Vol 8, Issue 15, (2018) E-ISSN: 2222-6990

# Enhancing the Role of Innovation towards Employee Job Performance at Malaysian hotels

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To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v8-i15/5098

DOI:10.6007/IJARBSS/v8-i15/5098

Published Date: 31 December 2018

## Abstract

The hotel industry is the largest and most rapidly growing in Malaysia. Hotel management keeps on finding solutions to sustain the competitive environment. This study, therefore, investigates the impact of innovation practices on employee job performance and examines the relationship between these factors. Researchers believe good employee performance further will contribute to hotel performance. A conceptual model is developed by proposing four hypotheses. Data are collected using a survey to four- and five-star rating hotel in Selangor, Putrajaya and Kuala Lumpur, Malaysia. A total of 140 questionnaires responded by the food and beverage department managers. The model is examined using partial least square modelling. The main results indicate that innovation practices have a positive influence on the employee job performance. The result of this study provides valuable information to hotel management and decision makers in Malaysia regarding factors that improve employee job performance and hotel sustainable.

**Keywords**: Innovation, Employee Job Performance, Hotel Innovation, Malaysia Hotels, Hotel Performance

## Introduction

Hospitality and tourism industry became the world's largest and fastest growing industry (Nee, 2011). Tourism industry helps the economic growth by increasing the employment chances, foreign exchange and profits (Salleh, Hamid, Hashim, & Omain, 2014). Hotels and other accommodation services are essential in supporting the hospitality industry. Development of hotels in Malaysia is rising up because Malaysia has a low-cost courier, low travelling cost, a lot of hotels supply and hotel innovativeness (Zahari, Shariff, & Ismail, 2014). The growing competition from the new hotels resulting in the oversupply of rooms and lowering the occupancy rate for hotels in Malaysia (Salleh et al., 2014). To deal with this competitive environments, hotel managers must find ways to outperform their competitors (Tseng, 2015). According to Chen (2011) market globalization, technological evolution and tourism demands increase the need for the hotel managers to excel than their competitors by innovating their services and processes in order to remain the business continuity.

Previous studies have only found evidence that firm innovation truly affects performance, but have not demonstrated how many innovation activities formulate different patterns of innovation (Tseng, 2015). Innovation appears the only way that an organization can convert chance into opportunities and thus succeed amazingly (Huse, Neubaum, & Gabrielsson, 2005). Malaysian hotels, therefore, maintain their competitive position by focusing on differentiation strategies, offering new services, and providing quality standards that meet the expectations of their customers (Hussain, Konar, & Ali, 2016). Therefore, an improved understanding is required of which type of innovation will maximize the employee job performance. This study focuses on innovation in the hotel industry and presents empirical evidence of hotel innovation activity for increasing the employee job performance. The objectives of this study is to state about the relationship of innovation in the hotel industry, as well as considering the type of innovation that can create improved employee job performance.

The respondents of this study are the small and medium-size hotels of hospitality services by focusing on four and five-star rating hotels. There are several reasons why this study is important for the Malaysian hospitality industry. First, the hospitality industry has become an important economic factor to Malaysia because this industry contributed 12.9 percent of total employment in 2012 and the numbers are increasing up to 2.8 percent annually (Salehuddin, Prasad, & Osmond, 2011). Second, as suggested by the previous researcher, innovation is important to an organization because it helps an organization to be more strategic and openness to new ideas (Grissemann, Plank, & Brunner-Sperdin, 2013). Third, although some hotel innovation researches has studied in other parts of the world ( Chen, 2011; Grissemann et al., 2013; Hjalager, 2010; Jiménez-jiménez & Sanz-valle, 2011), it has scarcity research founded in the Malaysian hospitality industry. Taking the Spain hospitality industry as an example of Spain hotels, Vila, Enz, and Costa (2012) who take an indepth look into the interplay of hotel innovation, and performance. Hence, this study will elaborate on the findings, is set in a broader context of Malaysian hotels. Therefore, the Malaysian hotel industry is chooses as a proper focus for this research on hotel innovation and employee job performance.

