

**The Impact of Service Innovation Culture on
Employee Service Innovation Behavior and New
Service Development: Evidence from North Cyprus
Hotel Industry**

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ABSTRACT

The aim of this study is to focus on the service innovation culture in the formation of employees' service innovation behavior and new service development based on two fit theories. More specifically, the research evaluates and examines the mediating role of challenge-oriented citizenship behavior, charged behavior and knowledge sharing in the aforementioned relationship. To test the hypotheses, two-step structural equation modeling with bootstrapping estimation was conducted in AMOS, using data from four-hundred full-time hotel employees over a one-month time period. This thesis establishes that the development of a service innovation culture is positively related to the employee service innovation behavior and new service development. In addition, the results indicate that there is a partially mediating role for the challenge-oriented citizenship behavior, expanded charged behavior (encompassing vitality and creative self-efficacy) and knowledge sharing of employees in the relationship among service innovation culture with employee service innovation behavior and new service development. Findings of this thesis highlight the need for managers to incorporate a secure and trusting work environment so hotel employees will eagerly participate in the service innovation process by voicing their novel ideas, and communicating through sharing their knowledge. Managers can also consider the significance of the employee selection procedures and take advantage of employing university graduate for service jobs.

Keywords: Service innovation culture, employee service innovation behavior, new service development, challenge-oriented citizenship behavior, charged behavior, knowledge sharing.

ÖZ

Bu çalışmanın amacı, otellerde çalışan personelin ilgili literatürde yer alan iki uyum teorisine bağlı olarak hizmet yeniliği davranışlarının ve yeni hizmet geliştirme anlayışlarının oluşumunda etkili olan hizmet yenilik kültürüne odaklanmaktır. Daha spesifik olarak, araştırmada, yukarıda bahsedilen ilişkide duygu yüklü davranış ile bilgi paylaşımı, meydan okuma odaklı vatandaşlık davranışının aracılık rolü incelenerek değerlendirilmiştir. Hipotezleri test etmek için, önyükleme tahminiyle iki aşamalı yapısal eşitlik modellemesi yöntemi ile dört yüz otel çalışanından bir aylık süre boyunca elde edilen verileri kullanarak AMOS'da gerçekleştirilmiştir. Çalışma, bir hizmet yenilik kültürünün geliştirilmesinin, çalışanların hizmet yeniliği davranışları ve yeni hizmet geliştirme ile olumlu bir ilişki kurduğunu ortaya koymaktadır. Buna ek olarak, sonuçlar, meydan okuma odaklı vatandaşlık davranışının, geliştirilmiş duygu yüklü davranışın (canlılığı içeren ve yaratıcı öz yeterlik kapsamına giren) ve hizmet yeniliği kültürü ile çalışanların hizmet yeniliği davranışları arasındaki ilişkide bilgi paylaşımının kısmen aracılık ettiği bir role ve yeni hizmet geliştirmeye işaret etmektedir.

Tezin bulguları, yöneticilerin güvenli ve inanılır bir çalışma ortamı oluşturmalarına olan ihtiyacı vurgulamakta olup, böylece otel çalışanları, yeni fikirlerini dile getirerek ve bilgilerini paylaşarak iletişim kurarak hizmet yeniliği sürecine istekli bir şekilde katıldıkları sonucunu ortaya koymaktadır. Yöneticiler, ayrıca, çalışan seçimi prosedürünün önemini de değerlendirerek hizmet ile ilgili pozisyonlar için üniversite mezunlarından faydalanabilecektir.

Anahtar kelimeler: Hizmet yeniliđi kltr, alıřanların hizmet yeniliđi davranıřı, yeni hizmet geliřtirme, meydan okuma odaklı yurttařlık davranıřı, cret davranıřları, bilgi paylařımı.

To My Family...

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Chapter 1

INTRODUCTION

In today's rapidly changing world, service industry has dominated significant amount in global economy's gross domestic product (Chen, Wang, Huang, & Shen, 2016). The economic growth of many countries have moved from being production-oriented to being service-oriented (Ottenbacher & Harrington, 2010). Still, service organizations are continuously challenged by unstable environmental factors, such as: globalization, severe competition, and changing customer demands, which force them to set innovation at the center of their competitive strategy (Nieves & Quintana, 2018). Hospitality organizations, as one of the various service sectors, face a more vital problem from the customers' perspective. They are characterized by similar and easily substitutable service offerings, in addition to having low levels of brand loyalty (Ottenbacher & Harrington, 2010). Therefore, in order to have long-term survival and growth in the competitive globalized market, hospitality organizations need to convert changes into opportunities and take advantage of innovation, as a primary driver of economic growth in national and organizational levels and a key source of organization's competitive advantage (Hogan & Coote, 2014). More specifically, hospitality organizations need to have durable and continuous innovation processes (Nieves, Quintana, & Osorio, 2014).

Service innovation allows hospitality organizations to differentiate themselves from competitors, by: improving the quality of services, increasing efficiency, cutting

costs, meeting the changing customer needs, increasing sales, profits and market share (Chang, Gong, & Shum, 2011). This is possible through innovative human-resources who continuously look for novel opportunities in order to improve their work environments by generating new and useful ideas. Therefore employees are considered as one of the key assets of service innovation in hospitality organizations. Hence, enabling employees to take part in service innovation processes is an urgent requirement for the service sector (Åkesson, Skålén, Edvardsson, & Stålhammar, 2016). In other words, service organizations, specifically hotels, need to take advantage of experienced employees who can better understand the highly demanding customers, in order to maintain a smoothly running and profitable hotel. Therefore, it is of utmost importance to create a work environment in which employees are highly satisfied and inspired to develop novel ideas, and involve in making innovative suggestions for change. However, since innovation is risky and obliges individuals to change, think, act differently and depart from predictable practices, the success rate of service innovation is relatively low (Hon & Lui, 2016). Undeniably, most employees are afraid of change, that can slow down service innovation (Hon, 2013). Hence, service organizations need to “embrace, execute and promote” their employees in order to succeed in their service innovations (Cadwallader, Jarvis, Bitner, & Ostrom, 2010).

Consequently, an organizational culture is needed to retain service innovation. As it has been stated by Dobni (2008), a culture is a linchpin to innovation in organizations. This can embrace the parameters, to distinguish desirable behaviors of employees which will be encouraged, and unacceptable behaviors that will be censured by the service origination (McLean, 2005). In other words, having an organizational culture that clarifies specific values of the organization and supports

novelty can be considered as a remedy for a continuous service innovation that thrives in the right condition (Chen, 2011). A service innovation culture which contains norms that are steady, logical and extensive as well as promoting fresh thinking and speedy implementation (Lyons, Chatman, & Joyce, 2007) can be of great help for the service organizations to obtain desired outcomes. Employee service innovation behavior and new service development are considered to result from service innovation culture. Service organizations need to develop and expand the skills and innovative knowledge of their organizational members in order to sustain competitive advantage (Tajeddini, 2011). Therefore having a supportive service innovation culture can lead to employee service innovation behavior in hospitality organizations. Alternatively, employees need to display behaviors that lead to the generation, introduction and application of beneficial novelty at various levels (Li & Cathy, 2016). In addition, new service development can help service organizations in being more successful to respond to their environments and to develop novel capabilities which result in greater achievements (Tajeddini, 2011).

Accordingly, this study proposes an environment in which employees can offer and recommend innovative suggestions and modifications to the ordinary actions even when others disagree (LePine & Van Dyne, 1998) to facilitate the effect of service innovation culture on employee service innovation behavior and new service development. Consequently, hotels can encourage their employees to have challenge-oriented citizenship behavior as a behavioral attitude in order to perform in an innovative way in the work environment. Additionally, employees who are ambitious to willingly develop superior new products, in order to lead them in displaying elevated development performance (Sethi & Nicholson, 2001) can be beneficial for the service organizations in assisting employee service innovation behaviors and new

service development. Moreover, employees who are aware of their coordination and mutual creative thinking, are important to achieve greater quality services (Hu, Horng, & Sun, 2009) which is proposed to mediate the effect of a service organization encompassing an innovative organizational culture to result in employee service innovation behavior and new service development.

Therefore the present thesis aims to conceptually and empirically examine the relationship between service innovation culture with employee service innovation behavior and new service development in five, four and three-star hotels of North Cyprus, by considering the mediating effects of challenge-oriented citizenship behavior, charged behavior and knowledge sharing. Taking this into account, there are several reasons that make the study important. First, innovations on products and processes in the manufacturing industries have received considerable research interest in the innovation literature, however little is known about service innovation and its inherent opportunities (Carlborg, Kindström & Kowalkowski, 2014; Lin, 2011; Ostrom et al., 2010). Previously manufacturing was considered as the only economic driver (Drejer, 2004; Sundbo & Gallouj, 2000) of many countries and services were considered as activities with low innovation frequency (Pavitt, 1984; Pavitt, Robson, & Townsend, 1989). However, in recent years, service organizations have become as the controllers of the gross domestic products in many countries, with continuously growing shares (Gallouj & Djellal, 2010). Specifically, one of the countries that highly rely on its service sector, in terms of gross domestic product, is North Cyprus. Large proportion of national income generates directly or indirectly from the largest service sector in the country, i.e. tourism industry. In the year 2010, the contribution of tourism revenue constituted 10.88% of GDP (State Planning Organization, 2012).

Second, service innovation is an important factor which boosts business profit, and will improve competitiveness in uncertain environments (Campo, M. Díaz, & J. Yagüe, 2014). Despite its importance, research in service innovation remains fragmented and is regarded as an underdeveloped research area (Ottenbacher & Harrington, 2010). Additionally, service innovation without contribution of employees may make the implementation difficult and the innovated service lacking in customer orientation. Contrary to this issue, few empirical studies and conceptual developments have focused on the role of employees, their practices, and their experiences in service innovation (Åkesson et al., 2016; Karlsson & Skålen, 2015).

Third, the relation among innovation and performance have been explored in the previous literature (Cadwallader et al., 2010), but a careful assessment of service innovation literature reveals that very little attention has been paid to employee service innovation behavior and new service development of employees (Schepers, Nijssen, & van der Heijden, 2016; Stock, Jong, & Zacharias, 2017) specifically, in the hospitality industry. Previous research has noted the importance of innovative work behaviors among blue-color employees and employees without direct customer contact, yet only very few studies explicitly considered innovative behavior by both front office and back office employees in service organizations (Stock et al., 2017), and particularly hospitality organizations (Lee & Hyun, 2016). Besides, Storey and his colleagues, in their meta-analysis research, emphasized the importance of future studies on the characteristics of service sector that influences how new service development is performed (Storey, Cankurtaran, Papastathopoulou, & Hultink, 2016).

