

Innovation in Boutique Hotels in Valletta, Malta: A Multi-level Investigation

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Abstract: Service innovation has come to reflect a multidimensional and fuzzy construct defined by elusiveness. As such, the terminology ‘service innovation’, while increasingly important in servitized and experience-based economies, has come to denote ‘everything and nothing at the same time’. Further amplifying these issues, scholars remain divided on whether service innovation should be explored from a demarcation, synthesis, or assimilation approach, while service innovation process models provide overly simplified representations of the service innovation process. To counteract these shortfalls, and based on Buhagiar et al.’s (2021) conceptual multi-level model of service innovation, this paper, through the application of a qualitative methodology, explores the service innovation process of boutique hotels located in Valletta, Malta. The results of this study explicate that knowledge resources and the capacity of personnel in boutique hotels to combine and transform knowledge resources, at both the micro-level and firm-level, mirror core capabilities necessitated to develop innovation in boutique hotels. Furthermore, service innovation emerged as a human-centric process, with idea generation inherently contingent on the cognitive capacities of personnel in boutique hotels. Thus, inciting the innovation process in boutique hotels emerged as contingent and path-dependent on the motivations of personnel to identify innovation opportunities, and externalize subjective tacit knowledge.


1 INTRODUCTION

Globally, service economies have been acknowledged to dominate in terms of output, employment and value added (Buckley & Majumdar, 2018). For example, in Malta, in 2021, services accounted for 77.44% of the economy (Statista, 2022). However, despite the increasing growth and importance of the service economy, the literature on service innovation theory has been critiqued for insufficiently addressing the notion of the service innovation process (Snyder et al., 2016; Witell et al., 2016). As a result, the resources and processes through which service organizations innovate remains elusive and subject to numerous conceptualizations.

Based on Buhagiar et al.’s (2021) conceptual model, this paper presents the results obtained from a qualitative investigation conducted on boutique hotels in Valletta, Malta. The results presented in this study address the service innovation process of

boutique hotels in Valletta, Malta by outlining the micro-foundation processes and firm-level capabilities hotel owners and managers/supervisors were found to implement to give rise to innovation activities.

This paper is structured to cover six core sections. Following this introduction, Section 2 presents the theoretical background, here the literature associated with service innovation theory is discussed and the gaps present in the literature are outlined. Building on these gaps, Section 3 outlines the methodological underpinnings employed to explore Buhagiar et al.’s (2021) conceptual model. Section 4 presents the results which emerged from the empirical investigation. Section 5 discusses the implications of this research, and Section 6 presents the conclusions and limitations of this study.

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2 THEORETICAL BACKGROUND

2.1 Service Innovation

Service innovation has been conceptualized to mirror a fuzzy and complex multi-phase process, that is iterative in nature and structurally fluid (Chesbrough, 2017; Engen & Magnusson, 2018; Lusch & Vargo, 2018; Song et al., 2009; Toivonen & Tuominen, 2009; Xu & Wang, 2020). As the literature in service innovation theory advances (see, for example, Gallouj & Savona, 2009; Singh et al., 2020; Snyder et al., 2016; Witell et al., 2016), service innovation has come to reflect a multifaceted construct, with theoretical contributions generally positioning this form of innovation to represent a panoptic terminology, i.e., an all-encompassing theoretical standpoint (Carlborg et al., 2014).

Despite the exhaustive connotation generally associated with the term ‘service innovation’, recent scholarly efforts define this form of innovation as “a new process or offering that is put into practice and is adopted by and creates value for one or more stakeholders” (Gustafsson et al., 2020, p. 114). Similarly, the literature in service innovation theory also converges on particular attributes positioned as central to the notion of service innovation.

In this respect, service innovation has come to reflect a process defined by resource combinations (Song et al., 2009; Sundbo 1997, 2009; Toivonen & Tuominen, 2009), with intra- and inter-organizational knowledge resources positioned as fundamental to the service innovation process (Galanakis, 2006; Peschl & Fundneider, 2014; Nonaka & Takeuchi, 2019). From this perspective, “when organizations innovate, they do not simply process information. . . . They actually create new knowledge and information” (Nonaka & Takeuchi, 1995, p. 56), therefore, “a highly complex knowledge process can be found to be at the root of every innovation” (Peschl & Fundneider, 2014, p. 347). Thus, service innovation is generally conceptualized to be grounded in combinations and re-combinations of knowledge resources (Lusch & Nambisan, 2015), representing a living, dynamic, and evolutionary input to the service innovation process.