## **Research Framework and Hypotheses**

## Innovation

Generally, innovations involve creating new services, products, processes or ideas. Joseph (1994) who is the first defined innovation as the introduction of new goods, new methods of production, the opening of new markets, conquest of new sources of supply and carrying out the new organization of any industry. Then, Damanpour, Walker, and Avellaneda (2009), were defined innovation as new to the adopting firm which includes recombining old ideas or borrowing ideas from other hoteliers. Existing ideas with a new presentation to different settings and customer groups also referred as innovations (Vila et al., 2012). An organization without innovation is difficult to make a profit and survive for a long time (Joseph, 1994). This is because innovation is the key for business prosperity, survival and opportunities to success (Chen, 2011; Tseng, 2015).

The growths of the hospitality industry in this 21st century are extremely faster and essential. Lodging and tourism services are significant to the hospitality industry because it is

a most basic requirement for each tourist (Orfila-Sintes, Crespí-Cladera, & Martínez-Ros, 2005). Chen (2011) added the increasing competitive pressures and challenging economic times; the hotel industry has embarked since 2004 on a course of innovation in response to the changing competitive landscape. Organizations need to have an innovative culture and must respond to customer needs because restaurants, accommodation, entertainment and transportation businesses, faces an increasing competition and requires a distinct measurement of their services. However, according to Monica-Hu, Horng and Christine-Sun (2009) there has been little research into the relationship between country, culture and performance in the hotel industry (Tajeddini & Trueman, 2012).

Vila et al. (2012) were found based on the survey of major hotel chains in Spain that more innovations have been seen in urban settings than in holiday destinations, especially in the underdeveloped luxury segment, but innovations have also flourished in the limited-service segment because midmarket hotels made efforts to innovate, increasing competition and differentiation. In addition, some hotels focus on introducing new products while others focus on improving customer services to achieve the competitive advantage (Hussain, Konar, & Ali, 2016). Previously, Jeong and Oh (1998) proposed that, in order to satisfy the consumers, the organizations should conduct quality development through new services and modifications of old services. Majority of past research, focus on innovation research in manufacturing firms (Monica-Hu et al., 2009; Yam, Lo, Tang & Lau, 2010; Lau, Yam & Tang, 2010) whereas a slight concern has been given to the service industry. Researchers constantly focus on quality services to the customers rather than innovation study (Parnian, Hosseini, & Shwu 2013).

Later, a few studies have discussed in the implication of service innovation performance in the hospitality and tourism sectors from the perspective of knowledge sharing and team-culture (Kim & Lee, 2006; Wang & Yang, 2007; Karlsen & Gottschalk, 2004; Cheng & Chen, 2013; Monica Hu et al., 2009). Although these studies have addressed different issues in different contexts, no relevant studies have been found in the Malaysian context addressing the assessment of innovation towards employee job performance in hotels. Therefore, this research integrates innovation and employee job performance to facilitate understanding between these two variables. According to Hussain et al. (2016) the relationship between innovation performance and knowledge sharing in the hotel services and how team-culture can stimulate the ability of service innovation performance.

Four types of innovation were adapted from Vila et al. (2012) are product innovation, process innovation, knowledge of the market and management innovation. Product innovation includes products, services and attributes. Process innovation includes the operational processes. Knowledge of the market consists of distribution channels, web-based communication, customer loyalty, information sharing and marketing innovations. Management innovation involves restructuring the organisation, policies, non-operational processes and informal beliefs (Vila et al., 2012).

## Employee Job Performance

Job performance definition is arguably among the educators, businesses, the government and society. Generally, according to Rotundo and Rotman (2002), job

performance means focuses on the behaviours or actions of individuals, not the results or outcomes of these actions and behaviours. Murphy (1989) job performance defined job performance as behaviours rather than results. Murphy defines performance as behaviours that are related to the goals of the organisation includes greeting customers, answering customer's inquiries, demonstrating knowledge of the organisation's policy and procedures. While results-based measures are not always functional to the organisation because employees may compromise specific behaviour likes being polite to the customer in order to maximise the sales (e.g. forcing products on customers (Rotundo & Rotman, 2002).