Fourth, the research focuses on three mediators in the aforementioned relationship, challenge-oriented citizenship behavior, charged behavior and knowledge sharing. Challenge-oriented citizenship behavior, has attracted scholars' attention in recent years (MacKenzie, Podsakoff, & Podsakoff, 2011; Morrison, 2011), yet it has been unnoticed in the service innovation literature. In the hotel industry, employees frequently face situations that make them decide whether to speak up or remain silent in conditions that they potentially have practical information or ideas to express (Morrison, 2011). Hence, in order to encourage employees to articulate their novel and useful ideas, organizations have to provide a systematic work environment in which expressing novel ideas are valued. Besides, charged behavior as another mediator of this relationship, is a comparatively novel construct in the service innovation literature, that stimulates employees to jointly and willingly develop superior new services and build up excellent performance (Sethi & Nicholson, 2001). Despite the importance of this behavioral construct in the innovation literature, limited number of studies focused on this issue in both manufacturing and service industries (Chen, 2011; Lee & Chen, 2007). Moreover, this study extends charge behavior concept by adding vitality and creative self-efficacy to the existing six dimensional construct. Due to the fact that hotel employees confront various work problems such as; extensive and inflexible work hours, extra work load, dysfunctional customer behaviors and inadequate income (Karatepe & Kilic, 2015), they need to have positive energy and relieve themselves from external controls (Ryan & Frederick, 1997). Besides, they also need to feel confident to behave creatively and believe in their abilities to generate new and novel ideas (Tierney & Farmer, 2002). To reflect this issue, expanded charged behavior is considered as the mediators in the aforementioned relationship. Moreover, knowledge sharing is

considered as the third mediator of this study. Scholars have recently agreed on the fact that knowledge plays a crucial role in the enterprise's success (Hu et al., 2009). Particularly, enhancing the employees' knowledge can result in improvements in the quality of service offered by hospitality sector (Hu et al., 2009). Considering the importance of knowledge sharing in the organizations success, scholars have recently focused on this issue in various organizational settings; most of the studies are in manufacturing and technology-based industries (Finnegan & Willcocks, 2006; Mohamed, Stankosky, & Murray, 2004), and there are number of researches in the service industry (Yang, 2004a, 2004b, 2007). However, the role of knowledge sharing in the innovation literature is an emerging issue in the hospitality industry (Lee, 2016; Zach & Hill, 2017).

Consequently, the purpose of this thesis is to empirically evaluate the relationship between service innovation culture with employee service innovation behavior and new service development, through samples obtained from hotel employees. Besides, three constructs are considered as mediators in the aforementioned relationship; challenge-oriented citizenship behavior, expanded charged behavior and knowledge sharing, by drawing on person-culture fit and person-job fit theories to strengthen the relationships.

The thesis will be formed of the following chapters. Chapter two sets out the theoretical background of the relationships proposed in the study, drawing on two main theories that strengthen the relationships. Additionally, it elaborates the literature review. It briefly discusses each of the variables proposed in the hypothesized model; service innovation culture, employee service innovation behavior, new service development and the mediators of the study: challenge-

oriented citizenship behavior, charged behavior and knowledge sharing. Chapter three takes a critical perspective to the literature regarding the conceptual model of the thesis. Specifically, this chapter reflects on the hypothesized relationships in the research. Furthermore, the following chapter presents the key research paradigm that underpins the methodological considerations of this research. It deeply explains the method utilized and the rationale for this choice before extensively describing the various steps involved in adopting this research method.

Chapter five presents empirical results of the thesis, and explains the preliminary analysis of research, followed by the finding related to the hypotheses testing. Having explained the findings of the study, chapter six continues with a discussion of the findings. It deeply explains the results of this research, by emphasizing on the similarities and differences with other findings in the previous literature. Additionally, the managerial implications of the research is explained in this section by offering effective guidelines to the hotel managers and the policy makers related to the findings of this thesis. Besides, limitation of this study is discussed, followed by directions for future studies.

Chapter 2

LITERATURE REVIEW

The current chapter introduces the variables indicated in the research. The chapter starts by explaining the theoretical background of the study, and elaborating theories used as the guideline to strengthen the relationships proposed in the thesis. Followed by extent literature review; explaining each of the dependent, independent and mediator variables used in the relationships of the hypothesized model.

2.1 Theoretical Background of the Study

The hypothesized relationships in this study were developed using the guidelines of two fit theories; person-culture fit theory and person-job fit theory. The two theories are among various types of person-environment fit theory. This theory was adapted as a novel and enhanced approach by Pervin (1968), which described the functions of a dynamic procedure of individual-environment fit; i.e. satisfaction and performance. The approach was introduced in advance to static conceptualizations of trait-and-factor matching. Thus, people were understood the importance of selecting and shaping their environment. Accordingly, person-environment fit can be identified as the occurrence of a harmony among employee and work environment when the characteristics of the employee matches their work (Kristof-Brown, Zimmerman, & Johnson, 2005).

Person-culture fit theory was applied to generate a leading value system for organizations, by sharing several vital and primary organizational related behaviors

and situations across units and levels through members of the organization (O'Reilly III, 1991). Chatman (1989) emphasized on 'value' as the most vital feature in shaping person-environment fit and described fit as the congruence among personal values of the employees and the norms and values of the organization. Accordingly, person-culture fit theory explains the shared values and norms for organizational members (O'Reilly & Chatman, 1996). Two vital assumptions underlie person-culture fit theory; the initial idea is that an individual's behavior can be impressed by the experience of individual from a situation. Second is the importance of fit between individuals and organizational goals, values and needs that attract different types of people to stay in various organizations (Elfenbein & O'Reilly III, 2007). In accordance with the assumptions, sufficient literature confirms different measures of person-culture fit which result in positive work attitudes and performance (Kristof-Brown & Stevens, 2001). Person-culture fit offers useful guidelines to develop an association between service innovation culture and employee service innovation behavior along with new service development. Consequently, it is proposed that a strong and supportive organizational culture is likely to result in innovative behavior and develop new services.

Additionally, one of the key issues in the analysis of person-environment fit in organizational context is the fit between a person and his job (Judge & Ferris, 1992). Person-job fit refers to the compatibility between the demand of the job and the skills, knowledge and abilities of job candidates (Su, Murdock, & Rounds, 2015). Person-job fit theory underlies two basic conceptualizations; demands-abilities fit and needs-supplies fit. Demand-abilities fit, is when the knowledge, skills, and abilities of employees are matched with the requirements of the work. Needs-supplies fit, on the other hand, is when employees' needs, preferences or desires are

met by the work. Consistently, it is noticed that, motivated employees work hard when the abilities of employees is in good fit with the demands of their work (Karatepe & Karadas, 2016). Employees in service jobs, require to have positive feelings and enjoy their work, to psychologically survive the hardness of their work, in the conditions that they are expected to deal with complaining customers, anti-social working hours, minimal training and low levels of pay (Lundberg, 2010). Under these circumstances, hotel employees should become enthusiastic to create more responses and perform better (Kark & Carmeli, 2009). Thus, having a strong culture that improves needs, desires and preferences of employees, is of utmost importance to make employees more enthusiastic and encouraged in making productive suggestions, specifically when service innovation is considered. Encouraging employees in making productive suggestions – challenge-oriented citizenship behavior – (MacKenzie et al., 2011), in addition to, inspiring employees to eagerly and jointly participate in developing superior new services and excellent development – charged behavior – (Sethi & Nicholson, 2001), and exploiting knowledge based resources and contributing in creating knowledge for organizational competitiveness – knowledge sharing – (Foss, Husted, & Michailova, 2010) are proposed to enhance positive innovation behaviors and help in the development of new services. Moreover, other study findings validate the relationship. It is found that when the needs of employees are met, they will display positive attitudes which will result in higher performance (Kristof-Brown et al., 2005). Likewise, it is initiated that person-job fit has strong relationship with performance (Sekiguchi & Huber, 2011).

2.2 Service Innovation Culture

Innovation research is not a new concept (Miles, 1993) and it has largely focused on technological innovation by manufacturing organizations that concentrated on product and process innovation (De Vries, 2006; Toivonen & Tuominen, 2009). However, service innovation and its inherited opportunities has been ignored (Carlborg, Kindström, & Kowalkowski, 2014). Subramanian and Nilakanta (1996) state that innovation is a long-term feature of an organization that is reflected over time. Additionally, innovation is identified as having novel approaches to get things done, or using outstanding combinations of production factors (Schumpeter, 1934). In the service industry innovation calls the attention to the procedure by which novel and problem solving thoughts are brought into use. The schemes involve rearrangement, reducing the cost, implementation of a novel budgetary system, improving communication are all considered innovations. Innovation is the creation, approval and accomplishment of new ideas, procedures, services or products. Approval and accomplishment are the main points in the definition of innovation which entails the capability to change and adapt (Hall & Williams, 2008).

Despite the importance of service innovation, an organizational culture is also needed in order to maintain an environment in which employees can perform innovatively. Accordingly, organizational culture is believed to be a linchpin to innovation (Dobni, 2008), and it is stated that organization culture is the most important part of innovation (Tushman & O'Reilly III, 1997). Therefore, organization culture is generally identified as the values of the organization that are communicated via norms and observations in behavioral patterns (Schein, 2010).

Accordingly, implying a leading value and belief system that presents norms of expected attitudes and behaviors to be followed by employees (O'Reilly, 1989) can help service organizations to maintain employees who perform better in service innovation processes.

As pointed out earlier in the study, the success of most service organizations rely on service innovation, that helps differentiate the origination from the competitors (Chang et al., 2011). Human factors in the innovation of service industry has been stressed by scholars, by emphasizing on the fact that employees play an imperative role in service innovation than other product innovation situations (Ottenbacher & Harrington, 2007). Thus, service organizations have to consider the important role of their employees in the innovation process. Having steady, logical and extensive norms which promote creative thinking and speedy implementation in service organizations (Lyons et al., 2007) can be identified as the service innovation culture. Earlier, West mentioned four main cultural characteristics for organization members who are more likely to satisfy customers by adopting new ideas; vision, task orientation, support for innovation, participation safety (West, 1990). Later, Kivimäki and his colleagues added interaction frequency (Kivimäki et al., 1997) to the previously mentioned characteristics. Accordingly, this research concentrates on service innovation culture that encompasses “vision, task orientation, support for innovation, participation safety and interaction frequency”, as five characteristics of service innovation culture which was also used by other scholars. Chen (2011) in his study also selected the Taiwanese hotel industry and focused on service innovation culture considering these dimensions.

Giving organizational members a voice in “how we do things around here” can result in enhanced service delivery and ideas for new services (Bowen & Lawler, 2006). Thus, employees who work in a service organization which contains a well defined vision that specifies aim and objective of the organization and also offers new solutions to problems can enhance innovation. Additionally, affording a secure and trusting work environment for employees, in which they have positive relationships with their superiors will make them more willing to contribute in decision-making processes (Hatipoglu & Inelmen, 2017). Likewise, when the employees feel the approval and realistic support in presenting productive but opposing views they will contribute to creativity and innovation (Jaiswal & Dhar, 2017). A service innovation culture that encloses role clarity in which the employees are aware of the expectations about a particular task (Cadwalader et al., 2010) will give the employees the ability to dedicate themselves to explicit task orientation that emphasize occupation process, performance assessment and outcome modification. Likewise, employees who are supported by the service organization to communicate with the work environment, can collect pieces of information from various sources, such as customers, and can compare them with the actual situation, that result in ideas for service innovation (Toivonen & Tuominen, 2009).

2.3 Challenge-Oriented Citizenship Behavior

Organizational citizenship behavior is described as behaviors that are discretionary identified by the formal reward system, which in total cultivates the impressive functioning of a firm (Organ, Podsakoff, & MacKenzie, 2006). The concept of organizational citizenship behavior has gained the attention of scholars in service management (Yung Chou & Lopez-Rodriguez, 2013). In addition, scholars suggest that more attention has to be made to OCB in the service organization (Jiang, Sun, &

Law, 2011; Yung Chou & Lopez-Rodriguez, 2013). One of various forms of organizational citizenship behavior, which is also considered in this research, is challenge-oriented citizenship behavior. Challenge-oriented citizenship behavior is identified as the “promotive behavior” which focuses on the articulation of productive challenges that are expected to result in improvements in spite of solely criticizing, proposing innovative recommendations for change and suggesting modifications to standard procedures even when others disagree (Van Dyne & LePine, 1998). Likewise, challenge-oriented citizenship behavior refers to the idea communication related to the ways that can lead to improvements in the organization (Morrison, 2011).

