

**THE INFLUENCE OF HUMAN PRACTICES,
DIGITAL INTENSITY AND INNOVATION ON
SERVICE RECOVERY PERFORMANCE IN
MALAYSIAN HOTELS**

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DIGITAL INTENSITY AND INNOVATION ON
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MALAYSIAN HOTELS**

by

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS.....	iii
LIST OF TABLES	ix
LIST OF FIGURES.....	xi
LIST OF SYMBOLS	xii
LIST OF ABBREVIATIONS.....	xiii
LIST OF APPENDICES	xiv
ABSTRAK	xv
ABSTRACT	xvii
CHAPTER 1 INTRODUCTION	1
1.1 Introduction.....	1
1.2 Background of the Study	1
1.2.1 Hotel Industry in Malaysia	4
1.2.2 The need for Service Recovery in Hotels	7
1.3 Service Recovery Performance	9
1.3.1 Factors that can influences Service Recovery Performance in this study	11
1.4 Problem Statement.....	14
1.5 Research Objectives	18
1.6 Research Questions	19
1.7 Significance of the Study.....	19
1.7.1 Theoretical Significance.....	19
1.7.2 Practical Significance.....	21
1.8 Scope of the Study.....	22
1.9 Definition of Key Terms	23

1.9.1	Human Practices	23
	1.9.1(a) Leadership	23
	1.9.1(b) Knowledge Management	23
	1.9.1(c) People Management	23
	1.9.1(d) Creativity Management	23
1.9.2	Digital Intensity	24
1.9.3	Service Innovation.....	24
1.9.4	Service Recovery Performance	24
1.9.5	Innovative Culture	24
1.10	Organization of Chapters.....	24
CHAPTER 2 LITERATURE REVIEW.....		26
2.1	Introduction.....	26
2.2	Service Performance.....	26
2.3	Service Recovery Performance	30
	2.3.1 Service Recovery Performance in Malaysia	35
2.4	Human Practices.....	39
	2.4.1 Leadership	40
	2.4.2 Knowledge Management	41
	2.4.3 People Management	43
	2.4.4 Creativity Management.....	44
2.5	Digital Intensity	45
2.6	Service Innovation	47
2.7	Innovative Culture.....	49
2.8	Literature Gaps.....	51
2.9	Theoretical Perspective	52
	2.9.1 Resource-Based View Theory (RBV) – Underpinning Theory	52
	2.9.2 Theory of Business Model Innovation – Supporting Theory	54
2.10	Research Framework.....	56

2.11	Hypothesis Development.....	58
2.11.1	Human Practices and Service Innovation.....	59
2.11.2	Digital Intensity and service Innovation.....	64
2.11.3	Service Innovation and Service Recovery Performance	65
2.11.4	Mediating Role of Service Innovation in the Relationships between Human Practices (Leadership, Knowledge Management, People Management and Creativity Management) and Service Recovery Performance	66
2.11.5	Mediating Role of Service Innovation in the Relationship between Digital Intensity and Service Recovery Performance	70
2.11.6	Moderating Role of Innovative Culture on the Relationship between Service Innovation and Service Recovery Performance.....	71
2.12	List of Hypotheses	72
2.13	Summary	73
CHAPTER 3 METHODOLOGY		74
3.1	Introduction.....	74
3.2	Research Paradigm	74
3.3	Research Design	75
3.4	Population	77
3.5	Sampling Technique	77
3.6	Sample Size.....	78
3.7	Unit of Analysis	80
3.8	Questionnaire Design	80
3.9	Operationalization of Constructs.....	81
3.10	Measurement of Constructs	82
3.10.1	Human Practices	82
3.10.2	Digital Intensity	84
3.10.3	Service Innovation.....	84
3.10.4	Innovative Culture	85

3.10.5	Service Recovery Performance	85
3.11	Pre-Test Procedures.....	86
3.11.1	Expert Opinion	86
3.11.2	Pilot Test	93
3.12	Data Collection Procedures	94
3.13	Statistical Technique and Data Analysis	96
3.13.1	Statistical Package for Social Science (SPSS)	96
3.13.2	Partial Least Square Structural Equation (PLS-SEM)	96
3.14	Approaches for Structural Equation Modelling	97
3.15	Justification for using PLS-SEM in the current Study.....	99
3.15.1	Assessment of Measurement Model.....	100
3.15.1(a)	Convergent Validity	102
3.15.1(b)	Discriminant Validity.....	103
3.16	Assessment of Structural Model	104
3.17	Summary.....	106
CHAPTER 4	DATA ANALYSIS AND RESULTS.....	107
4.1	Introduction.....	107
4.2	Preliminary Analysis	107
4.2.1	Missing Values	107
4.2.2	Outliers.....	108
4.2.3	Normality	108
4.3	Response Rate and Respondents' Profiles	109
4.4	Common Method Variance	110
4.5	Mean and Standard Deviation scores for each construct.....	111
4.6	Assessment of Measurement Model	111
4.6.1	Construct Validity	112
4.6.1(a)	Convergent Validity	112
4.6.1(b)	Discriminant Validity... ..	113

