



The impacts of complementary information technology resources on the service-profit chain and competitive performance of South African hospitality firms



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ABSTRACT

The potential of information technology (IT) resources to empower employees, to shape customer service and contribute to the competitive performance of hospitality firms has received much attention. Yet empirical evidence has been lacking. This study draws on the resource-based view of the firm and the service-profit chain framework to develop and test a model of the effects of a complementary system of tangible and intangible IT resources on employee and customer service outcomes and on competitive performance. A structured questionnaire was used to collect data from 112 hospitality establishments operating in South Africa. Results revealed that the complementary system of IT resources has significant direct effects on competitive performance whilst its effect on customer service outcomes is fully mediated by employee outcomes. Results support the contention that hospitality service is information intensive. In addition to employees, tangible and intangible IT resources demand the attention of hospitality managers and their role in competitive strategy must be considered.

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1. Introduction

Hospitality is a high-touch service industry. Yet, it is also knowledge and information intensive (Hallin and Marnburg, 2008). The potential of information technology (IT) resources to shape customer service and hospitality firm performance has thus been recognized (Buhalis and O'Connor, 2005; Ip et al., 2011). Although research has attempted to advance our understanding of IT application with hospitality (Siguaw et al., 2000; Ham et al., 2005; Sigala, 2005; Wang and Qualls, 2007; Kumar et al., 2008), questions still surround how effectively IT resources are being used and managed (Buhalis and Main, 1998; Brown and Stange, 2002; Croes and Tesone, 2004). Moreover, the extant literature has provided us little empirical evidence of the extent to which IT resources combine with employees to shape customer service outcomes and contribute to the competitiveness of hospitality firms.

The purpose of this study is to address this gap. Firstly, we draw on the resource-based view (RBV) of the firm, and specifically on the concept of resource complementarity, to develop a model of the effects of a complementary system of IT resources on the competitiveness of hospitality organizations. We also draw on the service-profit chain (SPC) framework (Heskett et al., 1994). This

framework captures the essence of a service firm's performance by identifying employee attributes and customer service outcomes as the drivers of firm performance. It is useful to examine the indirect effects of IT resources on competitiveness via these employee and customer service outcomes because IT can be most effective within service firms if deployed to support employees in the service delivery process (Bitner et al., 2000; Khatri et al., 2010). We thus recognize that hospitality organizations are designed around complex processes in which employees have direct contact with customers and that to improve performance attention must be paid to both the people and technological subsystems of the firm (Powell and Dent-Micallef, 1997).

From a practical perspective, our study provides empirical evidence to inform those charged with the responsibility for developing IT resources within hospitality firms and describes the mechanisms through which they come to influence firm outcomes.

While most empirical studies on hospitality have been carried out in western countries as well as in Asia and Australasia, we use data from the South African hospitality industry to test our model. Hospitality and tourism is a significant economic sector within South Africa and has been identified as important to economic growth. Conducting the study in South Africa provides an opportunity to extend theories of hospitality firm performance into this developing country context.

The next section of our paper presents the study's theoretical underpinnings. This is followed by the development of the research model and its associated hypotheses. Subsequently, the

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research design is discussed including a description of the South African hospitality sector which provides the context for this study. Empirical results are then presented and implications for practice derived. Suggestions for future research are outlined prior to the conclusion.

2. Theoretical underpinning

2.1. The resource-based view of the firm

From a resource-based perspective, firm-specific resources and capabilities are considered crucial to explanations of competitive performance (Barney, 1991; Amit and Schoemaker, 1993). Resources are the tangible and intangible assets a firm uses to choose and implement its strategies (Barney, 2001). Firms are not considered homogenous in terms of these resources and this resource heterogeneity is theorized to account for observed variation in the performance of firms (Barney, 1991). To create advantages, resources must however be valuable and inimitable (Barney, 1991; Hoopes et al., 2003). Resources that are freely available to all firms and those that are not costly to imitate cannot create sustainable advantages. On the other hand, resources and capabilities that are firm-specific, path dependent, causally ambiguous, socially complex, and intangible are less easily imitated by competitors and therefore advantage creating (Barney, 2001, p. 648).