Challenge-oriented citizenship behavior is an essential construct in modern work environment, provided that expressing novel ideas in a dynamic work environment can facilitate organizational improvement and take part in success of the organization (Hung, Yeh, & Shih, 2012). In addition to elevating the flexibility, innovation and continuous improvement of business processes (Van Dyne & LePine, 1998). The attitudes and behaviors of organizational members working in service jobs can extensively influence customers’ perception of the organization, since service delivery takes place during the service encounter, or the interaction between employee and customers (Jiang et al., 2011). Specifically challenge-oriented citizenship behavior comes from employees with plenty of information about customer interactions, in addition to ideas for improvement that can boost organizational performance (Stamper & Van Dyne, 2003). Employees who work in service jobs are in contact with customers, and this puts them in the best position to generate novel ideas, that can result in direct consequences for service quality and

customer satisfaction, particularly in situations where customers highly value quality and novelty (Stamper & Dyne, 2001).

2.4 Charged Behavior

Charged behavior is a behavioral concept which was first presented by Sethi and Nicholson (2001) to obtain the procedure that result in outstanding market performance. The implication of charged behavior was from previous studies on the high performing teams, namely “hot groups” (Leavitt, 1996). They were indicated as employees working in groups, which possess high performance outcomes who; seriously take part in their tasks, highly believe that their work will result in something important, openly switch and challenge their ideas with others and feel enormous pleasure and delight. Thus, charge behavior was identified as the level of employee willingness to develop excellent new products or services (Sethi & Nicholson, 2001). Charge behavior, as a higher order variable, comprises; enjoyment, cooperation, commitment, challenging ideas and open information sharing. An additional dimension was added to the five dimensional charged behavior, later in a study in the service innovation that was “taking risk” (Chen, 2011). Based on the uncertain nature of innovation, specifically in service organizations, and the desire to take risks, this dimension was added as the sixth charged behavior dimension. Moreover, this study proposes and expands charged behavior construct by proposing two additional dimensions; vitality and creative self-efficacy.

Vitality is defined as positive feeling known by the subjective experience of feeling alive, having energy and fully functioning (Ryan & Bernstein, 2004). This positive emotional state makes employees feel that their actions have meaning and reason

(Ryan & Bernstein, 2004). Additionally, employees with high levels of vitality are likely to observe occurrences in a positive way and anticipate reoccurrence of optimistic work related issues (Arkes, Herren, & Isen, 1988). Employees working in the hotels face various work related problems; e.g. extensive and inflexible work hours, extra work load, dysfunctional customer behaviors and inadequate income (Karatepe & Kilic, 2007). Accordingly, employees need to have positive feelings and relieve themselves from the external controls (Ryan & Frederick, 1997). Hence, this study expanded charged behavior by adding vitality as the seventh additional dimension.

Tierney and Farmer (2002) identified creative self-efficacy as the perspective of having the ability in production of creative outcomes. Self-efficacy in creative actions is an essential characteristic of creativity at work. Hence, higher levels of confidence would boost employees' engagement in creative behaviors (Wang, Tsai, & Tsai, 2014). Employees working in the service jobs, confront various work related issues, thus they have to feel confident and believe in their abilities to generate novel and useful ideas. Therefore, creative self-efficacy is proposed to be eighth dimension added to the charged behavior construct.

2.5 Knowledge Sharing

The competitive advantage of organization is gained through the integrated knowledge, expertise and skills of employees, as well as taking advantage of the most effective managerial practices in daily operations (Hu et al., 2009). Therefore, a social process, namely, knowledge management, in which the social and cultural factors are considered, is needed in the organization (Clarke & Rollo, 2001). Consequently, as highlighted in the study of Mason and Pauleen (2003), knowledge

sharing is considered as the central part of the knowledge management implementation. Knowledge sharing is defined as the action in which the relevant information is spread by employees to others across the organization (Bartol & Srivastava, 2002). Moreover, knowledge sharing is related to the ultimate goal of transferring the shared employees' knowledge to organizational assets and resources (Yang, 2007).

Knowledge management and knowledge sharing have attracted the scholars' attention in recent years, and many studies have considered this issue in supporting innovation in organizations (Finnegan & Willcocks, 2006; Hu et al., 2009; Yang, 2004b). Some scholars, who have emphasized on the essential role of knowledge management and knowledge sharing in the tourism and hospitality industry, indicated the need for more research in the hotel industry (Pyo, 2005; Yang, 2004b, 2007). It is also highlighted that if hospitality organizations clearly recognize 'how knowledge is best shared', they can extensively develop their performances through knowledge sharing (Hu et al., 2009). Accordingly, employees working in hospitality organizations have to bear in mind the importance of 'coordination and joint creative thinking' in achieving increased customer satisfaction and superior service quality (Bouncken, Pick, & Hipp, 2006).

2.6 Employee Service Innovation Behavior

Employee service innovation behavior was explored by a scale developed by Scott and Bruce to investigate individual innovation behavior (Scott & Bruce, 1994). Despite the importance of employee service innovation behavior, specifically for frontline employees, this topic has remained extensively unnoticed in the service innovation literature (Stock et al., 2017). Earlier researches have focused on the

benefits of innovative work behavior of blue-collar employees in manufacturing industry and employees without direct customer contact (Axtell, Holman, & Wall, 2006; Choi & Price, 2005; Ramamoorthy, Flood, Slattery, & Sardessai, 2005). However, only very few studies considered innovative behaviors of frontline service employees (De Jong & Kemp, 2003; Slåtten & Mehmetoglu, 2011; Stock, 2015). Additionally, scholars call for more research on employee service innovation behavior in the service organizations, regarding the fact that it may be different from the manufacturing organizations (Li & Hsu, 2016).

Innovative service behavior refers to the degree in which innovative ideas and solutions are generated by the creative employees during the service encounter (Stock, 2015). It comprises; creating novel solutions, initiating novel ideas, and inspiring customers. Thus, employee service innovation behavior illustrates “going beyond the call of duty for customers”, or going beyond formal role requirements (Chebat & Kollias, 2000; Ho & Gupta, 2012). When employees are engaged in employee service innovation behavior during the customer encounter, employees probably go beyond customer expectations and deliver outstanding experiences to customers (Stock et al., 2017).

2.7 New Service Development

While most of the researches have concentrated on new product development, over the past decade, new service development has been paid less attention and is an emerging issue. Thus, in recent years, it is highlighted that innovation for service organizations is as important as manufacturing industry (Tajeddini, 2011). New service development ranges from “totally new or discontinuous innovation to a service involving a minor adaptation or improvement that is of an incremental

nature” (Ottenbacher & Harrington, 2010). Additionally, new service development refers to the entire development process, that starts from the generation of a new idea to launching in the market (Goldstein, Johnston, Duffy, & Rao, 2002).

Despite the importance of service product in the service organizations, the most significant factor for new services are the perceived quality of the interaction with the customers (de Brentani, 2001). To be accurate, the proficiency and eagerness of employees has direct effect on customers’ perception of the service quality. Likewise, employees are extremely serious for the success of service organization they represent and they are known to be the critical moderator for differentiating services (Ottenbacher, Gnoth, & Jones, 2006; Zeithaml, Bitner, & Gremler, 2009).

Chapter 3

RESEARCH HYPOTHESES

The current chapter contains the proposed model of the thesis. Each hypothesis of the study is extensively discussed in this chapter, providing evidence from the previous literature to strengthen the proposed hypotheses. The hypothesized model of this research proposes seventeen hypotheses, considering the relationship between service innovation culture with employee service and new service development. Additionally, three mediators are proposed to mediate the abovementioned relationships; challenge-oriented citizenship behavior, charged behavior and knowledge sharing.

3.1 Conceptual Model

The current thesis focuses on the innovation culture in the service setting and concentrates on three constructs that are proposed to positively influence employee service innovation behavior and new service development. Consequently, employees working in organizations that incorporate a service innovation culture are engaged in promoting positive changes in the organization by voicing their ideas and taking part in generating new services, in addition to sharing their knowledge. These employees consequently display greater innovative behaviors and implement new services. The hypotheses of this research, which are developed based on the person-culture fit and person-job fit theories, are presented in the proposed model in Figure 1. The conceptual model proposes that a service innovation culture cultivates challenge-oriented citizenship behavior, charged behavior and knowledge sharing, in addition

to strengthening employee service innovation behavior and new service development. Based on the model, the impact of a service innovation culture on employee service innovation behavior and new service development is mediated by challenge-oriented citizenship behavior, charged behavior and knowledge sharing.

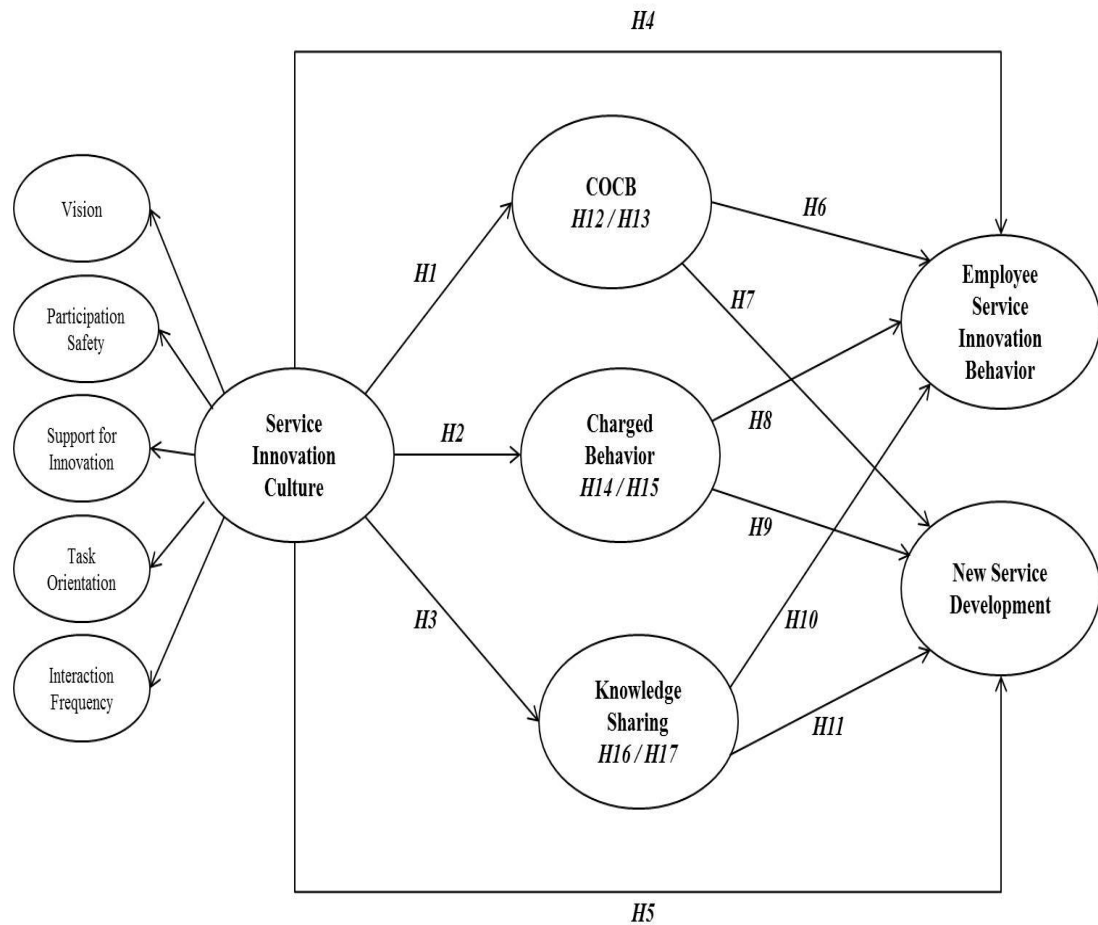


Figure 1. Proposed Model

3.2 Hypotheses

The current thesis proposes seventeen hypotheses, which are based on the relationship among different variables of the study. First the relationship between dependent variable, namely service innovation culture and the three mediators – challenge-oriented citizenship behavior, charged behavior and knowledge sharing –

are evaluated. The next hypotheses are related to the relationship between the mediators of this research with the independent variables, namely employee service innovation behavior and new service development. In the next step, the hypothesized relationship between the dependent – service innovation culture – and independent variables of the study are examined. The last hypotheses are related to the mediating role of challenge-oriented citizenship behavior, charged behavior and knowledge sharing between in the relationship of the dependent variable and the independent variables of the study.

