

นวัตกรรมบริการ : กรณีศึกษาในกลุ่มโรงแรมข้ามชาติ
Understanding Service Innovation : A Case of Multinational Hotel Chains

*สาวตรี สุทธิจักร์
Sawitree Sutthijakra

บทคัดย่อ

งานวิจัยนี้มุ่งสร้างตัวแบบในการอธิบายนวัตกรรมบริการในโรงแรมข้ามชาติขนาดใหญ่ 3 แห่ง โดยมุ่งศึกษาลักษณะเฉพาะของนวัตกรรมบริการ และแหล่งที่มาของนวัตกรรมบริการในกลุ่มโรงแรมทั้ง 3 แห่ง งานวิจัยนี้เป็นงานวิจัยเชิงคุณภาพโดยใช้วิธีการวิจัยแบบกรณีศึกษาในการศึกษานวัตกรรมบริการในกลุ่มโรงแรม โดยกลุ่มโรงแรมทั้ง 3 กลุ่มประกอบด้วย กลุ่มโรงแรมอินเตอร์คอนติเนนทอล กลุ่มโรงแรมแมริออตต์ และกลุ่มโรงแรมแอกคอร์ด นักวิจัยเก็บข้อมูลโดยการสัมภาษณ์ผู้บริหารและผู้บริหารระดับสูงในกลุ่มโรงแรมทั้ง 3 กลุ่ม ใน 4 ประเทศ ได้แก่ ประเทศอังกฤษ ประเทศไทย ประเทศฝรั่งเศส และฮ่องกง ผลการวิจัยระบุว่านวัตกรรมบริการในกลุ่มโรงแรมในกรณีศึกษาเป็นการเปลี่ยนแปลงในบริการและกระบวนการบริการอย่างเล็กน้อย ค่อยเป็นค่อยไป และเป็นระบบ นวัตกรรมบริการในโรงแรมถูกกระตุ้นด้วยความต้องการของลูกค้า นวัตกรรมบริการในกลุ่มโรงแรมนี้ประกอบไปด้วยนวัตกรรมทางเทคโนโลยี และนวัตกรรมที่ไม่ใช่เทคโนโลยี แหล่งที่มาของนวัตกรรมบริการในกลุ่มโรงแรมนี้ได้แก่ ลูกค้า พนักงานในโรงแรม และสำนักงานใหญ่ อย่างไรก็ตามสำนักงานใหญ่และผู้จัดการของโรงแรมในเครือจะเป็นผู้ตัดสินใจขั้นสุดท้ายในการเลือกนวัตกรรมที่เหมาะสมสำหรับโรงแรม

* Lecturer, Faculty of Business Administration, Department of Management, Dhurakij Pundit University
Email: s_sawitree@yahoo.com

Abstract

This article presents a framework from empirical data for understanding service innovation in three multinational hotel groups. Characteristics of innovation and sources of innovation are discussed. A multiple-case study was employed to enrich qualitative data from three cases including InterContinental Hotels Groups (IHG), Marriott and Accor. The fieldwork was conducted in four countries – UK, Thailand, France and Hong Kong – by using in-depth interview. The article shows that service innovation in the multinational hotel groups is small and incremental, systematic and, especially, customer-driven. Innovation encompasses technological and non-technological innovation. Innovation comes from customers, front-line staff at affiliated hotels and Headquarters (HQs). However, HQs and General Managers play a decisive role to select the proper innovation, for further implementation.

คำสำคัญ : นวัตกรรมบริการ โรงแรมข้ามชาติ

Keywords : Service Innovation, Multinational Hotel, Characteristics of Innovation, Sources of Innovation

1. Introduction

In the global marketplace, service multinationals encounter the rapid pace of change and highly competitive environment (Kotabe and Helsen, 2001). Innovation is an effective concept to win (Kanter, 1990, Trott, 1998). Innovation appears to be a strategic factor for service multinationals to stay competitively in the market. Due to intangibility and co-production between customers and service providers, service firms have faced a difficulty to trade internationally (Green et al., 2001), especially for a hotel business – a traditional service sector with high people involvement. However, there have long been multinational hotel groups successfully operating in a global market. The empirical data shows that innovating is an important success driver. This article, therefore, aims at providing a more detail picture of service innovation in the multinational hotel groups having affiliated hotels located across the world. This is done on the basis of general discussion on innovation theory; as well as, services and service innovation to provide background on innovation theory. The analysis is based on qualitative data from the three cases. The data are used to generate a framework to understand service

innovation – in terms of characteristics of innovation and sources of innovation – in the multinational hotel groups.