4.7	Assessment of Structural Model.....	116
4.7.1	Multicollinearity Analysis.....	117
4.7.2	Path Coefficients and Hypothesis Testing.....	118
4.7.2(a)	Hypothesis Testing for Direct Relationships.....	119
4.7.2(b)	Hypothesis Testing for Mediating Effects.....	121
4.7.2(c)	Hypothesis Testing for Moderating Effect.....	125
4.7.3	Coefficient of Determination (R^2)	126
4.7.4	Effect Size (f^2).....	127
4.8	Summary.....	130
CHAPTER 5 DISCUSSION AND CONCLUSION		132
5.1	Introduction.....	132
5.2	Recapitulation of the Findings	132
5.3	Discussion of Findings on Direct Relationships.....	134
5.3.1	Human Practices and Service Innovation.....	134
5.3.1(a)	Leadership and Service Innovation	134
5.3.1(b)	People Management and Service Innovation	136
5.3.1(c)	Knowledge Management and Service Innovation	138
5.3.1(d)	Creativity Management and Service Innovation.....	140
5.3.2	Digital Intensity and Service Innovation	142
5.3.3	Service Innovation and Service Recovery Performance	144
5.4	Discussion of Findings on Mediating Effects	146
5.4.1	Mediating Role of Service Innovation in the Relationships between Human Practices and Service Recovery Performance....	146
5.4.1(a)	Mediating Role of Service Innovation in the Relationships between Leadership and Service Recovery Performance	147
5.4.1(b)	Mediating Role of Service Innovation in the Relationship between Knowledge Management and Service Recovery Performance	148
5.4.1(c)	Mediating Role of Service Innovation in the	

	Relationship between People Management and Service Recovery Performance	149
5.4.1(d)	Mediating Role of Service Innovation in the Relationship between Creativity Management and Service Recovery Performance	150
5.4.2	Mediating Role of Service Innovation in the Relationship between Digital Intensity and Service Recovery Performance	151
5.5	Discussion of Findings on Moderating Effect	152
5.5.1	Moderating Role of Innovative Culture in the Relationship between Service Innovation and Service Recovery Performance such that the relationship is stronger with innovative culture	152
5.6	Implication of the Study	154
5.6.1	Theoretical Implications.....	154
5.6.2	Practical Implications.....	156
5.7	Limitations and Future Research Suggestions	158
5.8	Conclusions.....	160
	REFERENCES	162
	APPENDICES	
	LIST OF PUBLICATIONS	

LIST OF TABLES

	Page
Table 1.1 Number of Hotels in Malaysia Based on Star-Rating.....	5
Table 2.1 Summary of the Antecedents of Service Recovery Performance	33
Table 2.2 Summary of Service Recovery Performance Studies in Malaysia	37
Table 3.1 Measurement of Items, Scales and Sources.....	82
Table 3.2 Measurement of Human Practices	83
Table 3.3 Measurement of Digital Intensity	84
Table 3.4 Measurement of Service Innovation	85
Table 3.5 Measurement of Innovative Culture	85
Table 3.6 Measurement of Service Recovery Performance.....	86
Table 3.7 Amendments in the questionnaire after pre-test with experts	88
Table 3.8 Construct reliability of pilot test	94
Table 4.1 Response Rate	110
Table 4.2 Managers' Profiles (<i>N</i> =141)	110
Table 4.3 Mean and Standard Deviation Scores of the Latent Variables	111
Table 4.4 Outer Loadings, Composite Reliability (CR) and Average Variance Extracted (AVE).....	115
Table 4.5 Assessment of Discriminant Validity Using Fornell- Larcker	116
Table 4.6 Assessment of Discriminant Validity Using HTMT.....	116
Table 4.7 Summary of Path Coefficients and Hypothesis Testing of Direct Relationships	121
Table 4.8 Summary of Path Coefficients and Hypothesis Testing of Mediating Effects	124
Table 4.9 Summary of Path Coefficients and Hypothesis Testing of Moderating Effect.....	126

Table 4.10	Coefficient of Determination (R^2).....	127
Table 4.11	Assessment of Effect Sizes (f^2)	128
Table 4.12	Summary of Research Hypotheses	131

LIST OF FIGURES

	Page
Figure 1.1 Occupancy rate of rooms in Malaysian hotels	6
Figure 2.1 Research Framework	57
Figure 3.1 Sample size using G*Power	79
Figure 3.2 Data Collection Procedure	95
Figure 4.1 Structural model	129
Figure 4.2 Interaction analysis	130

LIST OF SYMBOLS

f^2	Effect size
R^2	Coefficient of determination
%	Percentage

LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
CR	Composite reliability
CB-SEM	Covariance Based Structural Equation Modeling
CMV	Common Method Variance
GDP	Gross Domestic Product
HTMT	Heterotrait-Monotrait
PLS	Partial Least Squares
SEM	Structural Equation Modeling
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor
RBV	Resource Based View
BMI	Business Model Innovation

LIST OF APPENDICES

Appendix A	Questionnaire
Appendix B	Results of descriptive analysis
Appendix C	List of three-star hotels in Malaysia

**PENGARUH AMALAN SUMBER MANUSIA, KEAMATAN DIGITAL
DAN INOVASI TERHADAP PRESTASI PEMULIHAN PERKHIDMATAN
PERHOTELAN DI MALAYSIA**

ABSTRAK

Prestasi pemulihan perkhidmatan merupakan asas penting dalam memastikan firma-firma perhotelan mampu mencapai kejayaan jangka panjang. Meskipun begitu, penyelidikan empirikal mengenai potensi prestasi pemulihan perkhidmatan hanya menerima sedikit perhatian dalam penyelidikan bidang perhotelan. Berdasarkan teori *Resource Based View* (RBV) dan teori *Business Model Innovation* (BMI), kajian ini menguji model konseptual yang mengkaji peranan pengantaraan inovasi perkhidmatan dalam hubungan antara pelbagai aspek amalan sumber manusia dan keamatan digital terhadap prestasi pemulihan perkhidmatan dalam industri perhotelan di Malaysia. Kajian ini juga mengiktiraf kepentingan budaya inovatif sebagai syarat sempadan antara inovasi perkhidmatan dengan prestasi pemulihan perkhidmatan. Dalam kajian ini, reka bentuk penyelidikan keratan rentas dengan kaedah pensampelan bertujuan digunakan untuk mengumpul data daripada 141 pengurus operasi di hotel-hotel tiga bintang di Malaysia. Pemodelan *Partial Least Structural Equation* (PLS-SEM) digunakan untuk menganalisis data. Penemuan menunjukkan bahawa tiga aspek amalan sumber manusia iaitu kepimpinan, pengurusan manusia dan pengurusan kreativiti serta keamatan digital merupakan peramal penting inovasi perkhidmatan. Keputusan juga menunjukkan inovasi perkhidmatan memberikan kesan pengantaraan yang ketara terhadap hubungan antara faktor-faktor ini dengan prestasi pemulihan perkhidmatan. Selain itu, hubungan antara inovasi perkhidmatan dengan prestasi pemulihan perkhidmatan diperkukuh dengan wujudnya budaya inovatif. Kajian ini