3.2.1 Service Innovation Culture and Challenge-Oriented Citizenship Behavior

Organizational culture is perceived as a source of information that implicitly explains the service behaviors of employees, which are desirable and fundamental to the organization. Hence, the importance of future research on organizational factors that affect OCB are emphasized by academics (Yung Chou & Lopez-Rodriguez, 2013). Previously, some scholars have considered the importance of organizational culture on challenge-oriented citizenship behavior (Morrison, 2011; Stamper & Dyne, 2001). As an example, Morrison, in her meta-analysis, emphasized the importance of organizational culture in encouraging or discouraging challenge-oriented citizenship behavior and noted that employees working in an organization with a supportive organizational culture are more encouraged to voice their ideas and suggestions (Morrison, 2011). Additionally, Stamper and Dyne initiated that full-time employees who value the future of their organizations present higher levels of challenge-oriented citizenship behavior when an organization has a determined organizational culture (Stamper & Dyne, 2001). Despite their emphasis on organizational culture, studies that focused on service innovation culture and its relationship with the challenge-oriented citizenship behavior of employees are scarce. Some studies have

found that a supportive social context can help reduce employees' concerns about challenge-oriented citizenship behavior and thus facilitate employees' performance of these behaviors (Hsiung & Tsai, 2017). Additionally, the guidelines of person-job fit theory support employees to engage in voicing their ideas in a work environment in which their needs and preferences are met and they are safe in providing beneficial suggestions for change. As a result, it is proposed that:

H1. Service innovation culture is positively related to the challenge-oriented citizenship behavior of hotel employees.

3.2.2 Service Innovation Culture and Charged Behavior

In this thesis, service innovation culture is considered to be related to charged behavior. It is assumed that an encouraging innovation culture in an organization can lead to greater charged behaviors among employees. Previously, Chen (2011) focused on service innovation culture and its relationship with charged behavior – comprising six dimensions – and found that employees interestingly exhibit innovation behaviors after sensing an encouraging innovation culture. Moreover, Jaskyte and Dressler (2005) stated that an explicit realization of organizational innovation culture by members of the organization, might strengthen their behavior, creativity, and commitment. In another study by Tesluk and his colleagues, they indicated the importance of organizational culture by emphasizing the extent of employees' beliefs that their work environment offers the required interpersonal support to feel free to function creatively (Tesluk, Farr, & Klein, 1997). Thus, when organizational members recognize that their organization values their well-being, and also provides an environment in which they can openly discuss everything, additionally, when trust exists among employees, they can feel more open to taking

risks and providing creative ideas (McLean, 2005). Consequently, it is hypothesized that:

H2. Service innovation culture is positively related to the charged behavior of hotel employees.

3.2.3 Service Innovation Culture and Knowledge Sharing

Academics have focused on the importance of organizational culture in spreading knowledge in the organization and suggested that, service organizations need to take steps to cultivate an organizational culture in which knowledge sharing and acquisition are clearly encapsulated into each job (Yang & Wan, 2004). In addition, Hu and his colleagues indicated that encouraging employees in understanding their organizational goals through knowledge sharing plays an important role in hospitality organizations (Hu et al., 2009). In another study, it was found that certain factors in organizational culture – rewards, information system, communication, organizational structure and trust – influences employees' knowledge sharing (Ismail Al-Alawi, Yousif Al-Marzooqi, & Fraidoon Mohammed, 2007). Despite the importance of knowledge sharing in the service innovation literature, the studies that have concentrated on this issue in the hospitality industry are gradually increasing (Hoarau & Kline, 2014; Lin, 2007; Yang, 2010). Furthermore, the guidelines of person-job fit theory assist the relationship, by supporting the employees in communicating and sharing their knowledge with others, in a work environment that knowledge sharing is supported by the superiors. Consequently, it is hypothesized that:

H3. Service innovation culture is positively associated with the knowledge sharing of hotel employees.

3.2.4 Service Innovation Culture and Employee Service Innovation Behavior

An organizational culture that highlights participation of its employees and openness to experiences, can minimize the barriers of uncertainty (Hon & Lui, 2016). Therefore reducing the frightening nature of change that can slow down the innovation process by a service innovation culture that ‘embraces, executes and promotes’ the employees is proposed as a hypothesis of this thesis. Despite the important role that organizational culture has on the employee service in the service setting, the number of studies that focused on this issue is relatively low. Furthermore, the use of service innovation behavior has also been neglected in various types of hospitality organizations (Lee & Hyun, 2016).

In a study by Li and Hsu (2016), who reviewed employee innovative behavior in the services, it was indicated that employees can be encouraged to more actively innovate in service organizations by an influencing culture of the organization. In another meta-analysis study on the organizational culture and innovation, it was indicated that organizational culture continuously influences the employees’ interpretations of their environment and their behaviors (Orfila-Sintes & Mattsson, 2009). Additionally, it was stated that the value of innovation for the service organization, will lead to an organizational culture that is supportive of different kinds of innovation. Therefore as mentioned above, the important role of organizational culture in service settings is considered by scholars; however the number of studies that focused on the influence of service innovation behavior on employee service innovation behavior is rather low. Hence, this study proposes the effects of a service innovation culture on the employee service innovation behavior by reflecting on person-culture fit theory. The theory explains the important

principles and appropriate behaviors for organizational members that will result in positive work attitudes and performance. Consequently, it is hypothesized that:

H4. Service innovation culture is positively associated with the employee service innovation behavior of hotel employees.

3.2.5 Service Innovation Culture and New Service Development

New service development is considered to result from a service innovation culture, as proposed in this hypothesis. Designing and implementing an organizational culture that embodies service innovation is a vital factor for the service organizations. Employees can creatively apply their knowledge to service procedure and customer needs, if there is an innovation supportive culture in the organization. Consequently, employees can help in achieving innovation in new service development. There are some researches that focused on the role of organizational culture on new product development. As an example, Shaner and his colleagues concentrated on innovation culture in product development organizations, and found that innovation culture influences new product development via three levels of social cohesion across goods and services (Shaner, Beeler, & Noble, 2016). However, it was highlighted, in the same study that goods and service centric organizations can use different tactics and strategies to drive new product and service development. In a meta-analysis study on new service development in service organizations, it was mentioned that to flourish new service development, clear goals must be set in the organization, and there should not be a fear of failure (John & Storey, 1998). In other words, the organization should have an organizational culture that supports innovation.

Furthermore, in a study by Tajeddini (2011), he highlighted the significance of organizational culture in new service development and highlighted the need for additional research that examines this relationship. Therefore, this research proposes

the influence of service innovation culture on new service development, by reflecting on person-culture fit theory, which explains the imperative principles and proper behaviors for employees that will cause positive work attitudes and performances.

Therefore, it is hypothesized that:

H5. Service innovation culture is positively associated with the new service development of hotel employees.

3.2.6 Challenge-Oriented Citizenship Behavior and Employee Service Innovation Behavior

Challenge-oriented citizenship behavior is valuable for organizations, given that new ideas can facilitate organizational improvement and success (Hung et al., 2012). Thus, it is proposed that challenge-oriented citizenship behavior influences employee service innovation behavior. In a study by Burris and his colleagues, it was found that challenge-oriented citizenship behavior leads to positive self-attitudes and increases the motivation of employees to engage in positive actions in the work environment (Burris, Detert, & Romney, 2013). Moreover, in another study it was indicated that the more effective the employees perceive challenge-oriented citizenship behavior, the more likely they are to advance their opinions or concerns about work related issues (Rees, Alfes, & Gatenby, 2013).

Although challenge-oriented citizenship behavior, as a behavioral variable, has received attention by scholars, but Ng and Feldman in their meta-analysis study, highlighted the need for more research on the relationship between challenge-oriented citizenship behavior and performance outcomes (Ng & Feldman, 2012). Therefore, this study concentrated on the relationship between challenge-oriented citizenship behavior and employee service innovation behavior. Moreover, the suggestions of person-job fit theory also strengthens the relationship by focusing on

demand-supply and need-supply fit that encourages employees to make productive suggesting that may result in innovative behaviors. Thus it is proposed that:

H6. Challenge-oriented citizenship behavior is positively related to the employee service innovation behavior of hotel employees.

3.2.7 Challenge-Oriented Citizenship Behavior and New Service Development

Previous literature has demonstrated that challenge-oriented citizenship behavior may lead to positive actions in the workplace and that may result in improvements in some aspects of performance. As an example, in a meta-analysis study by Ng and Feldman it was found that challenge-oriented citizenship behavior influences creativity, implementation of new ideas and in-role performance (Ng & Feldman, 2012). In another study, with the sample of employees in Indonesia, it was found that challenge-oriented citizenship behavior had influence on creative work involvement (Shih & Wijaya, 2017). Furthermore, it was indicated that the more the employees feel that the organization values their challenge-oriented citizenship behavior, the more they will initiate innovative work involvement (Greene, Derlega, & Mathews, 2006).

Moreover, although challenge-oriented citizenship behavior may not always be related to expressing novel ideas, it is believed that employees with more challenge-oriented citizenship behavior are more willing to communicate their novel ideas and continue with efforts to put the ideas into practice (Shih & Wijaya, 2017) i.e., new service development. Therefore, this thesis concentrates on the influence that challenge-oriented citizenship behavior has on the new service development. Hence, it is hypothesized that:

H7. Challenge-oriented citizenship behavior is positively related to the new service development of hotel employees.

3.2.8 Charged Behavior and Employee Service Innovation Behavior

The behaviors that lead employees to being successful have attracted little attention in both the manufacturing (Lee & Chen, 2007) and service research. Chen (2011) has concentrated on charged behavior and has articulated that the innovation literature has mainly ignored the use of charge behavior as an effective construct that influences employee service behavior. Chen (2011) also found a positive association among charged behavior – comprising six dimensions – and innovation behavior of hotel employees in Taiwan. However, in spite of the mentioned research, the number of studies that provide support for the effect of charged behavior in the service industry are limited. Wherein, the attitudes and behaviors of employees are important factors that can considerably influence customers' perception of the service. Hence, service organizations need to find ways to effectively manage the behaviors and attitudes of employees with the intention of reliably delivering high quality (Ottenbacher & Harrington, 2010).

As has been mentioned earlier in the thesis, vitality and creative self-efficacy have been added to the charged behavior concept in this research. Academicians stated that employees who are energetic and are in happy moods express higher levels of confidence that can result in better performance in their work environment (Kark & Carmeli, 2009). Likewise, it was found that people who feel energetic, approach the world in a different way and learn new ways to accomplish tasks (Quinn, 2007). In addition, during creative processes, creative self-efficacy is also found to be the vital factor in maintaining employees' efforts, persistence and intensity. Additionally, scholars believe that elevated self-efficacy increases memory recall and leads to sustainable efforts (Thundiyil, Chiaburu, Li, & Wagner, 2016). Therefore, this study concentrated on charged behavior and proposed that:

H8. Charged behavior is positively associated with the employee service innovation behavior of hotel employees.