2. Innovation Theory

2.1 Technological innovation

Innovation is characterised as a process of change, transformation and commercialisation (Rogers, 2003, Weinstein and Baumol, 1999, Tidd et al., 2001, Flynn and Chatman, 2004). The concept of innovation has been dominated by technological innovation in manufacturing sectors. Technological innovation means a process of transforming new ideas into new products, services or processes, and successfully commercialising those new outcomes via technological initiation, implementation and/or application (OECD-Eurostat, 1997 p.31, Freeman and Soete, 1997). The fast and enormous spread of technological innovation demonstrates the notion that technological innovation is vital for firm's survival and growth in this knowledge-based economy (Freeman and Soete, 1997, OECD-Eurostat, 1997, Scherer, 1999). Economic progress comes from the development and diffusion of new technologies by profit-seeking entrepreneurs (Coombs et al., 1987).

Taxonomy of Innovation

Innovation is basically categorised into product innovation – changes in products and services that firms offer – and process innovation – changes in the ways firms create and deliver those offerings (Francis and Bessant, 2004). Regarding to degree of novelty, innovation is also classified into three types – incremental innovation, radical innovation and transformational innovation. While incremental innovation refers to continuous and small improvement at all time, radical innovation is known as fundamental change in basic products, services or processes to new ones. Transformational innovation, moreover, is the development of a new paradigm to the whole industry or production, often linking different industries and sector into a single new system (Kanter, 1990, Langlois and Robertson, 1996).

2.2 The rise of services and service innovation

The service sector was traditionally seen as a laggard sector. Services have been neglected perpetually in economic, statistical, business, and innovation studies (Miles, 2001). Nevertheless, such a situation was changed. There is an increase in service occupations, in-house service functions, and externalised

service functions purchased by firms across the economy (Green et al., 2001). Service is ascending recognised as a major contributor to the economy. As a consequence, researchers, including scholars in innovation studies, commenced to study service sector's role and characteristics of service innovation.

The 'Specificities' of services

A service product is described as a bundle of components composed of supporting facility, facilitating goods, explicit services, and implicit services (Fitzsimmons *et al.*, 1994). Service is the combination of outcomes and experiences delivered to and received by a customer (Johnston and Clark, 2001). Service activities and service products are termed as the 'three i s (3i s)' composed of intangibility, interactivity and information intensity (Miles, 1999). Intangibility refers to that a service product is frequently intangible in nature. It is usually hard to store and/or transport; as well as, difficult to demonstrate (in advance) to potential clients. Interactivity refers to that services-based organisation has a high level of interaction with their customers. Under coterminous consumption and production, the service provider and customer must be present at the same place and time to

operate the transaction of a service contract. An involvement of clients in the process of service production and delivery often occurs. Finally, information intensity is a typical nature of most services that information exchanges are central to interactivity.

The characteristics of a hotel business

The common characteristics of the hotel sector include heterogeneity (of different kinds of service providers and various different customers' experiences), a high fixed-cost business, seasonal (often unpredictable) demand, a combination of production and sales at the same premises, participation of customer and service provider, intangible products, and labour intensity with low pay for the majority of staff (Mullins, 1993). The hotel business is a people-oriented service in which employees play a significant role in the quality of service delivery (Mullins, 1993). To buy services from hotels, customers have to be present at the premises and participate in the production and delivery processes. Therefore, simultaneous production and consumption occurs as guests consume services that they co-produce with representatives of the hotels. Also, hotel services are perishable as they

cannot be stored and if they are not used they are likely to be wasted.

