A Study on Service Innovation Endeavours of Kashmiri Hotels

B. MUSSARAT AHMED

Research Scholar, Department of Management Studies, Pondicherry University
Email: arzooamu@gmail.com Mobile: 7845388834and

Dr. G. MADAN MOHAN

Assistant Professor, Department of Management Studies, Pondicherry University
Mobile: 9442314404 E-Mail: madansaradha@gmail.com

Abstract

Innovation may be defined as the introduction of a new product or significantly improving upon an existing product or service or process or marketing strategy or organisational system or in peripheral relations. Service innovation at the organisation level may occur as an execution of novel or better business models, customer interfacing, evolving novel service products,developing novel standards, improved value proposal or enhancing competitive advantage by piercing into new markets or minimisation of cost of production by employing novel techniques. This descriptive research has collected data from 307 managerial personnel of Kashmiri hotels regarding their service innovation endeavours and results reveal that these hotels seem to accomplish the ultimate goal of business of satisfying customers through innovative services by utilising latest technology and service innovation has enhanced their efficiency. They have also agreed that service innovation has enabled them to offer better customised services suiting different customer needs in the market, leading them to acquiring better market share. The hotels are of the view that resources spent on innovating in the form of labour, time and finance is justified but they have expressed a slightly apprehensive opinion about their potentiality in introducing new and novel products. Furthermore, the study has revealed that A graded Kashmiri hotels, those located in the capital city of Srinagar, those in business for larger period of time and those operating in larger scale in terms of investment, turnover, number of rooms and employees engaged are innovating at larger scale while B graded Kashmiri hotels, those concentrating on both domestic and foreign customers and those and those operating at moderate scale in terms of number of rooms, employees engaged, investment and turnover are able to innovate to a reasonably moderate extent. This suggests the importance of large scale operations to innovate.

Introduction

Innovation may be defined as the introduction of a new product or significantly improving upon an existing product or service or process or marketing strategy or organisational system or in peripheral relations (Oslo Manual, 2005). Innovation involves deriving and generating new ideas to improve the existing process through R&D (Research and Development) resulting in accumulation of knowledge and utilisation of the so accumulated knowledge to develop new ideas and techniques to improve existing process and system (Huang et al., 2010).

Innovation may be sub-classified into Product Innovation, Service Innovation, Process Innovation, Technological Innovation, Radical Innovation, Marketing Innovation, Organisational Innovation and incremental innovation.

Many studies have concentrated on innovation based on R&D and technology. Cosh et al., (2006) have measured initiatives of firms to innovate in terms of expenses incurred on R&D and assessed the outcome of innovation in terms of patents and derived the performance of innovation by assessing the percentage increase in sales due to the introduction of new product or service. Similarly, Chan et al., (2008) have highlighted on different types of innovation pursued by companies and the metrics used by them to measure innovation and their satisfactory level with such metrics. However, there are no studies related to measuring innovation as a result of tacit knowledge sharing or informal learning. This makes it even more difficult to study effect of innovation on service-based firms (Miles, 2004).

Concept of innovation has been given a magnified scope with the inclusion of intangible assets such as education and skill development, human resource, organization structure and management practices (Agarwal and Selen, 2011; OECD, 2010; Agarwal and Green, 2011).

In short, the process of new ideas contributing to momentous value creation in business is termed as innovation.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

85

Service Innovation

Vargo and Lusch (2006)has given a new dimension to service innovation by including customers or service users as a partner to the process of value creation through innovation. Services have started to play a dominant role in the economy of developed as well as developing countries, meriting many studies being conducted on the area (Roth and Menor, 2003).

Despite the conduct of many studies on assessing the characteristics of service innovation (Trigo, 2009), many nations still endure from scarcity of data pertaining to innovation in services sector and dearth of investigative techniques to assess the level of service innovation executed (Graham, 2007). Service innovation at the organisation level may occur as an execution of novel or better business models, customer interfacing, evolving novel service products,developing novel standards, improved value proposal or enhancing competitive advantage by piercing into new markets or minimisation of cost of production by employing novel techniques.

