# Chapter 63

# Promoting Service Innovation and Knowledge Management in the Hospitality Industry

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## ABSTRACT

*This chapter indicates the overview of hospitality industry; the concept of service innovation; service innovation and customer demand; the importance of service innovation in the hospitality industry; the concept of Knowledge Management (KM); the advanced issues of KM in the hospitality industry; competency models in the hospitality industry; and the importance of KM in the hospitality industry. Service innovation has the potential to create the business growth perspectives, to lead markets that have the economic impact, and to bring about the structural and economic changes in the hospitality industry. KM seeks to make the best use of the knowledge that is available to the hospitality industry, while creating new knowledge in the process. The chapter argues that promoting service innovation and KM has the potential to enhance organizational performance and reach strategic goals in the hospitality industry.*

## INTRODUCTION

Tourism and hospitality industry is one of the most important industries in the modern business world (Kasemsap, 2016a). Globalization and market competitiveness have driven the modern organizations toward innovation in their operations to gain sustainable competitive advantage (Verma & Jayasimha, 2014). Knowledge about value co-creation becomes increasingly important to the understanding of service innovation (Hidalgo & D'Alvano, 2014). Services are the economic activities that can be performed by the product-based businesses (Mina, Bascavusoglu-Moreau, & Hughes, 2014). Service innovation is a concept for improving service that is taken into practice (Tseng, Lin, Lim, & Teehankee, 2015). Service firms need to utilize the joint development at a moderate level, the active technology purchasing, and as much external information acquisition as possible to maximize the service innovation performance (Kang & Kang, 2014).

KM has emerged over the last decade to become one of the most debated management concepts. However, in the hospitality industry, KM has not achieved the same scale of applications and empirical research (Hallin & Marnburg, 2008). Tourism researchers have suggested reasons why KM is limited in research and practice in the hospitality industry (Cooper, 2006). Existing efforts in KM practices are observed within hotel chains, which have to deliver an overall service quality standard (Hallin & Marnburg, 2008). High service quality effectively promotes customer satisfaction and customer satisfaction has a positive relationship with business revenue (Kasemsap, 2016b). Service processes of hospitality companies become knowledge-based due to the major influence and the adoption of information and communication technology (ICT) (Kahle, 2002). The hospitality industry slowly adapts to KM strategies due to the complexity of the concept, which requires the certain skills in data mining, statistics, and the substantial knowledge of hospitality management (Yun, 2004).

This chapter aims to bridge the gap in the literature on the thorough literature consolidation of service innovation and KM. The extensive literatures of service innovation and KM provide a contribution to practitioners and researchers by indicating the advanced issues and implications of service innovation and KM in order to maximize the business impact of service innovation and KM in the hospitality industry.

## Background

In an increasingly service-centered economy, service innovation is vital to maintain the organization's competitive advantage (Paswan, D'Souza, & Zolfagharian, 2009). Over the last few decades, service innovation has become the important topic in the hospitality industry (Chen, Wen, & Yang, 2014). Nowadays, organizations desire the strategies that place them on the boundaries of service innovation (Kim, Song, & Triche, 2015). Effective service innovation is the crucial competitiveness of the nation (Kim, 2009). The alignment between service innovation and the strategic use of information technology (IT) has the significant impact on service innovation performance and business performance (Huang, 2014). Service innovation involves criteria from various hotels that collaborate to indicate the effective way to design and implement the new service (Paladino, 2007).

Service innovation capability is crucial for the international hotel to obtain the sustainable competitive advantage, which enables the hotel to exceed customer expectations for the modern and unique services (Tang, Wang, & Tang, 2015). Service markets are becoming global, open, and competitive (D'Alvano & Hidalgo, 2012). Firms need to continually innovate their service offerings and service processes (Thakur & Hale, 2013). Due to significant growth during the twenty-first century, globalization of the services industry requires the distinct assessment of value, service level, and scalability features to guarantee the sustainable growth for the hotel industry while achieving the certain level of service quality (Tseng et al., 2015). The traditional hotel industry faces the challenge of developing and promoting more responsive, cost-competitive, and customer-focused services that continually improve their business processes (Bettencourt, Brown, & Sirianni, 2012).

KM concepts in the literature are mostly developed from the multinational perspectives (Nonaka & Takeuchi, 1995), thus failing to recognize many facets of tourism and hospitality services based on networks and requirements for the interorganizational perspective (Grizelj, 2003). In the hospitality industry, the pre-planned approach utilizing ICT drives the managerial development provision (Li, Buhalis, Lockwood, & Benzine, 2007). There are many studies investigating the KM-related virtual learning communities for hospitality professionals (Li, Lee, & Law, 2012). For example, Chalkiti and Sigala (2008) explored how knowledge is created among tourism professionals in the Greek online forum.

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