationships among latent (unobserved) variables and manifest (observed) variables. Its purpose is estimating the coefficients in a set of structural equations. For this research AMOS is used to investigate the causal relationships, where the path coefficients are tested for significance and goodness-of-fit. The overall model fit measures were used to evaluate the fit of the structural model.

In estimating the goodness-of-fit indices (GFI) for measurement and structural models, χ^2 (chi-square) test was used. In addition, the root mean square error of approximation (RMSEA) was used as an absolute fit index. The incremental fit index (IFI), the Tucker–Lewis index (TLI), and the comparative fit index (CFI) were used as incremental fit indices. Standardized estimates were used in reporting the causal relationships between the exogenous and endogenous constructs.

4. Results

In the sample of 147 unit managers, 69.1 % were females, 45.7 % had work experience in current hotels for 6–10 years, and 45.3 % had 11–20 years of work experience in the hotel industry. Most unit managers possessed bachelor degrees (57.8 %). Regarding age, 74.7 % were between 26 and 35 years old. Of the sample units, 56.3 % were in the food and beverage department, and 37.3 % worked at the front desk.

4.1. Correlation Analysis

The results indicate significant correlations effect between dependent, mediating, and independent variables. A relatively high correlation can be found between five constructs in this study range from 0.64 to 0.79. For example, the correlation coefficient between trust culture and network ties evidence a relative high level of correlation.

4.2 Reliability and Validity Analysis

To assess discriminant validity, confirmatory factor analysis (CFA) was applied to examine the multi-item scales used. The results from CFA indicated an acceptable fit for the five-factor model ($\chi^2/df = 1.77$, NFI = 0.89, IFI = 0.95, TLI = 0.91, CFI = 0.93, RMSEA = 0.08).

Because all evaluated information was provided by unit managers, common method variance (CMV) might be found in the results. To additionally examine if the CMV led to unfavorable effects in inference and argument, this study used Harman's single-factor test, as suggested by Hair et al. (2012). The single factor model had a poor fit ($\chi^2/df = 6.91$), and the goodness-of-fit index was inferior to the hypothetical modes ($\chi^2/df = 1.64$), indicating that the CMV did not have a strong impact on the results presented in this study. The calculation shows the results of CFA of the theorized five-factor model, including factor loadings, composite reliability, and variance-extracted estimates.

The latent variable composite reliability (CR) and average variance extracted (AVE) of individual observed variables were validated based on the judgment criteria recommended by Hair et al. (2010). First, the common factor loading of all observed variables was greater than 0.6, and was higher than the standard value suggested by Hair et al. (2010), indicating that the observable variables had strong reliability. Second, they recommended that the CR value be greater than 0.7. The CR value of latent variables ranged from 0.79 to 0.91 in this study; all were higher than 0.7. Third, Fornell and Larcker (1981) recommended that AVE values larger than 0.5 to indicate that the latent variable has convergent validity. The AVE values of the latent variables in this study ranged from 0.62 to 0.73; all were higher than 0.5. Fourth, as shown in Table 3, the AVE root mean square of the variables in this study ranged from 0.79 to 0.85. These values were all greater than the correlation coefficient of the latent variables, which means that each latent variable in this study is clearly different and has good discriminant validity.

In summary, the reliability, convergent validity, and discriminant validity of this study all exceeded the standards recommended by previous research. Overall, the measurement models of this research showed good reliability and validity.

4.3. Structural Model Analysis

The structural equation modeling results showed that the hypothesized model had a good fit ($\chi^2/df = 1.76$, NFI = 0.89, IFI = 0.95, TLI = 0.94, CFI = 0.95, RMSEA = 0.07). Figure 1 presents the verification of the hypotheses based on the analysis results from the hypothesized model. H1a, H1b, and H1c posit that the three dimensions of social capital promote knowledge sharing. The results indicated that network ties ($b = 0.26$, $p < 0.05$), trust culture ($b = 0.45$, $p < 0.001$), and shared vision ($b = 0.24$, $p < 0.05$) were significantly and positively related with knowledge sharing. Thus, H1a, H1b, and H1c were supported.