Service is defined as an interaction between service provider and client resulting in creating business value through the utilisation of resources at the disposal of each of them (Craig and Aleda, 2007). Services are heterogeneous, perishable, intangible and inseparable in nature (Sampson, 2007). Service may be defined as the utilisation of experience, knowhow, skill and capability of concerned stakeholders wherein clients offer continuous novel inputs to improve the quality of service offered by the service-provider for the end use (Agarwal &Selen, 2011). The meaning of service innovation emphasises the vital aspects of human capital in the modern society based on technology and knowhow. Quality services will ensure that firms maximise their net worth and wealth of their shareholders through customer satisfaction. In fact, quality services alone will ensure that firms survive in this highly competitive environment.

The 2006 ANZIC classification of services has laid down 16 services namely, professional, scientific and technical services, rental, hiring and real estate services, health care and social assistance services, gas, information and media telecommunications, construction, education and training services, public administration and safety services, electricity, water and waste services, art and recreation services, administration and support service, transport, postal and warehousing services, wholesale and retail trade services, financial and insurance services, accommodation and food servicesand other services (Australian and New Zealand Standard Industrial Classification, 2006). Assessing innovation is very challenging and complex process and is also ever-evolving. Starting of banks marked the beginning of a new era in the form of innovation in banking sector and utilisation of technology to provide improved and comfortable services to customers also marks innovation (Gallouj and Savona, 2009).

Forms of Service Innovation

1. Innovative Business Models

Novelty in strategy formulation and execution pertaining to the organisation, system for boosting expertise and competence at good pace, exploring novel modeling and structuring business activities aimed at serving the interest of stake-holders of the institution by cost minimisation, flexibility in strategy implementation, specialised managerial principles, penetrating into unexplored markets and diversifying product lines constitute innovative business models. Introduction of element of novelty in service sector helps business organisations to cope up with extensive competition by providing value added services to customers by converting novel ideas to value creating products and optimum utilisation of available resources rather than merely reducing cost (Afuah and Tucci, 2003).

Developing novel business models is almost the same as drafting global corporate strategy (Lindegaard, 2010) wherein different alternate strategies are considered and assessed to arrive at the execution of best strategy. For instance, Apple concentrates on creating more models of Apples with its own Operating System while Microsoft keep licensing new Operating Systems rather than creating apparatus with such Operating System (Moser et al., 2007).

Novel business ideas might take the shape of changing operations of the organisation through outsourced means, smaller entities joining together to counter larger firms, etc. whereby extensive competition can be successfully tackled by maximising best valued services to customers and enhancing wealth of owners through enhanced efficiency in an extensive competitive environment.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

86

2. New Customer Interface

Customer-seller relationships have undergone a seesaw change in the recent past, necessitating effective communication about services to customers from service-providers. Voss and Zomerdijk (2007) have opined that services are like an expedition ending not with sales and includes after-sale service also, warranting novelty element to be introduced in not only selling but also serving customer interests even after sale process is completed. Despite technology leading to virtualisation of business, direct interface with customers still continue to occupy an integral part of success of business organisations trying to survive in an extensively impulsive environment (Berry et al., 2006). Success story of McDonald in hotel business through high valued offerings to customers, highly courteous personnel, exceptional atmosphere in the form of tidily maintained kitchens and targeting customer satisfaction serves testimony to the fact that customers are key to success of any business establishment and may be considered as partial employees of the firm (Abramovici and Bancel, 2004; Bowen, 1986; Mills and Morris, 1986). Customers are intangible assets of a business establishment, contributing to evolution of novel ideas and innovative strategies.

Customisation strategy of Dell serves as another standing example recognising the vitality of customer interface by business establishments. The CEO of Dell, Michael Dell, gets feedback from customers using Dell as well as his competitive brands without revealing his identity and tries to incorporate all suggestions and eliminate the critical aspects of the product, which emphasises the importance accorded to customers by the company (MBA Knowledge Base, 2011).

3. New Service/Product Offerings

Creation of novel product by business establishment forming part of service industry constitute service innovation. Recognising the vitality of customers in contributing to ideas leading to service innovation, business entities have shifted their focus towards brokerage, diligent distribution of information, rational exploitation of resources, knowledge-intensive business services, technology up-gradation and collaboration with customers to enrich the holistic supply chain process.