To acquire the knowledge resources necessitated for the service innovation process, service organizations generally rely on knowledge exchanges with key intra- and inter-organizational members, including ecosystem actors (Hidalgo & D’Alvano, 2014; Lusch & Vargo, 2018), customers (Li & Hsu,

2016; Xu & Wang, 2020), and intra-organizational personnel, being employees (Engen & Magnusson, 2018), managers (Tidd & Bessant, 2014), and owners (Crossan & Berdow, 2003; Camisón et al., 2020). At an ecosystem level, market actors contribute towards service innovation by way of collaborative value creation, with operant resources, i.e., knowledge resources, flowing bi-directionally in the ecosystem (Buhagiar, 2021; Lusch & Vargo, 2018), leading to decentralized forms of innovation, i.e., open innovation (Chesbrough, 2017). Similarly, in the service innovation process, whether directly or indirectly, customers contribute towards service innovation by way of providing service organizations with suggestions for improvement (Li & Hsu, 2016; Xu & Wang, 2020), or by acting as an impetus or a source of inspiration for change (Duverger, 2012). Therefore, in service innovation, “customers are thus no longer regarded as inert targets of the value proposition but are rather coproducers of the value they buy” (Espejo & Dominici, 2017, p. 25).

Moreover, similar to an autopoietic system, service organizations are capable of generating innovations in a self-referential manner through combinations of knowledge resources from intra-organizational personnel. For example, employees may either lead the innovation process *via* the proactive identification of innovation opportunities and the development of novel ideas, or through supporting innovation activities by reporting problems (Engen & Magnusson, 2018). Similarly, managers, while responsible for generating ideas, may simultaneously be tasked with establishing a culture and climate for innovation through leading, structuring, and guiding innovation activities (Tidd & Bessant, 2014). In the service innovation process, the decision-making rights, authority, and the capacity of owners to allocate resources to innovations have also been reported to exert an influence on the nature and the scope of service innovations (Gutierrez et al., 2008; Camisón-Zornoza et al., 2020).

With service innovation contingent on resource combinations from both intra- and inter-organization actors, service organizations follow an autopoietic form of organization, which refers to “processes interlaced in the specific form of a network of productions of components which realizing the network that produce them constitute it as a unity” (Varela & Maturana, 1980). Due to the dependence of service organizations on resource combinations from both inter- and intra-organizational actors to effectuate service innovation, innovation in this context may occur in a systematic or unsystematic manner (Song et al., 2009; Toivonen & Tuominen,

2009), while the boundaries between a service organization and the external environment may increasingly appear blurred (Chesbrough, 2017). In terms of the degrees of novelty a service innovation may invoke, these range from radical to incremental (Binder et al., 2016) and, simultaneously, the multidimensional nature of service innovation sees this construct manifest in four core dimensions, including service concept innovation, client interface innovation, service delivery system innovation, and information technology innovation (Miles, 2008).

Based on the nuanced and convoluted attributes comprising service innovation, Witell et al. (2016) asserted that “lack of precision in the service innovation concept makes it ambiguous” (p. 2870), while diverging theoretical positions and the added complexities of the assimilation, demarcation, and synthesis approaches, have led to an overarching sense of conceptual confusion in the service innovation literature (Snyder et al., 2016; Witell et al., 2016). Furthermore, although service innovation process models have been developed (see, for example, Song et al., 2009; Toivonen & Tuominen, 2009), they tend to be reductionist in nature, with these models presenting overly simplified illustrations of the service innovation process. In addition, these models also omit to account for the complex and fuzzy role of knowledge resources in service innovation, resulting in process models which fall short of explicating how knowledge resources are transformed into productive resources. Compounding these issues, Keszei (2018) stressed that “while scholars and practitioners alike require a sound understanding of how knowledge sharing influences innovation outcomes to firms’ maximum performance, empirical research on this domain remains rather scarce” (p. 1062). Similarly, Edghiem and Mouzoughi (2018) critiqued the literature for insufficiently addressing the implications of knowledge resources in the service innovation process.

To overcome the preceding shortfalls, and based on the nascent nature of the boutique hotel sector, where few empirical investigations have been conducted (see, for example, Ghaderi et al., 2020; Loureiro et al., 2019; Parolin & Boeing, 2019), this study sought to investigate service innovation in boutique hotels located in Valletta, Malta through exploring three research questions (RQ), including:

RQ1: How does innovation develop in boutique hotels in Valletta, Malta through knowledge resources?