mempunyai implikasi penting kerana prestasi pemulihan perkhidmatan mampu mendukung perubahan mampan dan membantu firma-firma perhotelan mencapai prestasi unggul dengan memenuhi jangkaan pelanggan.

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ABSTRACT

Service Recovery Performance forms an essential basis for obtaining long term success for hotel firms. Nonetheless, empirical research on this potential service recovery performance has received limited attention in hotel research. Drawing from Resource Base View (RBV) theory and Business Model Innovation (BMI) theory, this study tests a conceptual model that examines the mediating role of Service Innovation between Digital Intensity and different aspects of Human Practices on Service Recovery Performance within the hotel industry of Malaysia. This study also recognizes the importance of Innovative Culture as the boundary condition between Service Innovation and Service Recovery Performance. In this study, a cross sectional research design with purposive sampling was used to collect data from 141 operation managers in three-star hotels of Malaysia. Partial Least Structural modelling (PLS-SEM) was used to analyze the data. The findings reported that Digital Intensity and three aspects of human practices such as Leadership, People Management and Creativity Management were important predictors of Service Innovation. Results also reported positive and significant mediating effect of service innovation between these factors and service recovery performance. Furthermore, the relationship between service innovation and service recovery performance was strengthened with the existence of innovative culture. The implications of this study are of importance, as service recovery performance is a force for sustainable change and a means to make hotel firms gain superior performance by meeting customer's expectations.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, a general summary of this study is provided, particularly the background of the study, followed by the Malaysian hotel industry, a problem statement that highlights the issues related to service recovery, and the research objectives and questions. Subsequently, the significance of the current study is discussed, which includes its theoretical and practical significance. Finally, this chapter ends with the definition of terms pertinent to this study.

1.2 Background of the Study

After the industrial and commodities sectors, tourism is Malaysia's third-largest contribution to GDP. In 2019, the sector generated around 15.9 percent of total GDP. The success of tourism businesses has a direct impact on the wealth of a country, as these businesses assist in people's employment and aid the economy of the country. Similarly, in the hotel context, hotels play a pivotal role in producing quality services to run their organizations and elevate the development of the country. Therefore, in order to produce quality services, hotels need to make improvements and avoid service failure ((MIDA), 2023).

The Malay Peninsular and the island of Borneo are both regions of Malaysia, which is a southern Asian nation that is counted world's 43rd most popular country with a population of over 32 million (Malaysia, 2021). At the tourism level, the hotel industry has become one of the largest contributors to the economies of Malaysia (MIDA, 2021), and there are 1,262 hotels in Malaysia (MOTAC, 2021). While quality services are needed to run these hotels, the last few years have been most challenging for Malaysian

hotels, especially hotel occupancy has fallen across the country (Refer to Figure 1.1) as a result of tough competition from homestays and other accommodations. As such, service failures of hotels result in a negative impact on their performance. fierce competition from homestays and other accommodations has caused a decline in the occupancy of hotels across the country.

In this competitive era, consumers have more options, and they expect not only high-quality products or services, but also outstanding customer service. Thus, hotels are facing service recovery issues. (Breier et al., 2021). Businesses frequently attempt

to distinguish themselves from their competitors in a highly competitive market.

Maintaining a favourable brand image and customer happiness becomes more dependent on service recovery. Companies that thrive at service recovery may acquire

a competitive advantage over those who fail to successfully resolve consumer

complaints. Service recovery performance refers to actions taken by manager or employees in dealing with service failures or service-related issues (Hewagama, Boxall, Cheung, & Hutchison, 2019), and it has been shown to exert positive impacts on an

organization. For instance, these positive impacts include customer loyalty and satisfaction, customer purchase intention, and positive word of mouth (Luo, Guchait, Lee, & Madera, 2019). Customer expectations tend to rise in a competitive environment.

Previously, most researchers have studied selected factors of organization management that influence service recovery performance, for instance, social and

human factors. However, in today's digital age, service firms need to integrate digital

and innovation into service recovery strategies. Global reach is facilitated by digitalization, allowing firms to expand their markets beyond geographical limits. For example, e-commerce platforms and internet marketing can help businesses generate

more income and enhance their overall performance. Consequently, integrating digital into all aspects of the economy increases productivity and improves business processes (Msosa, 2021).

In addition to the various factors mentioned above, a positive link between service innovation and business performance in the hotel industry has also been documented in earlier research. For example, a study by Hameed, Nisar, and Wu (2021) found a positive relationship between service innovation and business performance in the Pakistani hotel industry. Furthermore, as proposed in a conceptual model presented by Breier et al. (2021), service innovations are important drivers of business performance in the Austria hotel industry. Thus, it can be deduced that organizations play an important role in ensuring the success of service recovery performance by practicing service innovation as resulted a positive outcome in many past studies.

In addition to service innovation, human practices also play an important role in ensuring service recovery performance. Human practices commonly occur in almost every industry throughout the world. Human practices have a positive association with the organizational performance (G. Anwar & Abdullah, 2021). Evidently, positive influences of human practices are likely to result in enhanced performance in the hotel industry (Tajeddini, Martin, & Altinay, 2020), which ultimately leads to the success of service recovery performance. As human practices are ubiquitous in practically every industry, therefore human factors towards service recovery performance fit be use in the hotel industry.