3.2.9 Charged Behavior and New Service Development

As mentioned in the previous hypothesis, the researches which focused on the role of charged behavior in the service industry are scarce. Therefore, there are limited empirical studies that provide support for the effect of charged behavior on new service development. Additionally, scholars have expressed the magnitude of this behavioral concept in the service research (Chen, 2011) and indicated the need for further research. As an example, Lee and Chen (2007) suggested that future research should examine the effect of charged behavior on new service development in their study. Charged behavior was primarily examined in consumer product manufacturing organizations and resulted in exceptional development in the performance of new products (Sethi & Nicholson, 2001). Moreover, in a study about information technology, it was found that the increase in innovation, results in stronger influence of employee behaviors and attitudes on new product development. Noticeably, it was found that charged behavior had a positive influence on new product development.

Vitality and creative self-efficacy as the additional dimensions for charged behavior has been proposed to influence new service development. Scholars indicated that in cases that positive emotions are experienced by the individuals, they relinquish automatic everyday behavioral scripts and may follow the unscripted directions of cognition and action which are expected to bring about novel and creative ideas (Fredrickson, 1998). In addition, they can also use their broadened perspectives to create and discover novel means of accomplishing their work (Quinn, 2007). In research on creative self-efficacy, Puente-Díaz found more than fifteen studies that

confirmed the effect of creative self-efficacy on creative performance (Puente-Díaz, 2016; Tierney & Farmer, 2011; Wang et al., 2014). Thus, this thesis focused on eight-dimensional charged behavior and proposed that:

H9. Charged behavior is positively associated with the new service development of hotel employees.

3.2.10 Knowledge Sharing and Employee Service Innovation Behavior

In the current thesis, knowledge sharing is considered to influence employee service innovation behavior. It is proposed that the essential means by which organizational members can contribute to knowledge application and innovation – knowledge sharing – influences employee service innovation behavior. In recent years, the study of knowledge sharing has gained more attentions in the hospitality management literature, and academicians have indicated that knowledge sharing can foster employee innovation behavior (Kim & Lee, 2013). In a study of five-star hotel employees in Korea, it was found that knowledge sharing influences employee service innovation behavior (Kim & Lee, 2013). Hu and his colleagues also concentrated on the association among knowledge sharing, and its relationship with innovation performance. They concentrated on employee service innovation behavior and new service development as components of innovation performance in the hospitality industry and indicated that knowledge sharing significantly influences the innovation performance of employees. Consequently, this study concentrates on the hotel employees' knowledge sharing that will result in employee service innovation behavior and it is hypothesized that:

H10. Knowledge sharing is positively related to the employee service innovation behavior of hotel employees.

3.2.11 Knowledge Sharing and New Service Development

In this thesis, it is proposed that knowledge sharing influences the new service development. It has been emphasized by scholars that the provision of task information to assist other employees and to collaborate with coworkers in solving problems, develops new ideas or might implement procedures and policies (Cummings, 2004). Previously scholars have concentrated on the relationship of knowledge sharing and new product development. As an example, Hong and his colleagues concentrated on the relationship between knowledge sharing and new product development and pointed out that there is a significant positive relationship (Hong, Doll, Nahm, & Li, 2004). In addition, Lin (2007) in his study on large organizations in Taiwan, asserted that an organizational environment in which knowledge sharing is encouraged, is likely to generate new ideas and develop new products (Lin, 2007). Recently, by increasing the importance of service industry in the economy of different countries, more researchers started to consider the role of knowledge sharing in facilitating new service development. In a study in the international tourist hotels, knowledge sharing is found to assist new service development – as a component of innovation performance – (Hu et al., 2009). In addition, in the study of Kim and Lee (2013) it has been stated that innovation requires an extensive process of knowledge sharing, which facilitates the implementation of new ideas and new services. So, it is hypothesized that:

H11. Knowledge sharing is positively related to the new service development of hotel employees.

3.2.12 The Mediating Role of Challenge-Oriented Citizenship Behavior

The previously mentioned hypotheses are associated with the mediating role of challenge-oriented citizenship behavior. Given the guidelines of person-job fit

theory, a strong innovative culture in the organization can enhance the needs, desires and preferences of employees. This will in turn encourage employees to speak up and share novel ideas for better services, which is predicted to impact employee service innovation behavior and new service development. Accordingly, challenge-oriented citizenship behavior is likely to act as a mediator of the influence of service innovation culture on employee service innovation behavior and new service development. Employees who are innovative can create preferable and enjoyable experiences for customers, featuring supportive services and new viewpoints to purchasing the organization's offerings (Stock et al., 2017). Therefore, considering the importance of employees, service organizations can increase their performances through challenge-oriented citizenship behavior by providing more opportunities to engage their employees in voicing their ideas and suggestions (Chiang & Hsieh, 2012). It seems that the number of studies that have treated challenge-oriented citizenship behavior as a mediator are sparse in the service literature. For example, Chen and his colleagues examined the mediating role of challenge-oriented citizenship behavior in R&D institutions in Taiwan and found that the indirect effect of ethical leadership on individual creativity is stronger when the employees work in a more innovative climate (Chen & Hou, 2016). Therefore, this study proposes that:

H12. Challenge-oriented citizenship behavior partially mediates the relation between service innovation culture and employee service innovation behavior of hotel employees.

H13. Challenge-oriented citizenship behavior partially mediates the relation between service innovation culture and new service development of hotel employees.

3.2.13 The Mediating Role of Charged Behavior

The aforementioned hypotheses also provide evidence to consider charged behavior as another mediator. The guidelines of person-job fit theory offer assistance inspiring employees by providing a good fit between the abilities of employees and the demands of their jobs. Hence, presenting an innovative organizational culture that assists employees to eagerly and jointly participate in new services is predicted to influence employee service innovation behavior and new service development. Thus, charged behavior is expected to act as a mediator between service innovation culture and employee service innovation behavior and new service development. It appears that the number of studies that refer to this behavioral construct as a mediator are scarce in the service literature. For example, Sethi and Nicholson's (2001) study regarding large consumer product manufacturing firms reported that charged behavior fully mediated the relationship among outcome interdependence and interdepartmental connectedness with the products' market performance. Moreover, in the same study, charged behavior was found to have a partially mediating effect on reliance and the customer input relationship. Chen (2011) conducted his study on the Taiwanese hotel industry and indicated that charged behavior plays a full mediating role in the relationship between proactive personality and innovation behavior. Consequently, it is hypothesized that:

H14. Charged behavior partially mediates the relation between service innovation culture and employee service innovation behavior of hotel employees.

H15. Charged behavior partially mediates the relation between service innovation culture and new service development of hotel employees.

3.2.14 The Mediating Role of Knowledge Sharing

Knowledge sharing takes place when an employee is willing to learn and help other employees in developing new capabilities (Brock & Kim, 2002). Therefore, knowledge sharing is the procedure in which employees commonly exchange their knowledge and equally create new knowledge (Van Den Hooff & De Ridder, 2004). Consequently, having a service innovation culture in the organization that will enhance employee service innovation behavior and new service development is proposed to be mediated by knowledge sharing. In a study by Kuo, Kuo, and Ho (2014), they concentrated on the mediating role of knowledge sharing in the relationship among job satisfaction and workplace friendship with service innovation. They indicated the fundamental role of knowledge sharing that triggered the exchange of key information, which was found to predict and facilitate service innovation in organizations. In another study by Nazir, Shah, and Zaman (2014), the mediating role of knowledge sharing was evaluated between the participative decision making and transformational leadership with organizational performance. In one other recent study in the hotels of Korea, knowledge sharing played a mediating role in the relationship between sense of calling and career satisfaction of frontline hotel employees, and the results indicated that the relationship was mediated by active participation in knowledge sharing (Lee, 2016). Despite the number of studies that focused on the mediating role of knowledge sharing, the mediating role of this construct has been overlooked in the relationship between organizational culture with employee service innovation behavior and new service development. Except the study of Hu and his colleagues, who emphasized on the relationship between team culture of hospitality organizations and innovation performance and indicated that

knowledge sharing played a mediating role in the relationship (Hu et al., 2009).

Consequently, it is proposed that:

H16. Knowledge sharing partially mediates the relation between service innovation culture and employee service innovation behavior of hotel employees.

H17. Knowledge sharing partially mediates the relation between service innovation culture and new service development of hotel employees.

Chapter 4

METHODOLOGY

The current chapter introduces the methodology of this research utilized in the study. It also includes four sections; 1) Starting from explanation of the approach used in the research. 2) Following by the procedure used in the data collection. 3) Detailed information about the measurement items in the questionnaires. 4) A brief discussion about the preliminary preparation of the data.

4.1 Deductive Approach

Deductive approach is applied in the current research, which is defined as a direction that moves towards genuine empirical evidence from confirmation of a theory, that starts with abstract concepts and theoretical relations (Neuman, 2014). The philosophy behind two different approaches – deductive and inductive approaches – is how the researcher would construct knowledge; whether the researcher constructs the knowledge from the beginning of the study, or at the end of the study (Altinay, Paraskevas, & Jang, 2015). Deductive approach is a research process that moves from ideas or a theory towards observable empirical evidence. Scholars who follow deductive approach have to consider five specific steps; First, hypotheses have to be developed, the second step is to state the hypotheses in optional terms. Then, the hypotheses have to be evaluated. Fourth step is to observe the outcome of investigation, and lastly the theory has to be adapted considering the findings (Robson, 2002). Moreover, this study has concentrated on quantitative approach, which is associated with deductive reasoning. In quantitative research, the theory is

utilized deductively in the research and is located prior to the proposed study (Creswell, 2014). Quantitative research focuses on describing, explaining and predicting of observable phenomena (Cooper & Schindler, 2014), and highlights the effect that one variable may have on another in a population, through quantifying the relations among variables (Altinay et al., 2015).

4.2 Data Collection Procedure

The sample utilized in this research contains full-time hotel employees who work in front and back office of the hotels. The study constitutes five, four and three-star hotels located in North Cyprus. Academics have highlighted the significance of studies that consider a cross section of employees working in front and back office for cultural measures and have indicated its significance in gaining additional insights (Kohli & Jaworski, 1990; Matsuno & Mentzer, 2000). Frontline employees are categorized as organizational members with daily and regular contact with customers in their work role (Slåtten & Mehmetoglu, 2011). Consequently, front-desk clerks, guest relations, food servants, bartenders and baggage porters were included in this study. On the other hand, back-office employees are the organizational members who are not in direct relation with customers. Thus, sales and marketing, room service, accounting, human resources, and customer services are considered as back-office employees (Hon & Lui, 2016). Based on the information obtained from the Ministry of Tourism, Culture and Environment of North Cyprus, total number of 31, five, four and three-star hotels were operating in the time of the study – late 2014. From which seventeen were five-star hotels, four were four-star hotels, and ten were three-star hotels. It is noteworthy to mention the reason why hotels with higher star were only considered in this study, regarding the belief that hotels with higher category are better to be examined in innovation

studies, given that they present greater professionalism, have highly qualified employees and compete more in hospitality domain (Nieves & Segarra-Ciprés, 2015; Ordanini & Parasuraman, 2011). The decision was to contact all the hotels by the researcher. The data collection process was carried out between December 2014 and February 2015. The methodology utilized in this study was survey; in this respect, self-administered questionnaires were prepared. The self-administered questionnaires contained measurement items, importance of the study and the confidentiality issues. The researcher contacted human resource department of all the hotels with a letter that contained purpose of the study, in order to make sure that they were willing to participate in the research. Managers of twenty nine hotels accepted to participate in the study (two three star hotels were under-construction and the researcher could not conduct the data collection due to low number of employees working in these hotels). The self-administered questionnaires were submitted to managers of each hotel, since the researcher was not granted permission to handle the data collection process. The participants of the study were asked to seal the questionnaires in an envelope and put them in a specific box offered by the researcher, in order to assure anonymity and confidentiality issues. Moreover, an additional list was given to the managers of each hotel, to assign an identification number for each of the participants, given that there was one month time lag in the data collection process, and the questionnaires in the second time lag had to be filled by the same participants in the first time lag.