RQ2: What is the structure and the nature of the innovation process in boutique hotels in Valletta, Malta?

RQ3: What is the role of knowledge reconfiguration capabilities in the innovation process of boutique hotels in Valletta, Malta?

3 METHODOLOGY

3.1 Conceptual Model & Philosophical Underpinnings

To investigate the three research questions presented in Section 2 above, Buhagiar et al.’s (2021) conceptual multi-level model rooted in the knowledge-based view (Grant, 1996), Nonaka’s (1994) dynamic theory of organizational knowledge creation, and the dynamic capabilities approach (Teece et al., 1997) was applied in this investigation.

Moreover, due to the prevalent positivist approach adopted by scholars in the tourism literature to investigate the link between knowledge resources and service innovation (see, for example, Nordli, 2018; Pongsathornwivat et al., 2019; Thomas & Wood, 2014), the philosophical underpinnings applied in this research comprised a constructivist interpretive paradigm. This paradigm was selected as: 1) it is able to account for and accentuate the human-centric, complex, and iterative nature generally necessitated to transform knowledge resources into innovation (Nonaka, 1994), and 2) enable a holistic perspective of service innovation to emerge.

3.2 Data Collection Technique

Based on the principles underpinning the constructivist paradigm, this research applied a qualitative methodology to capture and account for the unique, personal, and subjective perspectives of interview respondents when discussing the service innovation process.

In this study, data collection was effectuated through semi-structured interviews with boutique hotel owners and managers/supervisors. The interview template used to guide semi-structured interviews comprised 36 questions, with questions structured to collect data on six core themes, including 1) demographic data/background information, 2) the innovation process when establishing boutique hotels, 3) environmental dynamics prior to and during Covid-19, 4) the role of

knowledge resources in the innovation process, 5) the innovation process prior to Covid-19, and 6) the innovation process during Covid-19. Once interview templates and letters of consent were drafted, these were submitted for ethics approval. Following ethics approval, data collection took place between 4th August 2021 and 2nd May 2022 in Valletta, Malta. To recruit relevant participants in this study, the sampling techniques grounding this research comprised both purposive sampling and convenience sampling, with sample criteria established for 1) boutique hotels, and 2) boutique hotel managers/supervisors and owners.

Once a list of eligible boutique hotels and interview respondents was established, the researcher contacted respondents *via* email to ascertain their interest in participating in this study. To further increase the uptake of interview participants in this study, the researcher personally visited boutique hotels in Valletta, Malta several times. To increase the validity and the reliability of research findings, audio recordings were transcribed by the researcher in-verbatim, they were sent to interview participants for member checking, and diverging/negative cases were reported. To analyse interview data, the researcher applied six rounds of coding, including 1) open coding, 2) axial coding, 3) structured coding, 4) provisional coding, 5) causation coding and 6) the constant comparative method.

Based on the results obtained through semi-structured interviews, the following section, i.e., Section 4, discusses the core findings which emerged through data collection and analysis efforts.

4 RESULTS

4.1 Sample Attributes

Between 4th August 2021 and 2nd May 2022, 25 interviews were conducted with both boutique hotel owners and managers/supervisors from 14 boutique hotels located in Valletta, Malta. Out of the 25 interviews conducted, 18 interviews were held in-person, and 7 interviews were held virtually due to Covid-19 restrictions. Interviews were audio recorded and conducted in the English language, with each interview lasting approximately 74 minutes, while the total number of recorded minutes from these interviews equated to 1,923.98 minutes. From the 25 respondents who participated in this study, 9 respondents were boutique hotel owners, and 16 respondents were boutique hotel managers/supervisors. In terms of the demographic

composition of the 25 interview respondents, the average age of interviewees was 41 years of age, 16 respondents were male, and 9 respondents were female. Moreover, in terms of the nationality of interviewees, 9 respondents were foreign nationals, and 16 respondents were Maltese nationals. Out of the 14 boutique hotels explored in this study, the ownership structures fostered by sampled hotels ranged from independently owned boutique hotels, which comprised 9 hotels, to group-owned boutique hotels, which totaled 5 hotels. Group-owned boutique hotels were further subdivided into chain-owned boutique hotels, which consisted of 2 hotels, and multi-sector group-owned boutique hotels, which comprised 3 hotels. Due to the ethical protocol employed within this research, pseudonyms were allocated to the boutique hotels (BH), boutique hotel owners (BHO) and managers/supervisors (BHE) comprising the investigated sample.