Previous researcher also defines performance as those actions or behaviours under the control of the individual, that contribute to the organisation's goals, and that can be measured according to the individual's level of proficiency (Rotundo & Rotman, 2002). Koopmans, Bernaards, Hildebrandt, de Vet, and van der Beek (2014) defined individual work performance as "behaviours or actions that are relevant to the goals of the organisation," it is an important outcome in multiple research fields, as well as in practice. Previously, researcher strongly recommends that performance is defined regarding behaviours that are under the control of the individuals and that contribute to the goals of the organisation (Campbell, 1990; Murphy, 1989; Smith, 1976). Besides that, productivity is also mentions as another term that is frequently confused with job performance. Productivity has been defined as the ratio of outputs relative to inputs into some production process (Mahoney, 1988). Outputs mean the number of units produced, the quality of the units produced, or the number of units sold, while inputs include raw materials, time, or effort Rotundo & Rotman (2002). As a sum, all the definition is consistent with the others because the features are the focus on behaviours, not the results and that behaviour contributes to the goal of the organisation.

Employee job performance in this research is dividing into three criteria which are interpersonal performance, task performance and work engagement. Interpersonal performance means individual behaviours that support the organisational, social, and psychological environment in which the technical core must function or behaviours that go beyond the formally prescribed work goals, such as taking on extra tasks, showing initiative or coaching newcomers on the job (Koopmans et al., 2011). Task performance defined as the competency with which one performs central job tasks or behaviours that directly or indirectly contribute to the organisation's technical core such as work quantity, work quality and job knowledge (Koopmans et al., 2011). Work engagement means to engage at work with the degree of physical, cognitive, and emotional involvement in an action role, how much a worker puts into a job and work interactions, and the personal connections with work and coworkers (Lee & Ok, 2015).

## Innovation and Employee Job Performance

Over the past few years, researchers attempted to examine the relationship between various constituents of innovation and different aspect of performance. For example, Sethi and Nicholson (2001) previously believed the drivers of excellent performance comes from employees who enthusiastically want to develop new products for the business's improvement. Vila et al. (2012) examined the innovation practices of the hotel managers such as creating and applying new ideas that have values are not an easy task, especially in the

hotel industry because the competitors tend to duplicate any innovation created. Thus, customers always have a chance to change their choice to the competitor that has the latest innovation and give customers new experiences. Scholar also believes hotels must improve the internal staff quality and adjusting the external operation strategies when facing a competitive environment (Chen, 2013).

Therefore, Chen (2011) mentioned that proactive employees produce a good working behaviour and encourage the working environment rather than merely accepting present job procedures. An excellent service influences a tourist's decision to return to the hotel. Previous studies of product innovation have frequently stressed the proactive individuals who participate in organisational improvement projects and perform charged behaviour have novel and useful ideas and thoughts that foster excellent, innovative performance (Chen, 2013). According to Chen (2011), innovative culture happens when the employees like to propose and adopt new and improved ideas to satisfy customer needs. For example, the employees have the ability to identify goals and objectives, able to make decision-making, propose new ideas, have a clear task orientation and ability to express and support new or improved work methods. Chiang and Hsieh (2012) also have found a positive relationship between the employees' consciousness of organisational culture and supportive behaviour towards the organisation's regulations.

Kuo, Chang, Chen, and Hsu (2012) also demonstrated that hotel service personnel act as a channel between hotel guests and the hotel itself. They provide customised high quality service and are multifunctional hotel professionals, such as concierge, front office, waiters and waitress, laundry and housekeeping services, which is conducive to improving the refinement of the hotel's services and its attractiveness to hotel guests. This is because, according to organisation theory, culture value system of a person can affect one's attitudes and behaviours, and the success and failure in the service delivery of a hotel largely depend on the attitudes and behaviours of contact employees (Tsang, 2011). Additionally, Chen (2011) mentioned new product development happened when employees changed the behaviour. Changed behaviour means the degree of employees are encouraged to have innovative thinking, satisfaction, commitment, openness to new ideas and cooperation. Chen (2013) supported that internal service quality is related to employee behaviour and is an important requirement for the enterprise's overall performance. Chen (2011) who studied the Taiwanese hotel industry found that hotels with innovative organisational cultures encourage employees to pursue innovative, challenging, cooperative and supportive behaviours. This is because; proactive individuals who identify improvement opportunities exhibit working behaviours and enthusiastically drive the development of superior service. Moreover, research finds that the internal service quality, indicating that hotel management creates a clear understanding of the mission and vision. Encourage employees able develop innovative ideas and helpful behaviours toward the overall hotels interest (Chen, 2013). Thus, the hypotheses develop to which innovation generate better employee job performance.