4. New Process/System Innovation

Process innovation concentrates on the operational aspect of business. An alteration in processes or systems structure of an establishment resulting in developing of a novel service in the market is termed as Process Innovation. Process innovation engulfs redesigning tasks, process steering and reallocating resources, warranting enhancing skill set of employees through systematic training. Process Innovation aims at solving long-term problems such as diversity preservation, pollution and climate change.

5. New Channels to market

With the evolution of sophisticated technologies in service industry, business organisations have many avenues in front of them to interact with their customers, internet being the forefront in all such avenues (Berry, 2006).

Measurement of Service Innovation

Innovation assessment surveys have been conducted at macro level to assess service innovation to facilitate formulation of desirable policies and assimilation of necessary data (Gault, 2011). Many articles have been attempted on service innovation with little emphasis on measuring the level of service innovation. This article tries to bridge this gap by attempting to measure the level of service innovation implemented by hotels in Kashmir.

Objectives of the Study

1.   To measure the level of service innovation endeavours of Kashmiri hotels;

2.   To classify the hotels surveyed on the basis of their service innovation endeavours.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

87

Methodology

The proposed study is descriptive in nature, based purely on primary data, collected by administering a structured non-disguised questionnaire to managerial personnel of 307 hotels in Kashmir, selected using Convenience Sampling technique. Data collected have been represented in tables and figures and analysed using SPSS 20, employing the statistical tools of Frequency Distribution, Mean, Cluster Analysis, Cross tabs and Correspondence Analysis.

Data Analysis and Representation

Demographic Profile of The Hotels Surveyed

Of the 307 hotels surveyed, 69 are public and 238 are privately owned; 201 are located at Srinagar, 38 in Gulmarg, 21 in Sonmarg and 47 in Pahalgam; 148 operate their business as Lodge, 65 as House boats, 45 as Guest houses and 49 as Resorts; 119 of the hotels have Less than 20 rooms, 143 have 21-40 rooms, 34 have 41-80 rooms and 11 hotels have 81 &more rooms; 202 hotels have Upto 20 rooms, 85 have 21-60 rooms while 20 hotels have 61 and more rooms; 106 hotels are A graded, 121 are B graded while 80 are C graded; 7 hotels concentrate purely on Domestic customers while a solitary hotel concentrate only on international customers and 299 hotels concentrate on both domestic and foreign customers; 28 hotels are carrying on their business for a period of upto 5 yrs, 122 are in existence for 5 to 10 yrs and 157 are in existence for 10 yrs & above; 203 hotels have invested Upto one crore in their business while 61 have invested 1 to 10 crores and 43 have invested more than 10 crores in their business; 201 hotels are managing annual turnover of Upto 10 lakhs, 74 are managing 10 to 50 lakhs and 32 manage an annual turnover of more than 50 lakhs.

Service Innovation Endeavours of Kashmiri Hotels

Service Innovation endeavours of Kashmiri hotels has been assessed using different statements in a Likert's five point scale and the results have been portrayed in Table 1.

Table 1: Service Innovation Endeavours of Kashmiri Hotels

Statement	Mean
Accomplishing Customer Satisfaction Through Innovative Services Developed Utilising Latest Technology	4.0912
Novel Products Introduced	3.6906
Efforts to develop new products/services justify the hours/person, teams & training required	3.7915
Service Innovation Utilised to Enhance Market Share	3.8469
Customised Products Delivered According to Customer Orders	3.9674
Efficiency Enhanced Through Service Innovation	3.9316

It can be inferred from Table 1 that Kashmiri hotels seem to accomplish the ultimate goal of business of satisfying customers through innovative services by utilising latest technology and service innovation has enhanced their efficiency. They have also agreed that service innovation has enabled them to offer better customised services suiting different customer needs in the market, leading them to acquiring better market share. The hotels are of the view that resources spent on innovating in the form of labour, time and finance is justified but they have expressed a slightly apprehensive opinion about their potentiality in introducing new and novel products.