4.2 Knowledge-reconfiguration Micro-foundation Processes

This section, i.e., Section 4.2, critically discusses the micro-foundation processes boutique hotel managers/supervisors and owners reported to use in order to transform knowledge resources into innovation.

The objectives of this section, therefore, are to explicate the nature of the innovation process in boutique hotels, and to unravel the role of knowledge resources in this process. Due to the small sample size comprising this study, the results discussed in the following sections are not generalizable, therefore, they are only relevant to the investigated sample.

At a micro-foundation level, in the investigated boutique hotels, the innovation process emerged to reflect a nine-phase knowledge-based process (Figure 1), with four novel paths used by personnel in boutique hotels to generate ideas and stimulate innovation activities (Figure 2). While transforming knowledge resources into innovation reflected a nine-phases process (Figure 1), the uptake and the implementation of each micro-foundation process in boutique hotels varied, with processes 1 (idea generation), 2 (research), 3 (intra-organizational knowledge creation), 5 (implementation of ideas), and 7 (innovation) frequently implemented by all the boutique hotels comprising this sample. Moderately implemented micro-foundation processes included processes 6 (knowledge assembly) and 8 (knowledge sharing), while processes 4 (testing ideas) and 9 (feedback post-innovation) were subject to low degrees of uptake in the sample comprising this study.

In line with Figures 1 and 2, the innovation process comprising boutique hotels mirrored a complex, nuanced, and highly personal process, with personnel in boutique hotels using multiple heterogeneous sources of both tacit and explicit knowledge to catalyze idea generation activities. With four novel paths used by personnel in boutique hotels to generate ideas, the start of the innovation process reflects a subjective and personal process, which may be invoked by numerous stimuli, and which may evolve in a sporadic and unprecedented manner. The nuanced nature of the innovation process comprising boutique hotels was also mirrored in phase 3, i.e., knowledge creation activities, with the externalization of tacit knowledge occurring through numerous different methods and contextual structures, e.g., discussions with colleagues and owners, formal meetings, board meetings, etc., this indicates that knowledge creation in boutique hotels reflects a context-dependent process influenced by institutional routines and tacitly embedded norms. While micro-foundation phases 1 to 3 of the innovation process reflected highly personal knowledge-based processes contingent on the individual efforts of the personnel comprising boutique hotels, phases 4 to 9 mirrored comparatively linear and impersonal processes.

When exploring the innovation processes of boutique hotels by different ownership structures (independently owned boutique hotels, chain-owned boutique hotels, and multi-sector group-owned boutique hotels), the results of this study revealed that multi-sector group-owned boutique hotels possessed the longest and the most thorough innovation process, with personnel from these hotels implementing all 9 micro-foundation processes to reconfigure knowledge resources and develop innovation. Independently owned boutique hotels also comprised a relatively long innovation cycle, with personnel from these hotels implementing 8 micro-foundation processes to reconfigure knowledge resources and develop innovation. Personnel from independently owned boutique hotels did not report any processes to assemble knowledge resources (process 6). Chain-owned boutique hotels comprised the shortest innovation cycle, with personnel from these hotels implementing 6 micro-foundation processes to reconfigure knowledge resources and establish innovation. In addition to comprising the shortest innovation cycle, personnel from these hotels did not report implementing micro-foundation processes 4 (testing ideas), 6 (knowledge assembly), and 9 (feedback post-innovation).

Based on the 25 interviews conducted with boutique hotel owners and managers/supervisors, in this research, innovation emerged to reflect a human-centric, and complex process rooted in knowledge resources. As the core productive resource grounding the innovation process in boutique hotels, idiosyncratic sequences of tacit and explicit knowledge resources were combined and recombined by interviewees to identify innovation opportunities, with idea generation processes in these accommodation provisions aligning to the principles of equifinality, and evolving in a seemingly unstructured manner. In and of itself, this finding indicates that generating ideas in boutique hotels, and therefore, catalyzing the innovation process, is contingent on both the cognitive capacities of boutique hotel owners and managers/supervisors, as well as their willingness to externalize and share their subjective tacit knowledge with other personnel in boutique hotels.