Drawing from the discussion and issue highlighted above, the present study aims to examine the importance of human practices and digital intensity toward the Malaysian hotel industry's service recovery performance. Thus, the mediating and

moderating roles of service innovation and innovative culture, respectively, will be investigated in this study.

121 Hotel Industry in Malaysia

Malaysia, which is a multiracial nation in Southeast Asia, has a population of more than 32 million with different ethnicities; about half the population is Malay, with smaller populations of Indians and Chinese, including Indigenous peoples. As the world's 43rd most populated nation, Malaysia consists of thirteen states and three federal territories which encompass Peninsular Malaysia and East Malaysia, namely two regions that are separated by the South China Sea (Malaysia, 2021).

For over five decades after independence, Malaysia's GDP has expanded at a 6.5% average per annum and the Malaysian economy has been expedited by tourism, manufacturing, and commodities. For instance, the expenditure of 26.1 million tourists who visited Malaysia in 2019 strengthened the country's economy, generating RM86.1 billion in tourist receipts with accommodation, food and beverages, and retail being the top three categories (Tourism, 2020). While the tourism industry manages tourist travel and the like, the hotel industry arranges other services such as accommodations; thus, both domestic and international tourism is dependent on the hotel industry (Ravishankar & Christopher, 2020). As such, one of the top service sectors and a crucial driver of Malaysia's economic growth is the hotel industry.

Currently, there are 1,262 hotels operating in the country as accredited by the Ministry of Tourism and Culture (MOTAC) Malaysia, which is the highest governing body of tourism in Malaysia. Table 1.1 shows the number of hotels operating throughout the country based on each star rating from 1 to 5. Evidently, among these hotels, 3-star hotels were the highest.

A one-star hotel offers simple rooms with a bathtub or shower and a toilet.

Furniture will be limited to the basic, bed, table, chair and wardrobe. A TV and Wi-Fi are included in the room. Every bathroom has a bath towel, soap, and washing gel per person. Lastly, one-star hotels provide daily cleaning for their guests. From two-stars onwards, the reception staff must be at least bilingual. There is also a breakfast buffet every morning and your room will be a bit more comfortable. For example, a reading light by the bed and larger storage space for clothes are mandatory. A bath towel and hand towel are also provided for each guest. Additional services are included at a three-star hotel. The reception must be open 24 hours. Upon request, your luggage will be brought to your room, there's a laundry service and more pillows are available if you like. The room comes with a suitcase rack, a bedside table, and more seating. It also has a telephone, a hairdryer, and a dressing mirror. Four-star hotels are required to provide an elevator for their guests, and the lobby is larger, cozier or flows right into a hotel bar. Your room will come with an armchair or a couch and a bedside table as well as a minibar. International channels are available on TV. In addition, you can order from the 24-hour drinks room service or a maxi-bar on the floor. Bathrobe and slippers are available upon request. Those who book a five-star hotel receive the highest level of comfort. Whether concierge and shuttle services, small welcome gifts in the room and a 24-hour room service for drinks and meals: In these establishments, all your wishes will be fulfilled (Star, 2022).

Table 1.1 Number of Hotels in Malaysia Based on Star-Rating

Star	Total
5-Star	269
4-Star	328
3-Star	338
2-Star	206
1-Star	121
	1262

According to the 2019 report by MOTAC, these hotels contributed 24% to the economy of the country. MOTAC Malaysia is the governing body responsible for maintaining the higher tourism system. The major increase in the number of hotels occurred from the year 2017 to 2019. However, despite the increase in the number of hotels (Statista, 2020), the service quality of hotels has not been checked. In fact, of the several influencing factors, the management of hotels has been shown to play a poor role in this regard. Although hotels need quality services, it has been challenging for hotels in Malaysia to retain quality services and this has resulted in an increasing number of complaints and negative feedback given by previous customers about service failures as well as according to UNWTO (2022) there was a decline in the occupancy rate of rooms in Malaysian hotels (Refer to Figure 1.1). Consequently, this will lead to a negative impact on hotel performance, which is supposed to aid in the country's economy. Service failures result in unsatisfied and fewer customers, which translates into lower sales and profits for businesses that eventually lead to the need for service recovery performance.