 $H_1$ : There is a relationship between product innovation and employee job performance  $H_2$ : There is a relationship between process innovation and employee job performance  $H_3$ : There is a relationship between management innovation and employee job performance

H<sub>4</sub>: There is a relationship between market innovation and employee job performance

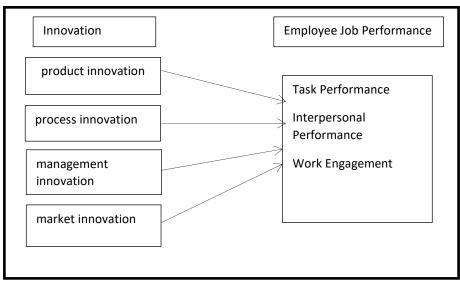


Figure 1: Conceptual Model Source: Adapted from Koopmans et al. (2014) & Vila et al. (2012)

## **Research Method**

## Data Collection and Sample

The data was collected from four and five star-rating hotels in Selangor, Wilayah Persekutuan Kuala Lumpur and Wilayah Persekutuan Putrajaya to test the hypotheses. In order to keep the sample selection process as systematic as possible, probability sampling method was utilised. Letter of the invitation was e-mailed to the Human Resource department of each hotel and follow-up with phone calls for confirmation of participation. Responded hotels will receive an online questionnaire and should return the questionnaire within the time given.

The questionnaire was divided into three sections: section A regarding the product innovation and section B regarding the process innovation, section C regarding management innovation and section C about the market innovation. Section D is regarding the demographic profile. Respondents were then asked to rate their innovation activities and knowledge and the employee job performance from 1 (strongly disagree) to 7 (strongly agree). The last part comprised questions about respondents' profiles include the gender, age, level of education, position in the food and beverage department, working experiences in the hotel, department or outlet responsible for, type of hotel and number of employees in their department.

The most common way to measure job performance is a supervisor or manager's rating of an employee's job performance. Research has shown that supervisors incorporate a great deal of information in these ratings. Performance measurement systems typically focus on the supervisor or manager as the rater (Rotundo & Rotman, 2002). Therefore, the questionnaire was asked to only the food and beverage manager, food and beverage assistant manager and supervisory level to complete the questionnaire. 156 questionnaires were sent out, 140 completed questionnaires were returned to the researcher. Of the 140 responses, there were twenty (20) unusable questionnaires, resulting in a final sample size of 120. The response rate for this study is 77%. Only four and five-star-rating hotels in Selangor, Wilayah

Persekutuan Kuala Lumpur and Wilayah Persekutuan Putrajaya were chosen because of its geographical area in the main central business district of Kuala Lumpur, the capital city of Malaysia.

#### Measures

All items used in the study were taken from valid scales in the literature. Six items based on (Nasution, Mavondo, Matanda, & Ndubisi, 2011; Vila et al., 2012) were used to measure the product innovation in innovation. In order to measure the innovation in the food and beverage department in hotels, questionnaires were asked whether any product innovation had been implemented in the department. Six items were used for process innovation questions from (Nasution et al., 2011; Vila et al., 2012). Five items from Vila et al. (2012) to measure the management innovation. Market innovation was measured utilising five items based on (Vila et al., 2012). Novelli, Schmitz, and Spencer (2006) were used as a guide in developing the questionnaires of innovation dimensions. These measures were mostly sourced from previous studies with some modification made following pre-tests. For each area, the respondents could rate their innovation on a seven-point Likert scale from 1 (strongly disagree) to 7 (strongly agree). For employee job performance, 15 items for task performance, interpersonal performance and work engagement were adapted from (Koopmans et al., 2011, 2014; Lee & Ok, 2015).