Further compounding the complexity and the unique nature of the innovation process in boutique hotels, ownership structures were also found to exert an impact on the number of micro-foundation processes used in boutique hotels. In this respect, multi-sector group-owned boutique hotels possessed the longest innovation cycle, with formalized structures specifically established by these hotels to leverage and create knowledge. Independently owned boutique hotels comprised an 8 phase micro-foundation process, with these hotels neglecting to implement knowledge assembly practices. In itself, this finding indicates that while independently owned boutique hotels relied on knowledge resources to generate ideas, these hotels did not comprise the structures or knowledge bases necessary to establish innovations of a technical nature. Chain-owned boutique hotels possessed the shortest innovation cycle, with these hotels lacking the necessary structures to establish innovations of a technical nature, while simultaneously neglecting to validate ideas and gauge innovation post-implementation.

Further extending the preceding results, Section 4.3 discusses the role of firm-level capabilities for reconfiguring knowledge resources in the innovation process comprising boutique hotels.

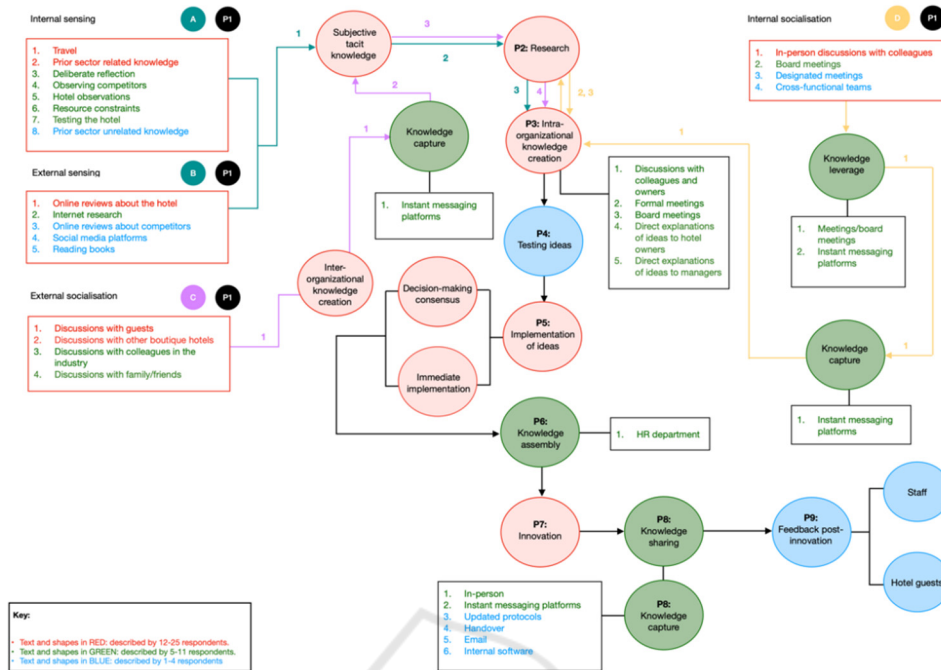


Figure 1: Micro-Foundation Knowledge Processes Implemented in Boutique Hotels in Valletta, Malta.

Path A: Internal Sensing		Path B: External Sensing	
Travel	<ul style="list-style-type: none"> Acted as a basis for copying and adapting ideas to fit the local context (imitated innovation) Acted as a source of inspiration for the development of new ideas Acted as a source of learning, with accumulated knowledge used at a later date to improve the hotel 	Online reviews about the hotel	<ul style="list-style-type: none"> Acted as a basis for identifying problems in the hotel and developing solutions for improvement Acted as a basis to understand customer expectations and to adapt by refining the service on offer Customer suggestions acted as a source of new ideas
Prior sector related knowledge	<ul style="list-style-type: none"> Lessons learned and ideas developed by respondents in previous contexts directly imported into new hotel contexts (imitated innovation) Prior knowledge acted as a guide for the development of viable ideas 	Internet searches	<ul style="list-style-type: none"> Acted as a basis to identify the latest trends in the industry Acted as a source of inspiration to stimulate the development of ideas Acted as a basis to identify areas for improvement
Deliberate reflection	<ul style="list-style-type: none"> Acted as a basis to challenge long-held assumptions and conventional ways of doing things 	Online reviews about competitors	<ul style="list-style-type: none"> Acted as a basis to understand the weaknesses of competitors and develop ideas for better service offerings Acted as a basis to unravel customer expectations and develop ideas to satisfy customer expectations
Observing competitors	<ul style="list-style-type: none"> Acted as a basis for copying ideas (imitated innovation) Acted as a source of inspiration for the development of new ideas Acted as a benchmark to improve service offerings 	Social media platforms	<ul style="list-style-type: none"> Acted as a source of inspiration for the development of new ideas
Hotel observations	<ul style="list-style-type: none"> On-site observations led to the identification of areas for improvement 	Reading books	<ul style="list-style-type: none"> Acted as a source of inspiration for the development of new ideas
Resource constraints	<ul style="list-style-type: none"> Spatial constraints acted as a catalyst for the development of novel ideas 		
Testing the hotel	<ul style="list-style-type: none"> Feedback gained through testing the hotel acted as an avenue for identify areas for improvement 		
Prior sector unrelated knowledge	<ul style="list-style-type: none"> Unrelated knowledge gained through different experiences acted as a basis to identify areas for improvement in the hotel 		
Path C: External Socialisation		Path D: Internal Socialisation	
Discussions with guests	<ul style="list-style-type: none"> Customers provided hotel personnel with in-person feedback on areas for improvement Customers provided hotel personnel with an overview of daily experiences, leading to the development of new service provisions or collaborations with market actors 	In-person discussions with colleagues	<ul style="list-style-type: none"> Acted as a method to co-create new knowledge and develop ideas
Discussions with other boutique hotels	<ul style="list-style-type: none"> Acted as a basis to share common problems and to co-create solutions 	Board meetings	
Discussions with colleagues in the industry	<ul style="list-style-type: none"> Ex-colleagues acted as a soundboard to discuss ideas, market trends, and industry changes 	Designated meetings	
Discussions with family/friends	<ul style="list-style-type: none"> Acted as an avenue to acquire different perspectives Acted as a source of inspiration for the development of new ideas 	Cross-functional teams	