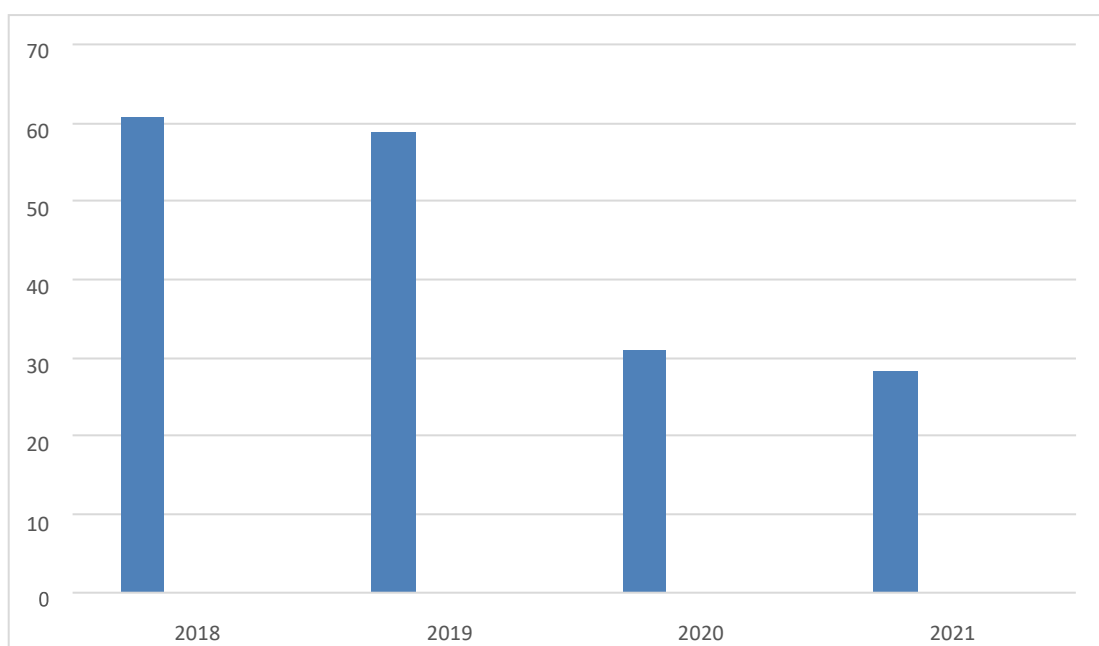


Figure 1.1 Occupancy rate of rooms in Malaysian hotels

122 The need for Service Recovery in Hotels

In keeping with the fierce competition and shifting consumer needs as well as technological advancement, hospitality scholars emphasize that service recovery performance remains the top priority for businesses to gain sustainable competitive advantage and survive in the long run (M. M. Al-Ababneh, 2022). Recently, hospitality scholars have accentuated the demanding role of service recovery performance as one of the novel topics in the current era and the heart of hotel firms (Shams, Rather, Rehman, & Lodhi, 2020). In hyper-competitive markets, customer satisfaction has become vital for businesses because of customer loyalty and profitability, and above all, business sustainability. Nevertheless, failures in the service delivery process are bound to happen in some instances due to internal and external factors, including human and non-human-related challenges. Hence, such failures cannot be avoided in the service delivery process, leading to customer dissatisfaction. To successfully meet the current needs and demands, the extent to which hotel firms provide recovery is essential. With the growing competition in the industry, service recovery performance also helps hotel firms improve their services and generate repeat visits with an improved level of customer satisfaction. Therefore, the lack of service recovery implementation to cater to the changing customer preferences and service failure may result in hotels losing their customers. These arguments are based on the basic premise that it is very demanding to maintain the level of service performance longer in hotel firms because there are no barriers that these service firms can use to prevent service failure. As a result, studies on service recovery performance in hotel firms are gaining significant attention from scholars worldwide. Against these backdrops, scholars have suggested that hotel firms encourage their manager to generate, promote, and

implement service recovery for the sake of meeting the expectations of customers and contributing significantly to service recovery performance in the hotel industry.

Manager play a fundamental role in promoting recovery in service firms. This argument is valid because the service industry is primarily dependent on the contribution of manager to service performance recovery (Yadav & Dhar, 2021). In this regard, since tourism and hospitality are labour-intensive industries, the probability of introducing service recovery is all dependent on the actions and ideas of the manager because they are the ones who can best provide information regarding their firms. Besides, manager also play an important role in identifying the need for service recovery performance by improving the current status of their services. Since they have knowledge and information about customer wants and needs, they can easily discern their problems and extend the solutions to these problems. Therefore, for hotel firms to successfully employ service recovery, the crucial length to which manager generate, promote, and implement novel and unique actions and ideas that could serve their customers' needs and wants through improved and new products and services is crucial. Thus, such generation, promotion, and implementation of ideas in the hotel industry essentially serve as the fundamentals of service recovery performance and also the focus of this study.

1.3 Service Recovery Performance

In the current study, service recovery performance refers to the actions taken by manager and employees in response to service failures or poor service quality (Hewagama et al., 2019). Service failures can be attributed to staff behaviour, core service deficiencies, customised service challenges, or unforeseen situation encountered during and/or after service delivery (Lewis & McCann, 2004). In particular, inefficient staff, delayed service, unavailable service, unpleasant staff, product problems, or improper billing may occur (Chua, Othman, Boo, Abkarim, & Ramachandran, 2010). Customer discontent, decreased customer confidence, poor WOM, customer defection, loss of revenue, increased expenditures, and/or falling employee morale and performance are all outcomes of service failures (Lewis and McCann, 2004). As a result, investigations that illuminate the causes of service failures are critical for those in the sector seeking to improve service standards and quality (Sann & Lai, 2020).

The remarkable actions of manager facilitate the recovery of firms by providing new or improved services. Examples of such service recovery from the manager would be subject to the generation, promotion, and implementation of ideas in the hotels, such as providing possible alternatives to give dissatisfied customers a sense of control. In this regard, manager should concentrate on achievable alternatives instead of indicating what customers cannot have. Similarly, the ideas to train communication skills to staff and highlight the particular needs of customers, especially when dealing with customer dissatisfaction and disappointing experiences, include the need to acknowledge and apologize for an unfavorable situation as well as provide support and options to make up for such a situation. Nonetheless, these are not limited to the generation and initiation of these unique ideas alone, but rather how the

manager makes an effort to share these ideas with their employees in an attempt to promote and later implement these ideas through improved and new products or services. As such, the tendency of manager to exhibit service recovery performance serves as an important catalyst for ensuring the satisfaction and loyalty of customers, in addition to enhancing the performance of hotel firms. As a result, boosting service recovery performance among manager in hotel firms becomes a requirement and an emerging key goal for this manager.

In the wake of the escalating competition among hotels in Malaysia, the Malaysian hotel industry encounters difficulty in increasing service recovery performance. However, manager who engage in service recovery in the hotel industry will be able to provide better performance and good service quality to customers with high demands. As a result, the manager can pursue actions that will make the customers' lives easier such as improved products and services, which will then elevate the hotels' competitive advantage over emerging hotels due to the high investment potential in the industry. Undeniably, fostering service recovery performance among manager would encourage service recovery in hotel firms in response to the changing customers' expectations amid the new developments in the Malaysian hotel industry. Therefore, recent scholars have called for more research investigating different factors in relation to the Malaysian hotel industry's service recovery performance.