Relationship Between Service Innovation Endeavours and Profile Characteristics of Hotels

Relationship between Service Innovation endeavours and demographic characteristics of Kashmiri Hotels has been explored using ANOVA and the resultsare displayed in Table 2.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

88

Table 2: Relationship Between Service Innovation Endeavours and Profile of Hotels

Profile		N	Mean	F	Sig.
Location	srinagar	201	3.9337	2.006	0.113
	gulmarg	38	3.6360		
	sonmarg	21	3.8254		
	pahalgam	47	3.9149		
Organisation Type	Hotel	148	3.9685	3.176	0.024
	house boat	65	3.9590		
	guest house	45	3.6519		
	Resort	49	3.7585		
No. of Rooms	Less than 20	119	3.8754	0.138	0.937
	21-40	143	3.8788		
	41-80	34	3.9216		
	81 & above	11	4.0000		
No. of Employees	Upto-20	202	3.8746	1.638	0.196
	21-60	85	3.8510		
	61 & Above	20	4.1583		
Grade	A	106	3.9591	0.881	0.415
	B	121	3.8402		
	C	80	3.8604		
Target Market	domestic	7	3.4762	1.296	0.275
	international	1	4.1667		
	both	299	3.8952		
Age of Hotel	Upto 5 yrs	28	4.1190	3.866	0.022
	5-10 yrs	122	3.7650		
	10 yrs& above	157	3.9395		
Investment (in Rs.)	Upto 1 Cr	203	3.8465	0.973	0.379
	1-10 Crs	61	3.9672		
	10 Crs& above	43	3.9612		
Turnover	Upto- 10 lakhs	201	3.8574	0.751	0.473
	10-50 lakhs	74	3.9099		
	50 lakhs & Above	32	4.0156		
Ownership Pattern	public	69	3.7874	1.771	0.184
	Private	238	3.9153		
Overall Mean			3.8225		

It can be observed from Table 2 that Kashmiri hotels grouped on the basis of location, pattern of ownership, number of rooms, number of employees engaged, grade, target market, quantum of investment and turnover do not differ in reaping good benefits from their service innovation endeavours as the F value is insignificant. However, Kashmiri hotels grouped on the basis of organisation pattern and length of existence significantly differ in the advantages reaped by them due to implementation of service innovation efforts. Hotels operating as guest house and resort are reaping comparatively lesser benefits from their service innovation endeavours than those operating as hotels and house boats while younger hotels are reaping better returns from their service innovation endeavours followed by the older hotels while the middle aged hotels are the least beneficiaries from service innovation endeavours.

Grouping Kashmiri Hotels Based on their Service Innovation Endeavours

Based on service innovation endeavours, Kashmiri hotels have been grouped using Cluster Analysis and the results have been depicted in Table 3.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

89

Table 3: Grouping Kashmiri Hotels Based on their Service Innovation Endeavours

Factor	C1	C2	C3	F	Sig.
Service Innovation	3.68	2.30	4.43	898.180	0.000
No. of Cases	131	32	144		

It can be inferred from Table 3 that Kashmiri hotels may be grouped into three groups using Cluster Analysis as the F value is highly significant at one percent level. Using the mean values of the three clusters, these clusters may be designated as "Innovative Hotels", "Conventional Hotels" and "Immensely Innovative Hotels". Table 3further suggests that less than 10 percent of Kashmiri hotels (32 to be precise) are conventional hotels, not aspiring to execute service innovation while 131 hotels are executing service innovation endeavours and 144 hotels are immensely aspiring to execute service innovation.

Demographic Characteristics of Clusters

The demographic characteristics of clusters formed using Service innovation endeavours of Kashmiri hotels has been assessed using Correspondence Analysis and the results have been portrayed in figures 1-9 and Table 4.

Table 4: Ownership Pattern

Ownership Pattern	Innovative hotels	Conventional hotels	Immensely Innovative hotels	Total	Asymp. Sig.
Public	32	9	28	69	0.442
Private	99	23	116	238	
Total	131	32	144	307	

It can be observed from Table 4 that bulk of Kashmiri hotels not endeavouring to execute service innovation are privately held. Majority of private hotels have executed immense level of service innovation while majority of public hotels have executed service innovation not to a high extent. Since the Pearson Chi-Square value is not significant, it can be said that there is no association between ownership pattern of Kashmiri hotels and the clusters formed based on their service innovation endeavours.