Service offering in a hotel is an experience (Knowles, 1996). The experience that guests receive or feel during their stay is intangible as it is associated with feelings and emotions (Mullins, 1993). In a case of multinational hotel chains, cultural differences influence customers' perception to service offering and service encounters since local culture underlines expectations of people on services (Czepiel, 1990). Some scholars have studied relationship between different culture – especially Western and Eastern cultures – and services. A Western culture is more likely to rely on the tangible cues from the physical environment than does an Asian culture (Winsted, 1997). A study by Tsaour et al. (2005) presents that tourists from English Heritage cultural background, an individualistic culture with self drive and self-responsibility ethic, demand services be efficient with a high level of quality. They also reveal that tourists from Asian culture, a collectivist one developing a tight social network and group and relying on one another, tend to express their opinions and feelings – e.g. satisfaction and dissatisfaction – to others about their travelling

experiences. Moreover, Individualistic customers (from Western cultural background) have higher expectations of assurances from service providers than collectivist ones (from Asian cultural background) (Donthu and Yoo, 1998).

Service innovation

Whereas technological innovation acquires attention from manufacturing, service innovation is apparently beyond that. The service innovation is characterised by changing combinations of tangible/intangible product innovation and technological/managerial process innovation (Miles, 1993). The combinations tend to vary among service firms due to their specific contexts and environments such as firm size, services industries and specific country. Small changes or incremental innovations from adaptations of existing products or a new way of delivering a service are included into the innovation concept (Sundbo *et al.*, 2001). Services are identified as supplier-dominated sectors in which innovations are often generated by outsiders of sectors (Miozzo *et al.*, 2001). In addition, innovation in services is created via non-linear processes. Especially, service innovation is frequently organic, emergent and responsive. Innovation activities in services are

rarely organised by formal R&D departments and are rarely regarded as R&D by service firms themselves. Innovation is frequently perceived as ‘project development’ and ‘ad hoc’ organisation (Sundbo, 1997, Green *et al.*, 2001)

As services are diverse and heterogeneous, ways of managing innovation activities in service firms are various and depend on specific factors – e.g. forms and sources of innovation, types of workers involved or impacted, market circumstances, needs of potential users (Green *et al.*, 2001). Skills of management and qualified employees are vital to service firms in organising innovation activities. In addition, Sundbo and Gallouj (1998b) propose a dual form of organisation of innovation activities that new ideas come from both management and staff in the hotels; however, the management controls innovation through screening and selecting the proper innovation.

3. Method and Cases

With an aim to explore service innovation in a specific setting, the article employs a multiple-case study approach. Multiple-case studies offer more compelling evidence that tends to make the study more robust because of a logic of replication that results are verified and

refined by additional cases (Yin, 2003:46). Three multinational hotel groups – including InterContinental Hotels Groups (IHG), Marriott and Accor – were examined as 1) these three multinational hotel groups are ranked in the top 6 largest international hotels in the world by number of hotels in 2004, 2) they have affiliated hotels operating in UK and Thailand, and 3) they have long been operating their international business with a focus on continual changes and improvement. Top management at headquarters (HQs) and Regional HQs in each hotel group were interviewed. Also, to reflect a perspective of innovation from affiliated hotels located in different locations, General Managers and management in affiliated hotels were interviewed. In total, 43 interviewees were conducted through an in-depth interview method from December 2005 – April 2007. Data were sent to interviewees for data validation. (See Table 1 for the three multinational hotel groups and their affiliated hotels examined)

Table 1 The three multinational hotel groups and their affiliated hotels examined.

Hotel Groups	Hotel Chains	Brief profile	Number of affiliated hotels examined	
			UK	Thailand
IHG (UK-based HQs)	InterContinental	Luxurious upscale brand	1 (London)	1 (Bangkok)
	Holiday Inn	Mid-scale brand	1 (Manchester)	1 (Bangkok)
Marriott (USA-based HQs)	Marriott	Upscale full-service brand	2 (London/Manchester)	1 (Pattaya)
	Courtyard by Marriott	Upper moderate-price limited service brand	1 (London)	N/A ¹
Accor (France-based HQs)	Sofitel	Upper-upscale brand	1 (London)	1 (Bangkok)
	Novotel	Mid-scale brand	1 (Manchester)	1 (Bangkok)

4. Service innovation in Multinational Hotel Groups

The first part of the empirical analysis investigates characteristics of service innovation in the multinational hotel groups.