Consequently, the present study aims to investigate the different aspects of human practices (i.e., Leadership, People Management, Knowledge Management, and Creativity Management) and Digital Intensity with regard to Service Recovery Performance via Service Innovation as a mediating mechanism. Finally, the role of Innovative Culture as a moderator is examined in this study, particularly in moderating

the relationship between Service Innovation and Service Recovery Performance. Considering service recovery performance as a challenging and complex construct, investigating multiple factors would help manager and policymakers to better understand the factors that boost service recovery performance in the hotel industry.

1.3.1 Factors that can influence Service Recovery Performance in this study

Service recovery performance is viewed as a cornerstone to maintaining guest satisfaction, retaining customers, managing reputation, and staying competitive in the industry. It is an integral part of a hotel's customer service strategy and can turn a negative guest experience into a positive one. Service Recovery Performance can be influenced by various factors, combination of organizational such as leadership and individual factors such as teamwork. A comprehensive approach that takes these factors into account is necessary to ensure successful service recovery performance.

Most of the researchers studied selected organizational factors that can influence the Service Recovery Performance of employee for instance, rewards, training, organizational commitment, and empowerment (L. W. W. Mihardjo, Jermisittiparsert, Ahmed, Chankoson, & Iqbal Hussain, 2021; Norhamizan Hamir, Issham Ismail, Mohd Salehuddin Mohd Zahari, & Abdullah, 2018). But do not integrate the individual factors for instance, human practices. It is important to note that these organizational and individual factors are interconnected and they often influence each other. Effective organizational and individual factors involve recognizing and addressing the interplay between these factors to create a positive and productive outcome. Among various human practices, recent researchers contend that four aspects of human practices such as Leadership, Knowledge Management, People Management and Creativity Management are important determinations of Service Performance. These human practices have shown evidence in existing literature that

can promote service performance (Tajeddini et al., 2020). However, research to explore underlying mechanism through which different human practices have influence on service recovery performance is scarce in the literature, despite the fact it has been well established that human practices influence service performance. To address this limitation, this study linking human practices and service recovery performance through service innovation.

Another important aspect of this study is the investigation of digital intensity effect on service recovery performance through service innovation. Aspect of service recovery performance are not influenced by the human factors only, but also by the digital intensity. The role of digital intensity on service recovery performance is very important specially in the hospitality industry, because this role enable firms to operate efficiently and manage a greater volume of operations in changing environments (Pavić, 2021). In fact, we can find a handful of studies that have supported the link between digital intensity and innovation at the organizational level (Blichfeldt & Faullant, 2021). However, it can be denied that one of main factors of service innovation is the role of digital intensity, which is seen as the corner stone of service innovation. With that stated, it is surprising since, very limited evidence exists on how digital intensity impact service recovery performance, despite the fact that innovation is considered an outcome of digital intensity configuration.

However, very few studies have examined the positive impact of human practices on service recovery performance considering the mediating role. While empirical examination on intervening mechanisms in which it has been shown that human practices and service recovery performance do exist in limited studies, the focus of the prior studies has been on the factors such as employee commitment (L. W. Mihardjo, Jermisittiparsert, Ahmed, Chankoson, & Hussain, 2020), work engagement

(Aldoghan, 2021) and psychological well-being (Gip, Guchait, Paşamehmetoğlu, & Khoa, 2023). Service innovation plays the mediating effect between human practices and service performance. Thus, it is possible that service innovation plays the mediating role between human practices and service recovery performance in this study.

An innovative culture is important factor where an organization encourages and values innovation, creativity and thinking. It can impact the way employees approach problem solving and decision making. The statement suggests that there is limited research examining how positive human practices can influence service recovery performance via service innovation, especially in the presence of an innovative culture. It implies that such research is needed to understand how fostering an innovative culture might enhance or strengthen the impact of service innovation on service recovery performance. This research can be valuable for organizations aiming to improve their customer service and service recovery efforts in innovative and dynamic environment.

Beside the need for more empirical research to support the theoretical propositions on the relationship between human practices and digital intensity on Service Recovery Performance, the inclusion of mediators or moderators as intervening variables on this link has yet to be examined comprehensively. Taken together, this study investigates multiple factors including, human practices, digital intensity on service recovery performance with the mediating role of service innovation and moderating role of innovative culture.

1.4 Problem Statement

The Malaysian economy typically receives a sizable portion of its income from the tourism industry. For instance, there was an increment of RM86.1 billion in tourist receipts in the year 2019 from RM84.1 billion in the previous year, 2018. Nonetheless, despite its rapid growth, the tourism industry tends to be vulnerable because it must adjust to shifts in tourist preferences, environmental changes, economic turmoil, and other unforeseeable factors such as crises and natural disasters. Previously, the COVID-19 pandemic had significantly impacted the tourism industry as a result of grounded aircraft; almost the entire hotel industry had to cease operating significant parts of their businesses, and the world's population movement was restricted by the movement control orders (MCO) put in place by each country. Consequently, Malaysian hotels encountered difficulties not only in drawing new clientele but also keeping the current ones. According to the Malaysian Association of Hotels (MAH), hundreds of hotels were forced to shut their businesses temporarily or permanently due to such concerns, thereby costing the industry around RM6.5 billion in revenue in the year 2020 and approximately another RM9 billion in the year 2021. In this regard, researchers have intensified their emphasis on service recovery performance in the Malaysian hotel industry, especially since there was a decline in the number of employment opportunities compared to the previous year due to millions of people losing their jobs. These will lead to a reduction in disposable income causing people to cut back on non-essential expenses, including travel and hotel stays. Therefore, this calls for continuous monitoring to guarantee the hotel industry's long-term viability (MAH, 2021).