Temporal separation (one month time lag) is a procedural remedy to decrease the risk of common method bias. Procedural and statistical remedies are considered by scholars to decrease the risk of common method bias (Paterson, Luthans, & Jeung, 2014; Podsakoff, Podsakoff, MacKenzie, Maynes, & Spoelma, 2014). Common

method bias is a severe problem that might result in inflation or deflation in evaluation of findings in the study (Podsakoff, MacKenzie, & Podsakoff, 2012). Temporal separation will decrease the chance of answering items in the questionnaire by what is recalled in the participants' short-term memories (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Consequently, two questionnaires were prepared in order to be given in one month time. Time1 questionnaire contained items related to service innovation culture, challenge-oriented citizenship behavior, charged behavior and knowledge sharing, plus items related to respondent's profile. The items related to employee service innovation behavior and new service development were positioned in Time2 questionnaire.

In total, 620 questionnaires were distributed to full-time hotel employees in the first time lag (Time1). From which, four hundred and forty four were returned, yielding a response rate of 71.61%. In the second time lag, 444 Time2 questionnaires were distributed to the same respondents, and a total of four hundred valid questionnaires were collected, with the response rate of 90% of second sample and 64.51% of the total questionnaires.

4.3 Measurements

Eighty-three items were adopted from the previous literature to measure the constructs in the proposed model. A seven-point scale was used for most items in this study (7='strongly agree' or 'to a great extent' 1='strongly disagree' or 'to a very little extent'). All the measurement items were first prepared in English and they were translated to Turkish language, since the official language in North Cyprus is Turkish. Back-to-back translation method was utilized in this respect (Parameswaran & Yaprak, 1987). The translated items in the questionnaires were pre-tested by

twenty hotel employees from different hotels, and the results indicated that there was no need for any change in the translated measurement items.

4.3.1 Service Innovation Culture

Service innovation culture was measured through 38-items, recommended by Anderson and West (1998). As mentioned previously in the literature, service innovation culture comprised five main dimensions; Vision was measured via eleven items. Participation safety was measured through eight items. Support for innovation is also measured using eight items. Task orientation is measured via seven items from previous literature. Interaction frequency as the last dimension is measured by four items.

4.3.2 Challenge-Oriented Citizenship Behavior

To measure challenge-oriented citizenship behavior five items were adapted from the study of Van Dyne and LePine (1998).

4.3.3 Charged Behavior

Charged behavior was expanded in this research and is considered as a behavioral construct with eight component dimensions. As mentioned earlier in the study, Sethi and Nicholson (2001) were first to present the concept of charged behavior with five main dimensions – enjoyment, cooperation, commitment, challenging ideas and open information sharing – and these dimensions are measured in the research by a five-item scale adapted from Sethi and Nicholson (2001). Besides, after ten years Chen (2011) expanded charged behavior by adding “taking risk” as the sixth charged behavior dimension.

The two additional charged behavior dimensions are creative self-efficacy and vitality. Creative self-efficacy is measured utilizing seven items from the study of

Tierney and Farmer (2002). On the other hand, vitality is measured using five items from Porath, Spreitzer, Gibson, and Garnett (2012).

4.3.4 Knowledge Sharing

Knowledge sharing was measured via eleven item scale adapted from the study of Davenport and Prusak (1998) and the research by Walz and Niehoff (2000).

4.3.5 Employee Service Innovation Behavior

To measure employee service innovation behavior six-item scale was adapted from the study of Scott and Bruce (1994).

4.3.6 New Service Development

New service development was adapted from the study of Matear, Gray, and Garrett (2004) utilizing eight items.

4.4 Preliminary Preparation of Data

The proposed model in this research was examined through a two-step approach recommended by Anderson and Gerbing with AMOS 21.0 (Anderson & Gerbing, 1988). The initial step in this study was to confirm the hypothesized model through providing evidence of convergent and discriminant validity, in addition to composite reliability. Subsequently, Structural Equation Modeling (SEM) was performed to evaluate fit and path coefficients of the proposed model. SEM offers a maximum-likelihood estimation of the entire system in the proposed model, which additionally allows measurement of variables with the data (Jöreskog & Sörbom, 1982). Model fit was estimated through chi-square value (χ^2), degree of freedom (df), χ^2/df value, comparative fit index (CFI), incremental fit index (IFI), Tucker-Lewis index (TLI), root mean square error of approximation (RMSEA). Additionally model fit was compared with other alternative models to measure the mediating effects (James, Mulaik, & Brett, 2006). Besides, percentile bootstrapping and bias-corrected

percentile bootstrapping were performed to examine the mediating effects (Preacher & Hayes, 2008).

Chapter 5

RESULTS

Current chapter of this study demonstrates the results of analysis made to the collected data. This chapter illustrates detailed information about the demographic background of respondents who participated in the research, followed by preliminary analysis carried out in the study. Moreover, two-step structural equation modeling with bootstrapping estimation was carried out to test the hypotheses, which is depicted in detail in this chapter.

5.1 Demographic Background of the Samples

Front office and back office hotel employees working in five, four and three-star hotels of North Cyprus are considered as the sample of this research. Table 1 illustrates respondents' profile of the study. The results indicate that most of the respondents were male (62.3%). Additionally, predominantly half of them were single or divorced (52.5%). In terms of age, nearly half (46.3%) of the participants were between 18 and 37 years of age, whereas the second majority (32.5%) were under 27 years of age, and the rest were above 38 years of age. From educational perspective, the majorities (41%) of participants were high school graduates, and thirty-four percent of the respondents had undergraduate diplomas. Likewise, twenty-three percent of the employees were vocational school graduates, and only minorities of them had either Masters or PhD.

More than half (56.3%) of the participants had tenures of one to five years. Twenty-two percent of the employees had less than one-year of experience in the service organization, and sixteen percent had tenures of six to ten years.

Table 1. Respondents' profile (n = 400)

	Frequencies	%
Gender		
Male	249	62.3
Female	151	37.8
Total	400	100
Age		
18 - 27	130	32.5
28 - 37	185	46.3
38 - 47	70	17.5
48 - 57	13	3.3
Above 58	2	0.5
Total	400	100
Education		
Secondary or High school	164	41.0
Vocational school	92	23.0
Undergraduate	137	34.3
Graduate	7	1.8
Total	400	100
Organizational Tenure (years)		
Less than 1 years	91	22.8
1 - 5	225	56.3
6 - 10	67	16.8
11 - 15	12	3.0
16 and above	5	1.1
Total	400	100
Salary		
600€ - 1000€	12	3.0
1000€ - 2000€	267	66.8
2000€ - 3000€	102	25.5
3000€ and above	19	4.8
Total	400	100
Nationality		
Turkish	276	69.0
Turkish - Cypriot	105	26.3
Other	19	4.7
Total	400	100
Hotel Star		
5 - stars	338	84.5
4 - stars	30	7.5
3 - stars	32	8.0
Total	400	100

The other minority had worked in the hotel for more than 11 years. The majority of the respondents working as full-time employees in hotels of North Cyprus were Turkish citizens (69%), the second majorities (26.3%) were Turkish-Cypriots, and the minorities of them were from other nationalities.

5.2 Preliminary Analysis

Exploratory Factor Analysis (EFA) was carried out before Confirmatory Factor Analysis (CFA) and revealed existence of a single factor in the scales used. After performing EFA, CFA was utilized to measure convergent validity, discriminant validity and internal consistency reliability of the constructs in the proposed model (see Table 2).

The assessment of CFA results demonstrated the significance of all factor loadings of the individual items in the proposed model ($p < 0.001$), after eliminating several items, due to low standardized loadings (<0.40) (Hair, Black, & Babin, 2010) or cross loading – service innovation culture; one item from vision, task orientation and participation safety two items from interaction frequency; knowledge sharing: five items; charged behavior: one item from creative self-efficacy, and three items from vitality; employee service innovation behavior: three items; new service development: two items – that illustrated preliminary evidence for convergent validity of the proposed model.

In addition, convergent validity was acceptable, since the results of Average Variance Extracted (AVE) exceeded the threshold value (0.50) and ranged from 0.50 to 0.68 (Bagozzi & Yi, 1989; Fornell & Larcker, 1981). Likewise, the evidence of discriminant validity was provided through the estimated intercorrelations between

Table 2. Coefficients for the measurement model

Variables	Items (No.)	Dimensions	Scale Items	Factor loadings	S.E.	C.R. (t-value)	Cronbach's α	AVE	Composite Reliability	
SIC	33	Vision	IN3	0.97	-	-	0.96	0.57	0.86	
			IN2	0.89	0.04	21.98(***)				
			IN1	0.80	0.05	20.24(***)				
			IN6	0.77	0.06	17.09(***)				
			IN4	0.76	0.05	20.11(***)				
			IN7	0.72	0.06	15.45(***)				
			IN8	0.72	0.05	15.23(***)				
			IN5	0.68	0.06	17.00(***)				
			IN11	0.49	0.05	16.06(***)				
		IN9	0.49	0.06	14.62(***)					
		Participation Safety	IN18	0.73	-	-				
			IN15	0.65	0.05	14.34(***)				
			IN13	0.63	0.06	11.89(***)				
			IN19	0.63	0.05	16.07(***)				
			IN17	0.61	0.05	16.14(***)				
			IN14	0.55	0.06	11.95(***)				
			IN12	0.51	0.06	8.92(***)				
			Support for Innovation	IN23	0.86	-				-
				IN22	0.78	0.05				17.83(***)
		IN21		0.71	0.06	17.53(***)				
		IN25		0.71	0.05	18.32(***)				
		IN24		0.65	0.06	17.28(***)				
		IN26		0.63	0.05	17.22(***)				
		IN27		0.62	0.05	16.32(***)				
		Task Orientation	IN20	0.58	0.05	15.44(***)				
			IN31	0.95	-	-				
			IN30	0.78	0.04	23.17(***)				
			IN32	0.72	0.04	23.93(***)				
			IN33	0.69	0.04	23.06(***)				
			IN28	0.61	0.05	18.04(***)				
		Interaction Frequency	IN29	0.60	0.05	17.30(***)				
			IN37	0.87	-	-				
			IN38	0.82	0.12	8.31(***)				
OCB4	0.81		-	-						
COCB	OCB3	0.80	0.07	16.48(***)						
	OCB5	0.75	0.06	14.27(***)						
	OCB2	0.74	0.06	15.89(***)						
	OCB1	0.66	0.06	13.90(***)						
	CB2	0.84	-	-						
Charged behavior	CB1	0.79	0.06	18.81(***)						
	CB8	0.79	0.07	15.26(***)						
	CB7	0.78	0.07	16.33(***)						
	CB6	0.78	0.07	15.64(***)						
	CB5	0.76	0.07	16.46(***)						
	CB10	0.74	0.07	14.60(***)						
	CB3	0.73	0.06	16.09(***)						
	CB4	0.69	0.07	15.58(***)						
	CB14	0.62	0.07	14.35(***)						
	CB11	0.53	0.08	13.42(***)						
Knowledge Sharing	KS7	0.72	-	-						
	KS6	0.66	0.08	12.30(***)						
	KS5	0.62	0.08	11.11(***)						
	KS11	0.59	0.08	10.60(***)						
	KS8	0.57	0.08	10.25(***)						
	KS9	0.54	0.09	9.00(***)						
ESIB	ES2	0.64	-	-						
	ES1	0.57	0.06	19.97(***)						
	ES3	0.44	0.05	17.29(***)						
NSD	NS4	0.90	-	-						
	NS5	0.82	0.05	21.27(***)						
	NS2	0.78	0.06	17.46(***)						
	NS3	0.74	0.06	16.53(***)						
	NS1	0.72	0.06	17.19(***)						
	NS8	0.48	0.06	15.36(***)						

Note:

(1) SIC: Service Innovation Culture; COCB: Challenge-Oriented Citizenship Behavior; ESIB: Employee Service Innovation Behavior; NSD: New Service Development.