4.1 Small and incremental innovation

Innovations occurring in the multinational hotel groups tend to be small and incremental. The innovations encompass small changes and gradual improvement of existing

¹Courtyard by Marriott in Bangkok was under construction at the time of interview.

services and processes. The core business of the hotel does not change. The findings are consistent with the statement that the innovations are mostly incremental and based on practical experiences (Boden and Miles, 2000). Evidence from the three multinational hotel groups are presented in Table 2.

Table 2 Extracted evidence of improvement in service offerings in three multinational hotel groups

Hotel Group	Existing service and process	Improvement of existing service and process
IHG	Concierge service	The new concierge concept deploying a visual tool and on-line tour video
	Check-out	Breakfast check-out service for business travelers
Marriott	A guest room	The new guest room with new design and a new bed design called 'Revive Bed'
Accor	Bedding	The new bed concept called 'My Bed', designed by Accor
	A guest room	The new generation Novotel in UK with a new room design and friendly atmosphere

4.2 Beyond technological innovation

The empirical analysis also shows that innovations in the multinational hotel groups involve technological and non-technological innovations. For technological innovations, the multinational hotel groups often employ and exploit information technology (IT) for their

service and process improvement. The results are parallel to Miles (1993)'s notion that innovation in services often involves a technological dimension. Table 3 presents some evidence of IT application in the three multinational hotel groups.

Table 3 Extracted evidence of technological innovation in three multinational hotel groups

Hotel Group	Examples of technological innovation
IHG	Holiday Inn launches self-service front desk kiosk technology via the eCheck system.
Marriott	Marriott introduces eFolio which provides guests with emailed copies of hotel bills.
Accor	Accor initiates 'Dial-A-Smile' system to answer customer calls within the hotels. Customers can dial one number to request all services.

Beyond technology-based improvement, the multinational hotel groups also induce non-technological innovation which changes or improvement in service and process is derived from changing organisational behaviours and processes. The findings support Miles (1993)'s thesis that service innovation is beyond technological innovation, and it embodies changes in organisational processes and managerial practices. An exemplar is a case of Sofitel in London that a process of cleaning a guest room is modified by putting few steps to existing routines to ensure a high quality of cleaning in a guest room. In addition, InterContinental Hotels & Resorts redesigned a process of services to reflect a new brand proposition. For Marriott, Marriott in London reduced check-in time by using staff to check in for guests.

However, these two types of innovations, occasionally, cannot be clearly separated. Service innovation can be a mixture of technological and non-technological innovations. For instances, an introduction of a computerised system – i.e. Guest History Database System and Reservation Recording Programme – in

Novotel Manchester Centre unavoidably changes an operating routine and behaviours of receptionists at a reception desk. In addition, a new concierge concept at InterContinental Hotels & Resorts requires IT as a basic support to develop a destination-tour video put on InterContinental website. Clearly, the findings confirm that behavioral and technological innovation will often be a mixture in service innovation (Sundbo et al., 2007).

4.3 Intertwining product and process innovations

In the multinational hotel groups, changes in service offerings often need changes in a service process. Changes in a service process also impact service offerings. The service process and product is hard to be separated as the service product is in fact the service process or procedure (Gallouj, 2002). For instances, when IHG introduced the new concierge concept, it also designed and modified a process of concierge services – e.g. designing a new concierge area, and adding staff to be responsible for putting information about local destination on the website. To implement AYS

²AYS (At Your Service) system and Dial-A-Smile system is a service system that customers in the hotels only dial one number (instead of 4-digit numbers) to request services – such as laundry, taxi, newspaper, food and complaints.

(At Your Service) system in Marriott hotels and ‘Dial-A-Smile’ system² in Accor hotels, the hotels have to install a new technology system, and increase a position to answer customer calls and assign customer requests to related departments.