The Prime Minister has announced the opening of the country's borders starting April 2022, in line with the situation of the country to enter the phase of

“transition to endemic” (MOTAC, 2022). This announcement is good news for tourism industry players because it gives them relief in regenerating the economy through international tourist arrivals after the world was hit by the COVID-19 pandemic two years ago when the country’s border gates to foreign tourists were closed. Although these are relatively small progressive steps for the hotel industry, the industry can now prepare itself for an impending reopening and recovering.

Despite the increased availability of hotels in Malaysia from 2017 to 2019, fierce competition from homestays and other accommodations has caused a decline in the occupancy of hotels across the country. As reported in a survey conducted by the Malaysian Association of Hotels (MAH), occupancy in the local hotel industry dropped by 32.6 percent to 28.2 percent in 2021 from 60.8 percent in 2018 (Refer Figure 1.1). Besides, due to the increased competition among Malaysian hotels and the ease with which clients may switch accommodations, the country's hotels are now experiencing operational losses (Jeremy Teo, 2018). In fact, Malaysian hotels have reportedly demonstrated poor service performance and the service quality of these hotels has substantially declined, as reported in numerous studies. For instance, M. J. Ahmad, Ahmad, and Zakaria (2018) stated that the low rate of service recovery performance is one of the main factors causing these issues in the Malaysian hotel industry. A low rate of service recovery indicates that a company or service provider is not addressing and resolving customer concerns or complaints effectively. In this regard, when the customers’ expectations are not met, it is believed that a service failure has occurred.

In the hotel industry, variables such as human resource practices (Hewagama et al., 2019), including transformational leadership (Luo et al., 2019), error tolerance (X. Wang, Guchait, & Paşamehmetoğlu, 2020), and error management culture (X.

Wang, Guchait, & Pasamehmetoglu, 2020) have all been evidenced to significantly impact service recovery performance. Nonetheless, the importance of digital intensity and service innovation in the hotel industry has been scarcely highlighted although service recovery performance in this industry is reportedly higher than in other industries (Breier et al., 2021).

Digitalization has evolved into a means of gaining a competitive advantage over other nations or sectors in the current era of the digital economy, impacting not only organizational capacities but also business processes and daily operations (Matarazzo, Penco, Profumo, & Quaglia, 2021). Additionally, by introducing or enhancing digital technology, businesses may improve performance and gain a competitive edge. However, considering the scarce research on digital intensity, examining the factor of digital intensity in Malaysian hotels is of the utmost importance, includes a wide range of technologies and practices that hotels may use, such as online booking reservation, mobile check-in and keyless entry, in-room technology, mobile payments, contactless services and more. Hotels that embrace and integrate digital technologies effectively have the opportunity to improve the guest experience, streamline operations, and remain competitive in a fast-changing sector. Moreover, innovation was emphasized by Kraus et al. (2020) as a potential strategy for overcoming the crisis and creating a more sustainable foundation for the future, thus requiring a change in strategy. A service firm is said to be innovative if major changes are made to its constituent parts and/or arrangement through innovation (Foss & Saebi, 2017), in addition to seeking new opportunities, to improve its performance and help the hotel industry recover. Despite the lack of research on innovation in the hotel industry, innovation concerns remain crucial in this area from an empirical standpoint. Evidently, human practices also serve as an essential component in the

process of service recovery performance. For example, L. W. Mihardjo et al. (2020) investigated how human resources, training, and incentives influence the service recovery performance of frontline agents in Malaysia's takaful sector. Furthermore, research have been conducted to investigate human practices and performance-related outcomes in various nations and enterprises where human practices and performance are positively associated (Aldoghan, 2021). Although various studies have reportedly identified relationships between human practices and organisational performance (Abu Keir, 2016), the validity of research in demonstrating the significant impact of human practices on organisational performance, as well as the mechanisms relevant to the relationship, are still being debated. As a result, scientists in this discipline have emphasised the importance of better understanding human practices and their relationship to organisational success (Abu Keir, 2016; Kazlauskaite, Buciuniene, & Turauskas, 2012). Thus, there are still certain limitations exist in previous research on human practices toward service recovery performance.

Per the above discussion, good digital intensity and human practices produce successful service recovery performance in hotels through service innovation. Therefore, this study aims to delve into human practices and digital intensity as well as their association with service recovery performance, including the mediating and moderating effects of service innovation and innovative culture, respectively, in the Malaysian hotels. A thorough investigation of these issues will allow for the effective utilization of digital intensity and human practices to enhance service recovery and reduce service failure in the Malaysian hotel industry.

1.5 Research Objectives

This study aims to examine the relationships between human practices (Leadership, Knowledge Management, People Management, and Creativity Management) and Digital Intensity toward Service Recovery Performance in the Malaysian hotels. In this regard, the mediating role of Service Innovation and the moderating role of Innovative Culture, respectively, will be investigated. Thus, the research objectives are as follows:

1. To investigate the effects of human practices (Leadership, Knowledge Management, People Management & Creativity Management) on Service Innovation.
2. To investigate the effect of Digital Intensity on Service Innovation.
3. To investigate the effect of Service Innovation on Service Recovery Performance.
4. To determine the mediating effect of Service Innovation on the relationship between human practices (Leadership, Knowledge Management, People Management & Creativity Management) and Service Recovery Performance.
5. To determine the mediating effect of Service Innovation on the relationship between Digital Intensity and Service Recovery Performance.
6. To examine the extent to which Innovative Culture moderates the relationship between Service Innovation and Service Recovery Performance.

1.6 Research Questions

This study also seeks to answer the following research questions, which are in line with the objectives set for this study in the previous section.