IT resources are valuable because they help employees handle complex service situations, customize service offerings, and respond rapidly to service requests or failures (Bitner et al., 2000; Rust and Miu, 2006). The hospitality sector has seen a number of IT developments over the preceding decades (Ip et al., 2011). These technologies have revolutionized hospitality in various front and back-office activities (Ham et al., 2005; Sigala, 2005; Ip et al., 2011) and are expected to continue to grow in importance as hospitality customers demand more technology-intensive services (Gursoy and Swanger, 2007). Recent evidence suggests that hospitality firms can succeed at using these technological resources to improve, inter alia, their levels of customer service and staff productivity (Siguaw et al., 2000; Sigala, 2003; Kim and Oh, 2004; Chathoth, 2007).

However, while these technologies are readily available, the organizational capabilities required to identify, implement and infuse them into existing operations are often scarce (Bitner et al., 2000). This is evident among hospitality firms where many lag behind in IT adoption (Buhalis and Main, 1998; Croes and Tesone, 2004), lack necessary IT processes and skills (Law and Jogaratnam, 2005) and have failed to realize returns from their IT investments (Brown and Stange, 2002). IT skills and processes are thus important intangible resources that must be configured with tangible technology resources into a complementary resource system. Complementary resources have synergistic effects, enhancing each other so that their joint value is greater than the sum of their individual values (Tanriverdi and Venkatraman, 2005).

Complementarities create advantages for firms because these resource configurations are complex and path dependent and thus difficult for competitors to observe and imitate. We therefore draw on this perspective to conceptualize an IT resource complementarity as a system of technological *infrastructure*, human resource *skills* and IT *management* resources configured to provide an organizational capability that competitors cannot easily copy (Broadbent et al., 1999; Bharadwaj, 2000). This complementary system of tangible and intangible IT resources (see Table 1) enables organizations to initiate and deliver the information systems needed to achieve their performance objectives (Bhatt and Grover, 2005; Ravichandran and Lertwongsatien, 2005).

Table 1
Complementary IT resources.

IT infrastructure	The technology foundation required to support a range of current and future software applications, provide access to relevant data, support information flow and ensure the organization can cope with uncertainty and future information needs (Broadbent et al., 1999; Ravichandran and Lertwongsatien, 2005)
IT human resource skills	Body of technical and business knowledge, skills sets and experience of IT personnel (Ravichandran and Lertwongsatien, 2005)
IT management processes	Quality and sophistication of IT processes including the organisation's ability to have its IT units partner and interact with its business units, plan strategically for IT, develop and deliver reliable and cost-effective systems, provide responsive support services, and implement a sophisticated set of IT operations (Bhatt and Grover, 2005; Ravichandran and Lertwongsatien, 2005)

2.2. The service-profit chain

Given the high-touch nature of hospitality services, it is intuitively appealing to also consider the service-profit chain when trying to examine competitive performance. The service-profit chain (SPC) framework describes the financial performance of service firms as largely driven by customer service outcomes, such as customer satisfaction and loyalty. Customer service outcomes are in turn influenced by satisfied, competent and committed employees who operate within a service delivery system (Heskett et al., 1994). According to SPC logic, providing employees with a well-resourced service environment leads to greater employee satisfaction and commitment, and satisfied employees are likely to deliver a better service experience for customers. The SPC thus posits that employee satisfaction is *mirrored* by customers whose loyalty behaviors result in increased purchasing and referrals that generate financial profitability and growth in market share (Heskett et al., 1994). The SPC is consistent with the emerging service-dominant logic (Vargo and Lusch, 2004) in which the human element – the interaction between employees and customers – is theorized to play a central role in ensuring the effectiveness of the service firm (Khatri et al., 2010).

Although some of the SPC links between employees, customer service and performance have been explored within the hospitality sector (e.g. Chi and Gursoy, 2009; Fisher et al., 2010; He et al., 2011; Chen and Lin, 2012), the effects of IT resources on the service-profit chain of hospitality firms has not been explicitly modeled. IT resources have been theorized to be an important component of the service environment that should combine with employees to influence service outcomes and firm performance (Khatri et al., 2010). We consider these inter-relationships next.

3. Research model and hypotheses

Drawing on the above, the study's research model was developed (Fig. 1). The model illustrates the core linkages within the service-profit chain as the relationships between employees, customer service outcomes and competitive performance (H1–H3). The model also reflects the IT resource complementarity as a reflective second-order construct having effects on the service-profit chain by impacting both employees and customer service outcomes (H4). We also consider that IT resources not only impact upon the service-profit chain but may exhibit effects on competitive performance not accounted for by the service-profit chain variables. For example, enabling cost cutting initiatives that are difficult for

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