Figure 2: Idea Generation Processes in Boutique Hotels in Valletta, Malta.

4.3 Knowledge-reconfiguration Capabilities

In line with Figure 3 below, in this study, 6 firm-level knowledge reconfiguration capabilities were found to

be present in the boutique hotels investigated in this research, including: 1) sensing capabilities, 2) validation capabilities, 3) knowledge creation capabilities, 4) seizing capabilities, 5) reconfiguration capabilities, and 6) knowledge integration capabilities.

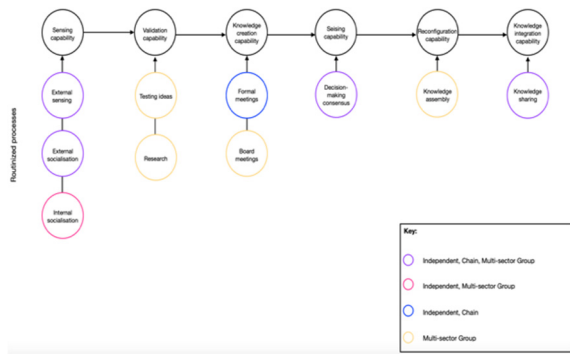


Figure 3: Firm-level Knowledge Reconfiguration Capabilities.

When exploring the level of routinization comprising each firm-level capability, the results of this study outlined that sensing capabilities largely mirrored micro-level cognitive capabilities, with hotels only able to establish routines for 1) evoking discussions with hotel guests (external socialization) (BH1, BH2, BH3, BH4, BH5, BH6, BH7, BH8, BH9, BH10, BH11, BH12, BH13, BH14), 2) scanning reviews about the hotel (BH1, BH2, BH3, BH4, BH5, BH6, BH7, BH8, BH9, BH10, BH11, BH12, BH13, BH14) and, to a lesser extent, competitors (external sensing) (BH1, BH2, BH3, BH4, BH5, BH7, BH9, BH11, BH12, BH13, BH14), and 3) creating knowledge *via* board meetings, formal meetings, and cross-functional teams (internal socialization) (BH3, BH8, BH9, BH12, BH13, BH14). Moreover, while external sensing and external socialization capabilities were established by independent, chain and multi-sector group-owned boutique hotels, routines for internal socialization were only established by independently owned and multi-sector group-owned boutique hotels, with chain-owned boutique hotels falling short of establishing systemized processes to elicit ideas by way of internal socialization activities.

Validation capabilities, which mirrored firm-level processes deployed by boutique hotels to test ideas and conduct research to determine the viability of ideas, were only present in multi-sector group owned boutique hotels (BH12, BH13, BH14), with these hotels possessing the institutional structures required to investigate and substantiate proposed ideas and test innovations prior to their full rollout.