4.4 Adoption and adaptation innovation

Evidence shows that innovation is fostered by an adoption of a new service and process. According to brand standards, the multinational hotel groups require their

affiliated hotels to comply with the standards developed by HQs. An adoption innovation occurs when the affiliated hotels adopt the standards – that is new to them. For examples, according to Marriott standard, Marriott hotels have to adopt AYS. Accor hotels also implement ‘Dial-A-Smile’ due to Accor standard compliance. In a similar way, Holiday Inn hotels in IHG have to adopt breakfast check-out because of Holiday Inn standard.

Interestingly, the affiliated hotels also generate innovation by adapting standards

Table 4 Extracted evidence of standard adaptation in affiliated hotels

Hotel chain	Case by location	Example of standards	Examples of adaptation
InterContinental	London	Executive club	An executive club in InterContinental London is situated where guests can see the Buckingham Palace.
	Bangkok	Executive club	An executive club in InterContinental Bangkok provides a 24-hour service for guests from different time zones.
Marriott	Manchester	Service standard	Manchester Marriott Airport brings in local restaurant.
	Pattaya (Thailand)	Reception	Pattaya Marriott Resort & Spa includes ‘Wai’ and ‘E-Thanks’ into reception.
Sofitel	London	Cleaning process	Sofitel St James London initiates a new way of cleaning guest rooms.
	Bangkok	Reception (restaurant)	Sofitel Central Plaza Bangkok adds ‘Wai’ into greeting at the restaurant.

developed by HQs. The affiliated hotels need to adapt the standards to a certain degree to fit with their specificities and local markets. The findings are consistent with Sundbo et al (2001)'s statement that innovation in services comes from adaptations of existing products and processes. Table 4 shows some extracted evidence of standard adaptation in affiliated hotels.

4.5 Project-based innovation

Innovation in the multinational hotel groups often occurs based on a project development. It can be seen as a systematic process. The findings are parallel to the notion that service innovation is often project-based (Sundbo, 1997, Green et al., 2001). However, a systematic process of innovation in the multinational hotel groups contrasts to the statement that service innovation is often unsystematic (Sundbo, 1997, Green et al., 2001) and does not come from R&D department (Sundbo and Gallouj, 1998a). As the multinational hotel groups are a large service company with systematic management practices, they have an innovation strategy, R&D department and a department responsible for innovation – i.e. marketing department. Changes or improvement

in services and processes in the hotels are planned and formally organised. The hotels tend to conduct research and gather several actors or members to generate innovation. Top management will make a final decision to choose the appropriate innovation. An exemplar is the new concierge concept in IHG. A team at HQs and affiliated hotel discussed and came up with the new concierge process. Then, they developed a prototype and tested it in the selected hotels. For Accor, Novotel Asia introduced a new executive floor by conducting research on customers through affiliated hotels. The management at Accor Regional HQs and General Managers from Novotel hotels discussed and initiated this idea. They tested this new model in the new Novotel hotels. After they received comments from the affiliated hotels and customers, they gradually adjusted and improved services in the executive floor.

5. Sources of innovation

Innovation is derived from several actors and interaction among actors – including customers, front-line staff, top management, HQs and other organisations.

5.1 Customers as a key driver for innovation

A key source driving the multinational hotel groups toward innovation is customers. The findings confirm that service innovation is more customer based (Sundbo and Gallouj, 1998b). However, the findings are contradict to Miozzo and Soete (2001)'s investigation that innovation in services is more supplier-dominated, which innovation in services is often generated by suppliers – i.e. IT company. For the hotel business, a service offering is an experience that customers receive during their stay at the hotel. Customers' needs continually change as customers tend to have more knowledge and unique demands. The multinational hotel groups may need to amend their services and processes in order to satisfy customers. Therefore, the multinational hotel groups conduct customer research or surveys to discover and understand customers' needs and expectation. For examples, Marriott applies Guest Satisfaction Survey (GSS) which questionnaires are filled in by customers after receiving services in the hotels. Similarly, IHG implements Guest Satisfaction Tracking Survey (GSTS). Accor also employs customer survey and comment cards to obtain customer feedback.