## Results and Data Analysis Measurement Model

In order to conduct the analysis, Smart PLS Version 3.0. Software was used. The measurement model in this study was evaluated by convergent validity and discriminant validity. According to Hair, Sarstedt, Hopkins, and Kuppelwieser (2014), the convergent validity was assessed based on factor loading, composite reliability (CR) and average variance extracted (AVE). Table 1 provides information about the factor loading, average variance extracted (AVE) and composite reliability (CR) of all innovation and employee job performance dimensions. Eleven items were dropped due to the value fall below the cut-off points (loading = 0.70). This procedure resulted from loadings in satisfactory values for other respective innovation and employee job performance construct. All the values surpass the recommended threshold value of 0.50 (AVE), varied from 0.558 to 0.906 as suggested by (Bagozzi, Yi, & Phillips, 1991). It is indicating that the latent variable explains more than half of its indicator's variance. Table 1 also indicates that composite reliability (CR) is fulfilled because the CR values exceed the recommended threshold of 0.70. To sum up, all the items and constructs used in the model show excellent reliability and validity and thus are acceptable for further analysis. Table 1 showed the summary of convergent validity.

The discriminant validity was established by using Fornell and Larcker criteria (1981). The square root of the AVE should be higher than the highest correlation of any constructs (Hair et al., 2014). Table 2 shows that all square roots of AVE exceeded the off-diagonal elements in their corresponding row and column. The bolded elements in Table 2 represent the square roots of the AVE, and non-bolded values represent the inter-correlation value between constructs. Based on Table 2, all off-diagonal elements are lower than square roots of AVE. Hence, the result confirmed that the Fornell and Larcker's criterion is met.

#### Table 1

The summarised result of Convergent Validity

Latent Variables	Indicator	Loading	Average Variance		
			Extractor (AVE)	Reliability (CR)	
Product Innovation	PI1	0.898	0.778	0.875	
	PI2	0.866			
	PI3	0.644			
	PI4	0.441			
	PI5	0.611			
	PI6	0.423			
Process Innovation	PROI1	0.646	0.657	0.851	
	PROI2	0.777			
	PROI3	0.334			
	PROI4	0.575			
	PROI5	0.865			
Management Innovation	MGI1	0.839	0.654	0.883	
	MGI2	0.853			
	MGI3	0.811			
	MGI4	0.656			
	MGI5	0.727			
Market Innovation	MKI1	0.774	0.558	0.834	
	MKI2	0.735			
	MKI3	0.764			
	MKI4	0.627			
	MKI5	0.714			
Task Performance	TP1	0.835	0.658	0.885	
	TP2	0.773			
	TP3	0.834			
	TP4	0.803			
	TP5	0.685			
Interpersonal	IP1	0.441	0.603	0.883	
Performance					
	IP2	0.702			
	IP3	0.767			
	IP4	0.858			
	IP5	0.748			
Work Engagement	WE1	0.851	0.906	0.708	
	WE2	0.843			
	WE3	0.906			
	WE4	0.758			

	IP	MGI	ΜΚΙ	PI	PROI	ТР	WE
IP	0.776						
MGI	0.356	0.809					
ΜΚΙ	0.489	0.594	0.747				
PI	0.437	0.270	0.473	0.882			
PROI	0.401	0.402	0.522	0.388	0.810		
ТР	0.528	0.508	0.521	0.400	0.497	0.811	
WE	0.631	0.516	0.579	0.284	0.495	0.552	0.84

Table 2

Summary	0	f Discriminant	Validit	y using	Fornell	and l	Larker's	(1981	) Technig	que
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The second assessment of discriminant validity is to examine the indicators' loadings to all construct correlations. Table 3 shows the output of cross loading between constructs and indicators. Table 3 also shows that all measurement items loaded higher against their respective intended latent variable compared to other variables. The table also demonstrated that the loading of each block is higher than any other block in the same rows and columns. The loading separates each latent variable as theorised in the conceptual model. Thus, the cross loading output confirmed that the second assessments of the measurement model's discriminant validity are satisfied. As a result, this concludes that the measurement model has established its discriminant validity.