Fig 1: Location

Fig 2: Type of Organization
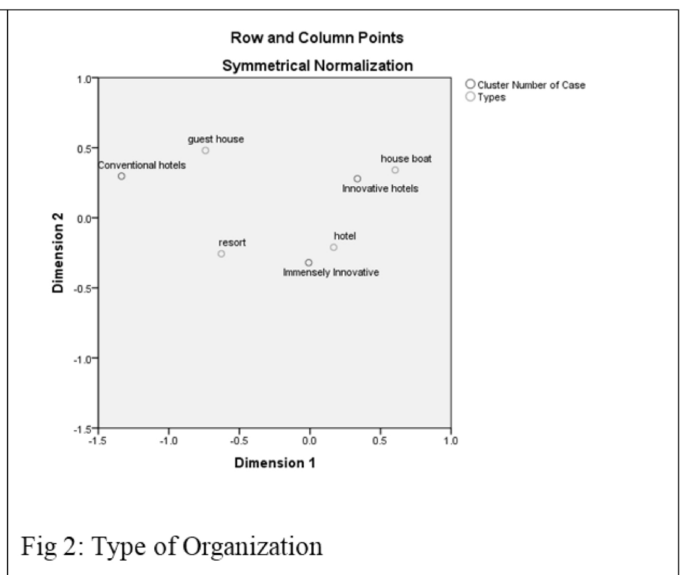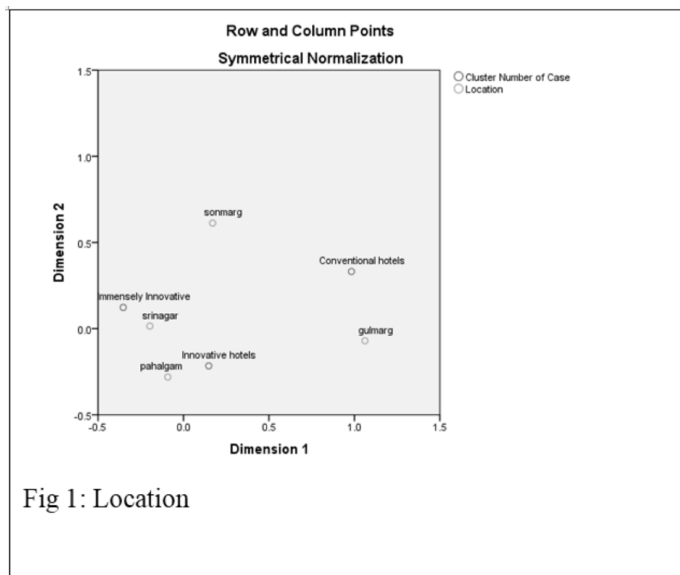
Figures1-9 highlights that B graded Kashmiri hotels, those with turnover of upto Rs. 10 lakhs, those engaging upto 20 employees, those operating as House boats, those concentrating on both domestic and foreign customers, those which have invested less than one crore