5.2 Front-line staff as a key source of innovation

The multinational hotel groups capitalise on their front-line staff's initiatives and experience to induce new service offerings. The front-line staff propose new ideas, suggestions or solutions to improve their routines in the hotels. Due to direct interaction with customers, the front-line staff particularly notice what customers want. In addition, they find problems occurring in working routines as they perform the routines everyday. Comments from the front-line staff are vital to new services and processes in the multinational hotel groups. An exemplar is a case of cleaning process in Sofitel hotel in London. Staff in the Housekeeping Department suggested a new way to ensure a high level of cleanliness in a guest room.

5.3 Learning from others

The hotels learn from other affiliated hotels in the same hotel group. They have a visiting scheme to learn and share knowledge and practices among members in the group. For example, in Manchester, Novotel hotels visited the hotels in their group to learn from each other. In addition, Sofitel hotels in Europe visited the Sofitel hotel in London who initiates

a new cleaning process. Learning from others in a network can be explained by Lam (2006) that firms create innovation and knowledge through learning from contacts with external organisations who are in a better position to challenge existing perspectives and paradigms.

Moreover, the multinational hotel groups learn from competitors. Evidence from Marriott hotels presents that F&B staff pretend to be the guests sitting in the competitors' restaurants to observe service offerings that the competitors provide. Occasionally, staff in Sofitel hotels walk into the competitors' properties to learn the competitors' services and processes. This shows that innovation in the hotel is easy to imitate as it is small and do not involve high-technological skills (Boden and Miles, 2000, Sundbo and Gallouj, 1998b). Especially for firms in tourism sector, most innovations in tourism cannot be patented (Poon, 1993).

5.4 HQs as an idea initiator and final decision maker

New ideas are also generated by HQs. At the multinational hotel groups level, a management team at HQs initiated new idea, developed and tested it before the innovation is distributed to affiliated hotels within the groups.

For examples, in IHG, a project team at HQs discussed and developed this new concierge concept. Then, the new concept was prototyped and tested in the selected hotels.

New ideas in the affiliated hotels are verified and approved by the General Manager. Once the General Manager approves the new ideas, the new ideas will be approved by HQs at the final stage. HQs need to ensure that new service offerings will not break a proposition of a brand standard. The findings are consistent with a dual form of innovation activities which ideas can come from everywhere in the organisation and the management will screen and select the proper idea (Sundbo and Gallouj, 1998b). Evidence from the three hotels is illustrated as below.

We [InterContinental Bangkok] have to get that level of approval [from the Corporate HQs] to make sure that what [new services and processes] we are doing is okay...If we went far beyond the brand in [a] certain area, then we have to be pulled back. So if we do something far beyond what IHG generally do in the hotel, then obviously there will be question and challenge for London

because it goes to [an] issue of brand integrity. (Acting General Manager, InterContinental Hotels & Resorts)

We do have a form that the hotels need to fill in to apply for permission to not implement certain standard. They [affiliated hotels] need my approval and Operational Vice President's approval. (Corporate Brand Marketing Manager, Accor Asia)

We [Marriott Hotels & Resorts) have 'blue ocean' strategy – do out of box. We can increase varieties of breakfast by putting Thai local breakfast. Instead of providing just cooked food, chief cooks for guest and shows how to cook as the same time. This is different and better. If we do different and not better, Marriott [HQs] will not approve. (General Manager, Marriott Hotels & Resorts)

6. Conclusion

This article has discussed service innovation including characteristics of service innovation and sources of innovation in the multinational hotel groups. Innovation in the multinational hotel groups is often small and incremental. Due to customers' expectation and needs, service offerings cannot be too alien to customers. New services and processes tend to be gradually improved. Innovation in the three cases is a customer-driven one. The multinational hotel groups innovate with an aim to produce and deliver new value to customer. Therefore, customers' comments or ideas are vital to generate innovation that satisfy customers. As the front-line staff directly interact with customers, they know customers' needs, expectations or problems. Solutions or suggestions from the front-line staff help generating innovation in the multinational hotel groups. The cases also show that new ideas, services and processes come from several actors in the multinational hotel groups. However, HQs and General Manager in affiliated hotels play a decisive role to finalise innovations, mostly, based on a scope of a brand standard. With a bottom-up and top-down process, the organisation of innovation activities can be called a dual form.

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