(2) ** $p < 0.01$; *** $p < 0.001$ (two-tailed); $N = 400$.

(3) $\chi^2 = 3288.37$, $df = 1908$, $\chi^2/df = 1.72$, CFI = 0.92, IFI = 0.92, TLI = 0.92, RMSEA = 0.04.

all constructs, which were less than the square root of AVE in each construct (Hair, Black, Babin, Anderson, & Tatham, 2006).

Moreover, the results showed a reasonable fit of the hypothesized model (partially mediated model), based on fit statistics, in comparison to other alternative model (fully mediated model), that provided evidence for discriminant validity. Reliability of the scales was evaluated through Cronbach's alpha coefficient and all Cronbach's alpha values were greater than 0.82, all exceeded the minimum value considered reliable (0.70). The results demonstrated that composite reliability of each construct exceeded the threshold value and ranged from 0.86 to 0.93 that was evidence of internal consistency reliability (Fornell & Larcker, 1981).

Table 3. Means, standard deviations and correlations of variables

	Mean	S.D.	1	2	3	4	5	6
1.SIC	4.42	0.92	(.75)					
2.COCB	4.43	0.94	.46**	(.76)				
3.Charged behavior	4.48	1.20	.64**	.40**	(.74)			
4.Knowledge sharing	4.47	0.74	.34**	.26**	.28**	(.70)		
5.ESIB	4.40	1.16	.61**	.49**	.54**	.38**	(.82)	
6.NSD	4.42	1.14	.62**	.43**	.51**	.37**	.69**	(.78)

Note:

(1) S.D.: Standard Deviations; SIC: Service Innovation Performance; COCB: Challenge-Oriented Citizenship Behavior;

ESIB: Employee Service Innovation Behavior; NSD: New Service Development.

(2) * $p < 0.05$; ** $p < 0.01$ (two-tailed); $N = 400$.

(3) The parentheses along the diagonal present the square root of AVE for discriminant validity.

Means, standard deviations and correlations of variables are demonstrated in Table 3, based on the results all the variables were significantly correlated; service innovation culture was positively related to employee service innovation behavior ($r = 0.61$, $p < 0.01$) and new service development ($r = 0.62$, $p < 0.01$). Service innovation culture

was also positively related to challenge-oriented citizenship behavior ($r = 0.46$, $p < 0.01$), charged behavior ($r = 0.64$, $p < 0.01$) and knowledge sharing ($r = 0.34$, $p < 0.01$). Likewise, challenge-oriented citizenship behavior ($r = 0.49$, $p < 0.01$), charged behavior ($r = 0.54$, $p < 0.01$), and knowledge sharing ($r = 0.38$, $p < 0.01$) were positively related to employee service innovation behavior. Besides, all mediators; challenge-oriented citizenship behavior ($r = 0.43$, $p < 0.01$), charged behavior ($r = 0.51$, $p < 0.01$) and knowledge sharing ($r = 0.37$, $p < 0.01$) were positively related to new service development.

5.3 Hypotheses Testing

The results of structural modeling illustrated that the partial mediation model fits the data well ($\chi^2 = 3288.37$, $df = 1908$, $\chi^2/df = 1.72$, CFI=0.92, IFI=0.92, TLI=0.92, and RMSEA=0.04) compared to other alternative model – fully mediated model – ($\chi^2 = 3341.906$, $df = 1915$, $\chi^2/df = 1.75$, CFI=0.91, IFI=0.91, TLI=0.91, and RMSEA=0.04), although not significantly different.

The results of SEM demonstrated in Table 4, indicate that service innovation culture has a positive direct effect on challenge-oriented citizenship behavior (direct effect = 0.39, $p < 0.001$), charged behavior (direct effect = 0.71, $p < 0.001$) and knowledge sharing (direct effect = 0.40, $p < 0.001$). Consequently, hypotheses 1, 2 and 3 are supported. Service innovation culture also significantly and positively influences employee service innovation behavior (direct effect = 0.67, $p < 0.001$) and new service development (direct effect = 0.70, $p < 0.001$). Therefore, hypotheses 4 and 5 are also supported.

Table 4. Standardized direct path coefficients of the hypothesized model

Hypotheses	Estimate	S.E.
H1. SIC → COCB	0.39***	0.05
H2. SIC → charged behavior	0.71***	0.06
H3. SIC → knowledge sharing	0.40***	0.04
H4. SIC → ESIB	0.67***	0.06
H5. SIC → NSD	0.70***	0.06
H6. COCB → ESIB	0.22***	0.05
H7. COCB → NSD	0.12*	0.05
H8. Charged behavior → ESIB	0.23***	0.06
H9. Charged behavior → NSD	0.14*	0.07
H10. Knowledge sharing → ESIB	0.13*	0.07
H11. Knowledge sharing → NSD	0.11*	0.07

Note:

(1) SIC: Service Innovation Culture; COCB: Challenge-oriented organizational citizenship behavior; ESIB: Employee Service Innovation Behavior; NSD: New Service Development.

(2) * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Additionally, three mediators of the current study have positive and significant impact on employee service innovation behavior and new service development. Challenge-oriented citizenship behavior positively influences employee service innovation behavior (direct effect =0.22, $p < 0.001$) and new service development (direct effect =0.12, $p < 0.05$), therefore hypotheses 6 and 7 are supported. Likewise, charged behavior positively impacts employee service innovation behavior (direct effect =0.23, $p < 0.001$) and new service development (direct effect =0.14, $p < 0.05$). Consequently, hypotheses 8 and 9 are also supported. Lastly, knowledge sharing directly influence employee service innovation behavior (direct effect =0.13, $p < 0.05$), and new service development (direct effect =0.11, $p < 0.05$), accordingly hypotheses 10 and 11 are considered acceptable.

Furthermore, percentile bootstrapping in addition to bias-corrected percentile bootstrapping at a ninety-nine percent confidence interval with ten-thousand

bootstrap samples was performed to examine the indirect effects of dependent variables via mediators (Preacher & Hayes, 2008). Consequently, significance of indirect effects were examined through calculation of lower and upper bounds (Wang et al., 2014). The results of bootstrap test illustrated in Table 5, indicate that the standardized indirect effect of service innovation culture on employee service innovation behavior via challenge-oriented citizenship behavior are positive and significant (0.10, $p < 0.001$). Likewise the standardized indirect effect of service innovation culture on new service development through challenge-oriented citizenship behavior was also positive and significant (0.05, $p < 0.05$). Thus, challenge-oriented citizenship behavior acts as a partial mediator in the mentioned relationship and hypotheses 12 and 13 are supported.

Table 5. Standardized indirect effects of the proposed model

	Estimates	Bootstrapping Percentile 99% CI		Bias-corrected Percentile 99% CI		Two-tailed Significance
		Lower	Upper	Lower	Upper	
		H12. SIC → COCB → ESIB	0.10	0.06	0.14	
H13. SIC → COCB → NSD	0.05	0.01	0.09	-0.01	0.12	0.02(*)
H14. SIC → CB → ESIB	0.18	0.09	0.27	0.02	0.32	0.003(**)
H15. SIC → CB → NSD	0.11	0.01	0.20	-0.06	0.25	0.08(*)
H16. SIC → KS → ESIB	0.06	0.01	0.10	-0.01	0.14	0.02(*)
H17. SIC → KS → NSD	0.05	0.01	0.09	-0.02	0.12	0.03(*)

Note:

(1) SIC: Service innovation culture; COCB: Challenge-oriented citizenship behavior; CB: Charged behavior; KS: Knowledge sharing; ESIB: Employee service innovation behavior; NSD: New service development.

(2) Standardized estimating of 10000 bootstrap sample * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

In addition the results of bootstrapping test show a positive and significant standardized indirect effect of service innovation culture on employee service innovation behavior via charged behavior (0.18, $p < 0.01$). Besides, the results also

indicate a positive and significant result on the association of service innovation culture and new service development through charged behavior (0.11, $p < 0.05$). Consequently, charged behavior also indicated a partially mediating role in the association, and hypotheses 14 and 15 were supported.

Lastly, the bootstrapping test results demonstrate a positive and significant standardized indirect effect of service innovation culture on employee service innovation behavior through knowledge sharing (0.06, $p < 0.05$), in addition to positive and significant standardized indirect effect of service innovation culture on new service development via knowledge sharing (0.05, $p < 0.05$). Thus, hypotheses 16 and 17 were supported.

The results explain fifty-six percent variance in challenge-oriented citizenship behavior, sixty-one percent variance in charged behavior, fifty-three percent variance in employee service innovation behavior, and fifty-nine percent variance in new service development. Consequently, it indicates that all the hypotheses relationships are supported and feasible.

Chapter 6

DISCUSSION AND CONCLUSION

This thesis was designed to empirically evaluate a research model with the purpose of assessing challenge-oriented citizenship behavior, charged behavior and knowledge sharing as mediators of the influence of service innovation culture on employee service innovation behavior and new service development. The relations in the current study were evaluated based on data obtained from front office and back office employees, over one-month time period in the hotel industry, and the results indicate that the empirical data support all the proposed hypotheses. Thus, a number of observations can be made based on the study results. First, the role of employees in the service innovation process is noticeable. Few empirical researches have demonstrated the practices and experiences of both front office and back office employees in service innovation (Åkesson et al., 2016; Engen & Magnusson, 2015). The findings of this research agree with other findings that employees have an essential role in the service innovation process (Chen, Kerr, Chou, & Ang, 2017; Karlsson & Skålen, 2015; Schepers et al., 2016), particularly in the hotel industry (Chen & Wu, 2017).