in their business, those located at Pahalgam and those functioning with less than 20 rooms are innovative while A graded Kashmiri hotels, those with turnover of 10-50 lakhs, those engaged in business for
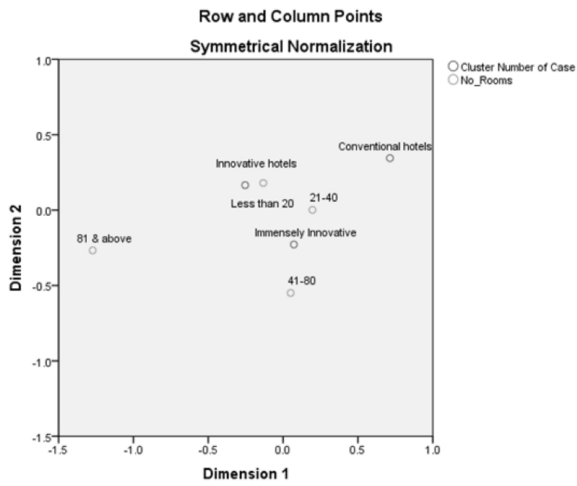
Fig 3: Number of Rooms
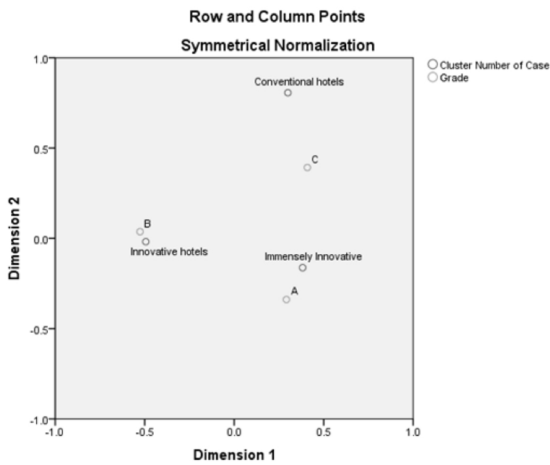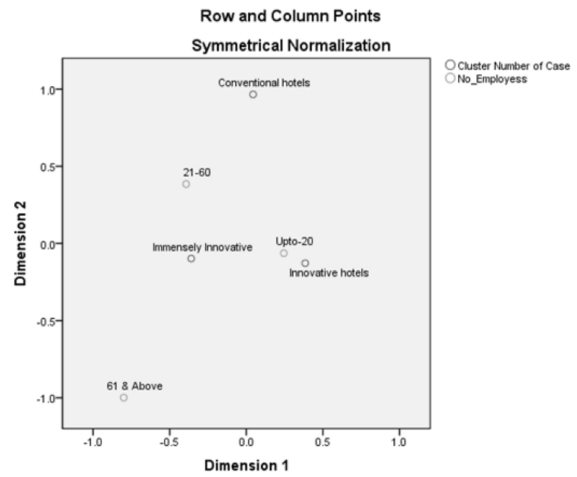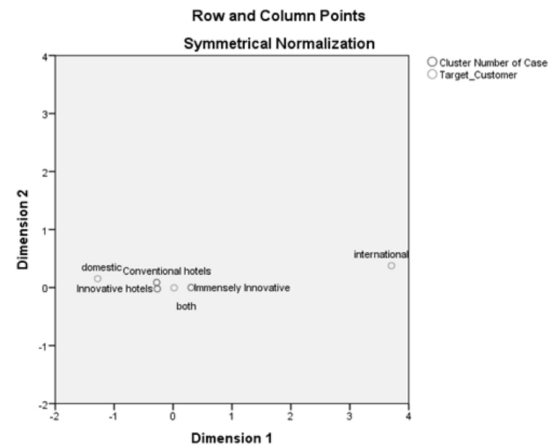