H2 predicts that knowledge sharing is positively related to service innovation capability. The results showed that knowledge sharing was positively and significantly related to service innovation capability ($b = 0.62$, $p \leq 0.001$). The results supported H2.

Finally, the results also supported H3: The three dimensions of social capital enhanced service innovation capability through knowledge sharing. The result shows, the differences between the Chi squares were not significant for the hypothesized model compared to the alternative model. Based on the principle of model parsimony, these results suggest that the hypothesized model better fitted the research data. Therefore, knowledge sharing fully mediates the relationship between the three dimensions of social capital and service innovation capability.

5. Discussion

Based on the resource-based perspective, this study examines the mechanism of improving service innovation capability in the hotel industry. The results supported the hypotheses, indicating that knowledge sharing plays a critical mediating role in the relationship between social capital and service innovation capability. By encouraging knowledge sharing, hotels can transform the innovation potentials of social capital into actual service innovation capability. The results of this study extend the literature in several ways.

First, the findings support the hypothesis that the three dimensions of social capital are all significantly related to knowledge sharing. To promote knowledge sharing, hotels must construct a social environment conducive to cooperation and communication. The findings on the relationship between network ties and knowledge sharing support the views of Zarraga and Bonache (2012). With more network connections, frontline employees have more opportunities to access the knowledge required for their work. Managers should adopt job rotation, which allows employees to gain a complete understanding of service delivery and assist in the hotel industry, trust culture is crucial for the smooth execution of service delivery. Service delivery is highly task-interdependent work that requires various forms of cooperation and support among service employees. Trust culture promotes knowledge sharing by removing communication barriers, increasing the willingness to assist others to provide better services, and expanding the benefits of communication among individuals or business units. All mentioned assets are valuable in the successful execution of highly interdependent service activities. Furthermore, the results concerning the relationship between trust culture and service innovation are consistent with Vila et al. (2012) and Hon (2012). All of these results confirm that the trust culture of a hotel has key effects on its service innovation. Specifically, leaders tolerate employees' mistakes and transmit learning-oriented information to employees in a trust culture. In other words, the mistakes should be discussed openly, and employees should be encouraged to learn from valuable experience from mistakes to enhance the service innovation capability in hotels.

Shared vision stimulates information and knowledge sharing by connecting perspectives from all service members. Shared vision is an important internal coordinate mechanism that facilitates the efficiency and effectiveness of resource use (Leonidou et al. 2013). Without organizing shared vision, resources cannot be integrated and managed to adequately respond to customers' dynamic needs.

Third, this study provides results in response to the suggestion by Shaw and Williams (2009) to explore the effect of knowledge management practices on service innovation in the hotel industry.

The results indicate that knowledge sharing can transform employee knowledge into service innovation capability. To improve service innovation capability, hotel managers are responsible for advocating knowledge sharing among employees and constructing a knowledge management system that facilitates transforming shared knowledge into service innovation capability.

Finally, this study extends social capital research by examining the effects of social capital on service innovation capability in the hotel industry. The findings show that knowledge sharing plays a critical mediating role in the effects of network ties, trust culture, and shared vision on service innovation capability. Social capital is a foundation on which to successfully develop new services and equip hotels with basic abilities to adapt to environmental changes because of its roles in stimulating knowledge flow and integrating all resources. The internal environment of social interactions is critical for innovation in the service industry, especially for international tourist hotels to provide excellence services. Because intangible services cannot be protected by patents, the only way for hotels to sustain competitive advantages is to constantly provide new services.

6. Future Research

First, Future research should explore customer involvement in the service delivery process and how this facilitate co-creation for service value (Hau and Thuy 2012), and then enhances service innovation capability.

Second, to improve a hotel's service innovation capability, future studies should focus on how a hotel conducts knowledge management among the knowledge of multiple services.

Third, future studies can conduct longitudinal research to examine the role of social capital and knowledge sharing in the development of new services.

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