Summarized	the cross lo	ading result	t				
	PI	PROI	MGI	MKI	IP	TP	WE
PI1	0.898	0.346	0.324	0.402	0.491	0.353	0.315
PI2	0.865	0.338	0.142	0.435	0.267	0.353	0.178
PROI2	0.320	0.777	0.399	0.351	0.440	0.523	0.576
PROI5	0.365	0.864	0.338	0.555	0.289	0.409	0.404
PROI6	0.241	0.788	0.227	0.335	0.242	0.256	0.195
MGI1	0.238	0.347	0.838	0.497	0.148	0.429	0.415
MGI2	0.246	0.304	0.852	0.400	0.240	0.425	0.440
MGI3	0.316	0.400	0.811	0.540	0.432	0.402	0.393
MGI5	0.039	0.230	0.727	0.479	0.331	0.388	0.429
MKI1	0.440	0.542	0.561	0.774	0.4000	0.584	0.519
MKI2	0.334	0.280	0.460	0.735	0.198	0.177	0.512
MKI3	0.291	0.267	0.402	0.763	0.369	0.297	0.307
MKI5	0.325	0.428	0.317	0.713	0.317	0.448	0.366
IP2	0.468	0.377	0.247	0.409	0.701	0.455	0.494
IP3	0.292	0.177	0.103	0.241	0.766	0.279	0.252
IP4	0.408	0.450	0.322	0.431	0.858	0.442	0.592
IP5	0.173	0.305	0.281	0.308	0.747	0.360	0.388
IP6	0.328	0.218	0.376	0.457	0.798	0.473	0.632
TP1	0.470	0.527	0.519	0.438	0.462	0.834	0.505
TP2	0.229	0.397	0.439	0.405	0.351	0.772	0.453

#### Table 3 Summarized the cross loading result

ТРЗ	0.258	0.271	0.372	0.349	0.462	0.834	0.389
TP4	0.323	0.407	0.313	0.448	0.433	0.802	0.441
WE1	0.281	0.423	0.430	0.392	0.524	0.457	0.851
WE2	0.115	0.376	0.383	0.470	0.525	0.257	0.843
WE3	0.340	0.497	0.459	0.598	0.631	0.592	0.906
WE4	0.190	0.353	0.463	0.474	0.423	0.520	0.758

## Structural Model

Table 4 reports the path coefficients of the initial model. The result indicates that employee job performance is positively influenced by product innovation ( $H_1$ ), process innovation ( $H_2$ ), management innovation ( $H_3$ ) and market innovation ( $H_4$ ). Finally, the variance is explained by the coefficient of determination ( $R_2$ ). The results show a weak condition for product innovation that explains 38.5%, moderate condition of process innovation that explains 54.3%, 63.8% variance in management innovation, and substantial variance in market innovation that explains 75.9%, all exceeding 10% (Falk & Miller, 1992).

## Table 4

Summarized of hypotheses results

	Relationships	Path	T Statistics	Р	Hypothesis
		Coefficient		Values	
H <sub>1</sub>	Product Innovation ->	0.114	1.363	0.173	Supported
	Employee Performance				
$H_2$	Process Innovation ->	0.297	3.996	0.000	Supported
	Employee Performance				
H <sub>3</sub>	Management Innovation ->	0.186	2.298	0.021	Supported
	Employee Performance				
$H_4$	Market Innovation ->	0.234	2.361	0.018	Supported
	Employee Performance				

## Conclusion

The aims of this study are to investigate the direct relations of innovation and employee job performance. There are significant relationships between the innovation and employee job performance because the values of path coefficient is more than value 0f +1 (Hair et al., 2014). The worthwhile contributions to theory and practice from this study are the hotel managers may apply the innovation culture such as the employees use latest product concept when taking orders from customers, use updated machinery and utensils to provide superior customer service. The theoretical impact offers the academician and decision makers a knowledge and awareness regarding the importance of innovation to hotel employees in improving their services towards customers.

## Acknowledgement

The author would like to thank Kementerian Pendidikan Malaysia and Universiti Tun Hussein Onn Malaysia for their support of scholarship and Universiti Teknologi MARA as institutions of study.

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