Second, the important finding presented in this thesis, is the effect of service innovation culture on challenge-oriented citizenship behavior, charged behavior and knowledge sharing. Employees who work in service organizations with a strong service innovation culture will respect the values of the organization with little

questioning, because they understand the current methods of operation and share feelings regarding the achievement of common goals, which will provide guidelines for expected future behaviors and serve as a control mechanism to channel employees toward desired behaviors (Lunenburg, 2011). The positive effect of organizational culture on employee behavior has been confirmed in the literature (Kemp & Dwyer, 2001; O'Reilly III, 1991); however, studies on service innovation are still sparse. Making novel and useful suggestions for change – *challenge-oriented citizenship behavior* – is considered one of the desired behaviors by employees in organizations that focus on service innovation. Encouraging employees to voice their ideas is only possible in organizations that encompass a strong culture; organizations that provide a safe and trusting environment and empower employees to implement their novel ideas in situations that need immediate decisions when confronted with service quality issues. Consistent with other studies (Morrison, 2011; Stamper & Dyne, 2001) that found a positive effect of organizational culture on challenge-oriented citizenship behavior, employees reciprocate with challenge-oriented citizenship behavior at organizations with highly trusting environments, namely, organizations with a supportive service innovation culture. One other desired behavior that arises in organizations with a service innovation culture is charged behavior. Having inspired employees who willingly participate in developing superior new services is only possible if the employees feel that they work in a secure and trusting environment that values their efforts. The employees who work in service organizations need to be different from others, since they are ‘on stage’ most of their working time, and if they cannot adapt to these conditions, they will be frustrated and possibly quit. Thus, the employees who are capable of providing exceptional customer services should be considered a priority in the service

organizations, and the organization have to consider the importance of attracting and retaining these organizational members, specifically in hospitality context (Dawson, Abbott, & Shoemaker, 2011). Considering the importance of innovation culture in service organizations and focusing on suggestions of person-job fit theory, the findings of this research concur with other studies (Chen, 2011; Jaskyte & Dressler, 2005). The last construct that arises in an organization with a service innovation culture is knowledge sharing. Inspiring employees to share their knowledge becomes central for organizations. A healthy organizational culture which is based on collaboration has to be created in service organizations, in order to implement knowledge sharing. Thus, employees who work in an organization with a trusting and secure culture, that encourages collaboration, would display higher knowledge sharing. Consistent with other findings (Ismail Al-Alawi et al., 2007; Yang & Wan, 2004) that found a positive relation between organizational culture and knowledge sharing, the findings of this thesis also indicate that employees working in hospitality organizations with a highly trusting environment implement knowledge sharing.

Third, as expected, the results propose that service innovation culture boosts the employee service innovation behavior and new service development. The suggestions made by person-culture fit theory confirm this association, and other related studies (Dobni, 2008; Ottenbacher, Shaw, & Lockwood, 2006) have also agreed on this issue. However, studies that focused on employee service innovation behavior and new service development from the employees' viewpoint in the service innovation literature are sparse (Hu et al., 2009). Employee service innovation behavior is described as going beyond the call of duty for customers and going beyond formal role requirements. Employees occupy a major role in delivering services and fulfilling the organization's promises to customers. In addition, the

overall quality and competitiveness of a service organization is evaluated through the service that customers receive from employees (Ho & Gupta, 2012). A supportive service innovation culture that values employees and makes them feel important to the service organization would enliven employees and make them go beyond the formal job requirements and perform greater employee service innovation behaviors. Moreover, scholars have found similar results and argued that employees in large hotels tend to exhibit more innovative behaviors (Li & Cathy, 2016; López-Fernández, Serrano-Bedia, & Gómez-López, 2011). Additionally, the structure and management system of the service organization is believed to have an important role in influencing employee service innovation behavior (Zach, 2016). Alternatively, employees play vital role in making totally new or discontinuous innovation to a service through minor adaptations or improvements – *new service development*. Since some of the employees are in direct customer contact, this assists them to collect some information from different sources – among them customers – and compare them with the actual situation, which results in ideas for service innovation (Toivonen & Tuominen, 2009). Additionally, Tajeddini (2011) has also found similar results by emphasizing that an organizational culture that embodies innovation is considered important to improving new service development. A service innovation culture that supports innovation and interaction frequency prepares the ground for service innovations by employees.

Fourth, the findings that challenge-oriented citizenship behavior, charged behavior and knowledge sharing positively influence employee service innovation behavior and new service development are important addition to what is known about these constructs. Previous researches have confirmed the association among the behavioral constructs and employee performance (Gilder, 2003). However, the impact of

challenge-oriented citizenship behavior and charged behavior as behavioral constructs, on employee service innovation behavior and new service development has scarcely been studied.

Challenge-oriented citizenship behavior is considered any effort made by employees to improve the existing conditions at work and consists of a wide range of behaviors: bringing issues to the attention of superior, attempting to change conditions at work, and asking co-workers for advice (Morrison, 2011) that will result in positive employee performance (Hung et al., 2012; MacKenzie et al., 2011). Additionally, challenge-oriented citizenship behavior contains all the innovative suggestions and novel ideas that result in employee service innovation behavior and new service development in the organizations that support and value innovation in the service industry. Moreover, employees' charged behavior is found to influence employee service innovation behavior and new service development. The findings of relevant studies in the manufacturing industry have confirmed the impact of charged behavior on new product development (Lee & Chen, 2007; Sethi & Nicholson, 2001). However, studies that consider charged behavior in the service industry are still lacking. Chen (2011) focused on charged behavior in the hotel industry in Taiwan and found that charged behavior positively influences innovation behavior. Furthermore, the provision of task information to assist other employees and to collaborate with coworkers in solving problems – knowledge sharing – is found to influence employee service innovation behavior and new service development. The relationship between knowledge sharing and employee service innovation behavior have been studied by scholars in hospitality management and the findings of this research concur with their findings (Hu et al., 2009; Kim & Lee, 2013). Moreover, the current study has found a positive relationship among knowledge sharing and

new service development that is in line with other study findings; which focused on new product development in manufacturing industries (Hong et al., 2004; Lin, 2007) and also new service development in service organizations (Hu et al., 2009; Kim & Lee, 2013).

Lastly, when the results of the current study are compared to similar studies, some similarities and differences appear. The findings of this research illustrate a partially mediating effect of challenge-oriented citizenship behavior, charged behavior and knowledge sharing in the relationship between service innovation culture with the employee service innovation behavior and new service development of employees. Considering the vital role that employees play in the service innovation process, service organizations need to provide an environment in which employees can openly voice their novel ideas and suggestions. Therefore, as proposed in the current study, an organizational culture that supports service innovation would ease this process and lead to employee service innovation behavior and new service development of employees. Moreover, it has been illustrated that perceptual similarities among the employees in organizations with a highly innovative culture are likely to elicit constructive behaviors, transforming specific voice behavior into more widespread service innovation. Consequently, a favorable service innovation culture tends to mobilize employees' shared endeavors toward exercising positive work behaviors. Despite the importance of challenge-oriented citizenship behavior to service innovation, there are few studies that have considered the mediating role of challenge-oriented citizenship behavior in the service industry. A similar result was mentioned in a study of Taiwanese institutions, where challenge-oriented citizenship behavior was found to mediate the effect of ethical leadership on individual creativity (Chen & Hou, 2016). As discussed earlier in this study, given that charged

behavior is a comparatively novel variable, the number of studies that have considered the mediating role of charged behavior in the service and innovation literature are limited. Hence, the definition of Sethi and Nicholson (2001), containing six dimensions, is considered in this research, and vitality and creative self-efficacy have been added to the charged behavior concept. Accordingly, a positive relationship was found between these two additional dimensions and charged behavior using a correlation analysis and CFA, which perceived that the expanded eight-factor charged behavior construct fits the data. The results of this research, contradict those of Chen's (2011) study, which focused on six-dimensional charged behavior as a mediator between the innovation culture and innovation behaviors of hotel employees in Taiwan, and indicated that charged behavior does not mediate the relationship. Moreover, the willingness of employees to learn and assist other employees in developing new capabilities, namely, knowledge sharing have attracted the scholars attention in service innovation literature in recent years. Hence, some scholars have focused on the mediating role of knowledge sharing in their studies, and found similar results. As an example, similar results were established in the study of Kuo and his colleagues, where knowledge sharing was indicated to mediate the relation among job satisfaction and workplace friendship with service innovation (Kuo et al., 2014). In addition, similar results were reported in a research by Nazir and his colleagues, who also found knowledge sharing as a mediator in the relation among participative decision making and transformational leadership with organizational performance (Nazir et al., 2014). Moreover, similarly, in a more recent research by Lee (2016), knowledge sharing was found to play a mediating role in the association of sense of calling and career satisfaction of frontline hotel employees.

6.1 Managerial Implications

Evaluation of organizational factors, namely organizational culture, could be considered an indispensable part in alleviating innovation uncertainty and failure in service organizations. Therefore, managers can take advantage of these factors and recognize the importance of change, in encouraging innovation and providing the necessary social, emotional and technical support for the employees to conquer barriers when they innovate. As highlighted in a recent meta-analysis study, scholars have to focus more on services, specifically hospitality innovation, in order to increase the knowledge and understanding of uncertainties and risks that are related to innovation (Hon & Lui, 2016). Accordingly, there is need for more research with systematic analysis and theoretical arguments, in order to reach an innovation framework and deal with complex and emergent business environment.

As exemplified by our findings, the current empirical study stresses the importance of employees in the service innovation process. Service industry managers have to invite and involve employees to participate in service innovation. This is possible through a service innovation culture that gives encouragement, recognition and empowerment to the employees and rewards their innovative suggestions. Furthermore, managers have to elevate the employee's perception of psychological empowerment by making their jobs valuable. This will in turn result in increasing employees' competence, impact, self-determination and meaning regarding the job (Akgunduz & Bardakoglu, 2017). Thus, employees will begin to identify the characteristics of their organization as their own, and they will be more psychologically connected to their organization and will display more innovative behaviors.

Managers can also consider sharing information related to the goals, mission and values of the service organization prior to hiring their employees and during the selection process. Thus, employees who perceive that their abilities and skills are well matched to the requirements of the job can feel positive emotions and this will result in their displaying innovative behaviors (Lee, Kim, Kim, & Kim, 2017). In addition, managers have to consolidate selection procedures by employing organizational members, whose abilities, knowledge and skills are well matched to the requirements of the service job. This gains more importance when service organizations with higher ranks are considered, where more professional employees are required to offer more innovative services. Thus, managers can take advantage of university graduates who have acquired academic knowledge. In addition, universities can launch a mediating and catalyzing role in the service innovation process (Hjalager, 2010). Employing university graduates may also help the service organizations to decrease their training programs that focus on service innovation processes. Lastly, managers have to consider the significance of their full-time employees, since long-term relationships with the customers are achieved by employees who can contribute to customer friendly service innovations. Accordingly, making employees' jobs more psychologically meaningful, by providing job enrichment as a specific work-related strategy, can increase employees' desire to go beyond the basics of their job. This enjoyment will lead to innovative behaviors and new service development.

6.2 Limitations and Directions for Future Research

The current thesis has a number of limitations that could be addressed in future researches. First limitation of this study is related to the data collection process; the research team could not receive permission to handle the data collection process.

However, in order to minimize the confidentiality issue, respondents were told to seal their questionnaires in an envelope and place them in a secure box which was provided by the research team. Second, this research concentrated on the views of front office and back office employees working in hotels, in North Cyprus. Other studies could also consider other respondents, for instance managers or customers that may provide different results. Besides, the comparisons that could be made between various respondents can make clear where in the hotel, new services are being developed. In addition, this study only analyzed full-time employees working in five, four and three-star hotels. As many tourism destinations face seasonality issues, the number of contingent employees – employees who work on seasonal contract – increases in the high seasons; therefore, future researches should also reflect on the perspectives of seasonal employees and make comparisons between the findings. Furthermore, this study has focused on the mediating role of challenge-oriented citizenship behavior, charged behavior and knowledge sharing. Further studies can examine other behavioral constructs as mediators in the association between service innovation culture with employee service innovation behavior and new service development. Moreover, future studies may also consider other innovative outcomes, such as innovation performance, creative performance and service-oriented organizational citizenship behavior. Finally, this research used cross-sectional data. Hence, scholars should focus on longitudinal analysis to concentrate on the causal and mediating effects evaluated in this study from both employees and customer perspective.

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