1. Are there relationships between human practices (Leadership, Knowledge Management, People Management & Creativity Management) and Service Innovation?
2. Is there a relationship between Digital Intensity and Service Innovation?
3. Is there a relationship between Service Innovation and Service Recovery Performance?
4. Does Service Innovation mediate the relationships between human practices (Leadership, Knowledge Management, People Management & Creativity Management) and Service Recovery Performance?
5. Does Service Innovation mediate the relationship between Digital Intensity and Service Recovery Performance?
6. To what extent does Innovative Culture moderate the relationship between Service Innovation and Service Recovery Performance?

1.7 Significance of the Study

The following sections discuss the theoretical and practical contributions of this study:

1.7.1 Theoretical Significance

With regard to theoretical significance, this study adds to an in-depth understanding of the direct relationships between human practices and digital intensity toward service recovery performance, besides the literature. The direct effects of human practices have been empirically examined in some studies; however, to the best

of the researcher's knowledge, the variables of digital intensity, service innovation, and innovative culture are rarely examined.

Furthermore, most past studies have also included other determinants of service recovery performance such as error management culture, human resource practices, management styles, and transformational leadership. Although there is little research on digital intensity and innovation in the context of the hotel industry, these variables remain significant from the empirical standpoint. Besides, according to Breier et al. (2021), the hotels may recover if innovation is highlighted as new opportunities for improving business performance. Therefore, the current study bridges the literature gap by examining digital intensity and service innovation, particularly their impacts on service recovery performance in the hotel industry.

Moreover, this study also highlights innovative culture and its significance as the limiting factor for the relationship between service innovation and service recovery performance, which has rarely been examined. In this regard, the current study contributes to the literature by providing further insight into the previously undiscovered relationship.

This study provides a greater understanding of human practices, digital intensity, and service innovation with service recovery performance within the context of the theory of Resource-Based View (RBV) and the theory of Business Model Innovation (BMI), which theoretically support the concept outlined in the model proposed in this study. Therefore, the integrations of the body of knowledge in relation to human practices, digital intensity, and service innovation into the RBV theory, the theory of Business Model Innovation (BMI), and service recovery performance essentially add to the current study's theoretical development.

1.7.2 Practical Significance

In the hotel industry where a service failure tends to occur, service recovery performance plays a crucial role in enhancing service performance, customer satisfaction and customer loyalty, especially when a service failure was involved (Liao, 2007). A recent study in Malaysia reported high service failure in the hotel industry and many complaints from customers during their stay (MOTAC, 2021). Correspondingly, Malaysian hotels have been struggling for the last few years to reduce service failure and maintain service performance. While many service recovery performance studies have focused on several antecedents at the individual and organizational levels, research has scarcely explored the links involving digital intensity, human practices, and service innovation with service recovery performance in the context of the hotel industry. Hence, this study aims to examine the service recovery performance directed by human practices, digital intensity, through service innovation.

The results of the present study may be helpful for manager and owner to understand service recovery performance and enhance service performance. Specifically, the findings may provide new insight into effective human practices, digital intensity, and service innovation, which are beneficial to not only hotel industry but also other service industries in increasing service performance and decreasing service failure. Besides, this study can also assist other researchers in comprehending the associations of human practices, digital intensity, and service innovation with service recovery performance. As such, the current findings may further highlight the need for other researchers to examine the factors evaluated in this study as well as indicate the development and empirical testing of the mechanism such that human practices, digital intensity, and service innovation affect service recovery performance.

1.8 Scope of the Study

The scope of the study solely includes operation managers in three-star hotels in Malaysia. Three-star hotels were selected owing to their highest number of hotels compared to other star rated hotels. In this regard, the main objectives of this study are contingent on the investigation of the underlying mechanism of Service Innovation relationships that involve different factors such as human practices (People Management, Knowledge Management, Creativity Management, and Leadership), Digital Intensity, and Service Recovery Performance. In addition, this study also considers the moderating role of Innovative Culture in determining Service Innovation as well as its relationship with Service Recovery Performance.

1.9 Definition of Key Terms

In the context of the present study, the key terms and constructs that are extensively used throughout the dissertation are defined below.

1.9.1 Human Practices

Human practices are defined as practices that influence the behaviour, attitude, and performance of employees. Generally, human practices can be sub-divided into four:

1.9.1(a) Leadership

Refers to a leader's capability of shaping organizational and plays a significant role in a successful market-driven change (Tajeddini et al., 2020).

1.9.1(b) Knowledge Management

Refers to individual's ability to identify and apply new knowledge effectively (Tajeddini et al., 2020).

1.9.1(c) People Management

Refers to the act of encouraging employees to work towards achieving organizational goals by making their strengths more effective and their weaknesses irrelevant (Tajeddini et al., 2020).

1.9.1(d) Creativity Management

Refers to the combination of knowledge in the minds of people which enables flexible thinking to generate something new and useful (Tajeddini et al., 2020).

1.92 Digital Intensity

Refers to the investment in technology enabled initiatives to change how the company operates its customer engagements, internal operations, and even business models (He, Huang, Choi, & Bilgihan, 2022).

1.93 Service Innovation

Refers to any newly developed or significantly improved services offered by an organization (Hameed et al., 2021).

1.94 Service Recovery Performance

Refers to the actions taken by manager or employees in response to service failure or poor service quality (Hewagama et al., 2019).

1.95 Innovative Culture

Refers to an exciting and dynamic work environments that supports innovation (Rao & Giri, 2021).

1.10 Organization of Chapters

Chapter 1 covers the background of the study, and this chapter discusses the factors affecting service recovery performance. The reasons for improving Service Recovery Performance in Malaysian hotels are outlined in the problem statement, followed by the research objectives and questions. This chapter also outlines the theoretical and practical contributions and research scope before outlining the definition of key terms toward the end.

Chapter 2 presents a detailed literature review of all constructs. Moreover, this chapter also presents the theoretical perspective, conceptual framework, and hypothesis development.