Knowledge creation capabilities, which were established through formal and systemized meetings, board meetings, and cross-functional teams, were only established in three independently owned boutique hotels (BH3, BH4, BH9), both chain-owned boutique hotels (BH10, BH11), and all three multi-sector group-owned boutique hotels (BH12, BH13,

BH14). Therefore, knowledge creation capabilities were most prevalent in larger organizational structures, where institutional routines for combining knowledge resources and developing new knowledge/ideas were established.

The seizing capability, which mirrors routines for decision-making, emerged to reflect a complex construct, with two decision-making paths available to boutique hotel owners and managers/supervisors, including 1) decision-making consensus and 2) the immediate implementation of ideas. In the sample investigated, decision-making consensus evolved to represent a standardized procedure in all the boutique hotels investigated in this research (BH1, BH2, BH3, BH4, BH5, BH6, BH7, BH8, BH9, BH10, BH11, BH12, BH13, BH14). Due to the unpredictable nature of 'immediate implementation', this capability evolved to mirror a cognitive capacity contingent on boutique hotel owners/managers/supervisors to deploy and implement.

Knowledge reconfiguration capabilities, which reflect knowledge assembly processes, were only systemized by multi-sector group-owned boutique hotels (BH12, BH13, BH14), which comprised HR departments with formalized responsibilities and tasks for identifying knowledge gaps in the respective hotels.

Knowledge integration capabilities, which mirror institutionalized routines for sharing knowledge, were systemized by boutique hotels through formal in-person discussions (BH1, BH2, BH7, BH8, BH10, BH11, BH13, BH14), discussions *via* instant messaging platforms (BH2, BH4, BH5, BH6, BH9), handover manuals (BH2, BH6), updated protocols (BH6, BH8, BH9), emails (BH5, BH8, BH11), and intranets (BH12, BH14).

The results of this study indicate that multi-sector group-owned boutique hotels comprised the highest levels of systemization for reconfiguring knowledge resources and developing innovation, with these hotels possessing all six capabilities. Chain-owned and independently owned boutique hotels also comprised firm-level capabilities for reconfiguring knowledge resources, however, out of six capabilities, these hotels only possessed four capabilities (sensing capabilities, knowledge creation capabilities, seizing capabilities, and knowledge integration capabilities), with no independently owned boutique hotel possessing all four capabilities. Through this analysis, this study delineates that in independently owned boutique hotels, innovation processes emerged as informally structured and largely contingent on micro-foundation processes for the reconfiguration of knowledge resources, while multi-sector group-

owned boutique hotels possessed the highest degrees of formalization in the innovation process. Thus, in this research, the larger infrastructures of multi-sector group-owned boutique hotels seemed to exert a positive influence on ability of these organizations to establish institutional routines for reconfiguring knowledge resources and developing innovation.

When exploring the role and the impact of firm-level capabilities for reconfiguring knowledge resources and developing innovation in boutique hotels, the results of this study outline that respondents from chain-owned and multi-sector group owned boutique hotels reported implementing a larger number of novel innovations when contrasted against the number of innovations reported by independently owned boutique hotels during three contextual periods, being: 1) prior to the opening of boutique hotels, 2) operational phase of boutique hotels, and 3) Covid-19 phase. According to the results obtained, firm-level capabilities for reconfiguring knowledge resources assisted chain-owned and multi-sector group-owned boutique hotels through: 1) providing systemized methods for identifying innovation opportunities, 2) acting as an avenue to overcome market turbulence through adaptation efforts, and 3) acting as a method to sustain innovation activities over longer temporal dimensions. In this respect, while multi-sector group owned boutique hotels possessed six firm-level capabilities, four firm-level capabilities emerged to play a pivotal role in the innovation efforts of both chain-owned and group-owned boutique hotels, including 1) sensing capabilities, 2) knowledge creation capabilities, 3) seizing capabilities, and 4) knowledge integration capabilities.

Therefore, in line with the results presented in this section, in this research, firm-level knowledge reconfiguration capabilities were most prevalent in larger organizational structures, including chain-owned and multi-sector group-owned boutique hotels. Consistency in knowledge reconfiguration capabilities, specifically, the routinization of the sensing capability, knowledge creation capability, seizing capability, and knowledge integration capability, assisted the investigated boutique hotels to systematically identify innovation opportunities, reconfigure knowledge resources, and adapt to market turbulence through implementing innovations. While firm-level capabilities for reconfiguring knowledge resources emerged as instrumental in larger boutique hotels, the complex, subjective and human-centric nature of idea generation processes hindered the wide-scale development of systemized sensing capabilities.