Fig 4: Number of Employees
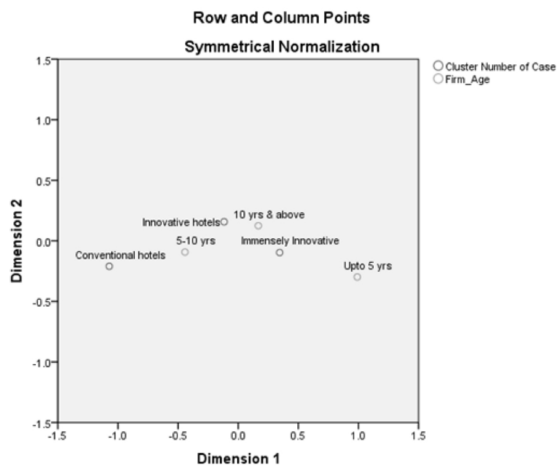

Fig 5: Grade of Hotels

Fig 6: Target Customer

Fig 7: Age of Hotel

Fig 8: Investment

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018
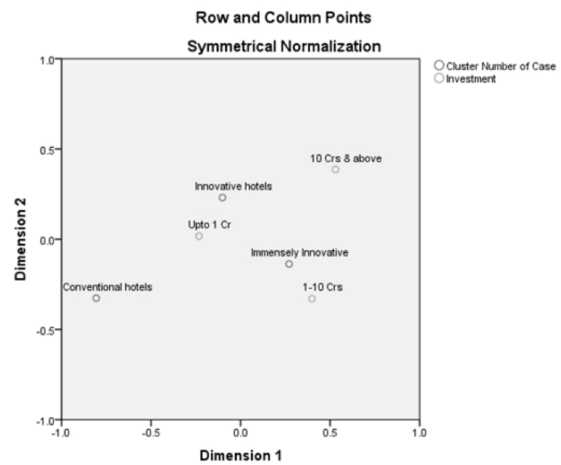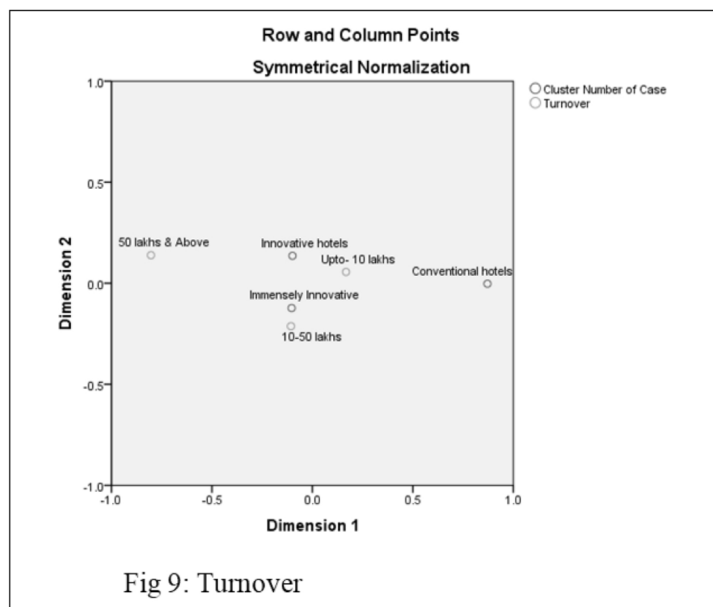
91

Fig 9: Turnover

a period of 10 and more years, those operating as hotels, those which have invested 1-10 crores of rupees, those located at Srinagar and those functioning with 21-40 rooms are immensely innovative. C graded Kashmiri hotels, those pursuing business for 5-10 years, those located at Gulmarg and those operating as Guest house are non-innovative or Conventional.

Inferences from the Study

This study has revealed that A graded Kashmiri hotels, those located in the capital city of Srinagar, those in business for larger period of time and those operating in larger scale in terms of investment, turnover, number of rooms and employees engaged are innovating at larger scale while B graded Kashmiri hotels, those concentrating on both domestic and foreign customers and those and those operating at moderate scale in terms of number of rooms, employees engaged, investment and turnover are able to innovate to a reasonably moderate extent. This suggests the importance of large scale operations to innovate. Larger the scale of operations, bigger is the thrive to innovate among the hotels. This implies that if the Kashmiri hotels are given more opportunities to operate at larger scale by offering more financial assistance by the government, they will thrive harder to innovate which will lead to better flourishing of hotel industry in the region which will further boost tourism prospects in the state. Hence, this study makes a strong recommendation to government and financial institutions in Kashmir to offer liberal financial assistance to hotels so that they may gear up their innovative endeavours which will further boost their efficiency.

Conclusion

Business entities learn with age. Kashmiri hotels with larger years of existence also thrive to innovate more. Further, those hotels operating with larger scale also have more innovative endeavours. Hence, magnified scale of operations leads to more innovation and opportunities should be accorded to Kashmiri hotels to enhance their scale of operations through liberal financial assistance, which will boost the hotel industry in the region.

References

1. Abramovici M. and L. Bancel-Charensol (2004). How to take customers into consideration in service innovation projects. The Service Industries Journal, 2004, 24(1), 56-78.

2. Afuah, A. and C.L. Tucci (2003). Internet business models and strategies: text and cases 2003, New York; NY: McGraw-Hill.

3. Agarwal, R. and R. Green, The Role of Management Practices and its impact on innovation in the Australian context in NCVER innovation book of readingsin the Monograph Series in 2011 (forthcoming). 2011, NCVER.

4. Agarwal, R. and Selen, W. (2011). Multi-dimensional nature of service innovation-Operationalisation of the Elevated Service Offerings construct in collaborativeservice organisations. International Journal of innovation Management, 2011, forthcoming.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

92

5. Australian and New Zealand Standard Industrial Classification (Anzsic), Industry Classification enters 21st century. 2006, Australia.

6. Berry L.L., V. Shankar, J.T. Parish, C. Susan and D. Thomas (2006). Creating New Markets Through Service Innovation. MIT Sloan Management Review, 2006, 47(2), 56.

7. Bowen D.E. (1986). Managing Customers as Human Resources in Service Organisations. Human Resources Management, 1986, 25, 371-383.

8. Chan, V., C. Musso, V. Shankar, G. Day, and D.J. Reibstein, Assessing innovation metrics: McKinsey Global Survey Results. McKinsey Quarterly Journal, 2008(November2008).

9. Cosh, A.H., Alan; Lester, Richard K.;, UK plc: Just how innovative are we? Findings from the Cambridge-MIT Institute International Innovation Benchmarkingproject in Massachusetts Institute of Technology Working Paper Series 2006-12, Cambridge-MIT Institute 23.

10. Craig, M.F. and V.R. Aleda, (2007). A Resource-Process Framework of New Service Development. Production and Operations Management, 2007, 16(2), 169.

11. Gallouj, F. and M. Savona, (2009). Innovation in services: a review of the debate and a research agenda. Journal of Evolutionary Economics, 2009, 19(2), 149-172.

12. Gault F. (2011). Social impacts of the development of science, technology and innovation indicators, in UNU-MERIT Working Paper Series. 2011, 008.

13. Graham, M.J. (2007). The Measure of a Nation: Quantifying Innovative Strength through Improved Service Sector Metrics, in NBR Special Report. 2007, TheNationalBureau of Asian Research, Washington D.C.

14. Huang C., Arundel A., and Hollanders H. (2010). "How firms innovate: R&D, Non-R&D and Technology Adoption"; United Nations University, Netherlands.

15. Leonard L. Berry (2006). Creating New Markets Through Service Innovation. MIT Sloan Management Review, 2006, 47(2), 56.

16. MBA Knowledge Base (2011). Case Study:Business Model Innovation and Customer-Driven Innovation at Dell. 2011 [cited 2011 Web Page]; Available from: http://www.mbaknol.com/management-case-studies/case-studybusiness-modelinnovation-and-customer-driven-innovation-at-dell/.

17. Miles, I. (2004). Service Innovation: coming of age in the knowledge based economy. International Journal of Innovation Management, 2000, 4(4), 371-389.

18. Mills, P.K. and J.H. Morris (1986). Customers as Partial Employees of Service Organisations: Role Development in Customers Participation. Academy of ManagementReview, 1986, 11, 726-35.

19. Moser, T., J. Wenstrup, and A. Slywotzky (2007). The Discipline of Business Model Innovation: An Introduction to Business Design. 2007, Oliver Wyman, San Francisco.

20. OECD, Measuring Innovation: A new perspective -Towards a measurement agenda for innovation. 2010, OECD.

21. Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data. 2005, OECD, Paris.

22. Roth, A.V. and L.J. Menor (2003). Insights into Service Operations Management: A Research Agenda. Production & Operations Management, 2003, 12(2), 145-164.

23. Sampson, S.E. (2007). "Why we need An Operations"; Paradigm for Services, in POMS-Colledge of Services. 2007, London Business School, United Kingdom.

24. Trigo, A. (2009). Innovation Patterns Under the Magnifying Glass; Firm-Level Latent Class Analysis of Innovation Activities in Services. SSRN eLibrary, 2009.

25. Vargo, S.L. and R.F. Lusch (2006). Service-Dominant Logic: What it is, What it is not, What it might be, in The Service-Dominant Logic of Marketing: Dialog, Debate,and Directions, R.F. Lusch and S.L. Vargo, Editors. 2006, M.E. Sharpe: Armonk, N.Y. 43-56.

26. Voss, C. and L. Zomerdijk (2007). Innovation in Experential Services: An Empirical View in Innovation in Services. 2007, Advanced Institute of Management Research, London, UK, 97-134.

International Conference on "Strategy, System and Service for Sustainability and Scalability of Business" - 23 and 24 March 2018

93