Therefore, the core stimulus required to ignite the innovation process, being ideas, which manifest as subjective tacit knowledge, resides within the cognitive facilities of the personnel constituting boutique hotels. Thus, in the investigated boutique hotels, innovation emerged as contingent on both micro-level and firm-level capabilities, with these hotels inherently contingent on intra-organizational personnel to effectuate idea generation efforts.

5 DISCUSSION

Based on the results obtained in this research, in the investigated boutique hotels, innovation emerged to reflect a complex knowledge-based process, with transformations in knowledge resources acting as a basis for: 1) the identification of innovation opportunities, 2) the development of novel ideas, and 3) the subsequent exploitation of ideas to result in innovation. This, in itself, aligns to prior conceptualizations of service innovation (see, for example, Galanakis, 2006; Peschl & Fundneider, 2014; Nonaka & Takeuchi, 2019), where authors positioned service innovation to comprise a knowledge-based process involving combinations of knowledge resources from multiple intra- and inter-organizational actors (Lusch & Nambisan, 2015; Miles, 2008). Unlike prior conceptualization of service innovation, however, where innovation processes have been defined by a reductionist approach (Song et al., 2009; Toivonen & Tuominen, 2009), at a micro-foundation level, innovation emerged to be rooted in a nine-phase knowledge reconfiguration process, with idea generation, the core stimulus and input necessary to start the innovation process, following the principles of equifinality, i.e., boutique hotel employees and owners bore the capacity to gestate novel thoughts through four idiosyncratic paths. As a result, at a micro-level of analysis, innovation efforts in boutique hotels reflected a nuanced, personal, subjective, and complex process, with hotels emerging as inherently contingent on intra-organizational personnel to identify innovation opportunities, generate novel ideas, and externalized ideas via a co-created context. When positioned in this light, the rate of innovation in boutique hotels evolved as partially determined by the motivations of hotel employees and owners to: 1) engage in innovation opportunity identification activities and 2) externalize/share their subjective tacit knowledge with colleagues. This, in turn, is in line with Ardichvili et al.'s (2003) theoretical standpoint of opportunity development, and Amabile

and Pratt's (2016) perspective of innovation, where the authors asserted that "at the individual level, the driver is intrinsic motivation" (p. 160). In addition, given the core role of social interactions and dialogue in the service innovation processes comprising the investigated boutique hotels, the overarching culture and climate present within boutique hotels was found to bear a degree of influence over the innovation processes adopted in these organizations. This finding is in line with Goodman and Dingli's (2013) rationale concerning the pivotal role of trust, emotional safety, and openness in the innovation process. Similar to previous findings (Crossan & Berdrow, 2003), the innovation process in boutique hotels emerged as particularly influenced by the decision-making power and authority of owners, most significantly in independently owned and chain-owned boutique hotels, where decision-making consensus regarding potential ideas was generally necessitated prior to implementing innovations. Alternatively, in multi-sector group-owned boutique hotels, managers possessed the capacity to implement innovations at their discretion, as long as such innovations fit within pre-defined financial parameters which, in turn, aligns to Gutierrez et al.'s (2008) findings. Unlike previous studies, however, this study also found that the number of innovation processes implemented by boutique hotels was influenced by ownership structures, with multi-sector group-owned boutique hotels possessing the longest innovation cycle, followed by independently owned boutique hotels. Chain-owned boutique hotels possessed the shortest innovation cycle, with these hotels neglecting to test ideas, assemble knowledge resources, and acquire feedback post-innovation. Thus, not only do ownership structures exert an impact on the rate and the number of innovations which are approved/rejected in boutique hotels, however, different ownership structures also influence the innovation process in terms of the number of micro-foundation processes implemented by boutique hotels.

Extending current research in the tourism literature, where empirical investigations have predominantly explored the link between knowledge resources and innovation from a single-level perspective, i.e., organizations are either explored at the individual-level or the firm-level, and based on positivist methodologies (Nordli, 2018; Pongsathornwiwat et al., 2019; Thomas & Wood, 2014), the results of this study outline that boutique hotels, specifically multi-sector group-owned boutique hotels, possessed six capabilities aimed at reconfiguring knowledge resources. Moreover, while

capabilities aimed at transforming knowledge resources have been established in the literature (see, for example, Cohen & Levinthal, 1990; Kogut & Zander, 1992; Nielsen, 2006), these capabilities largely remain conceptual and fall short of interlinking firm-level capabilities to micro-level processes. This study explicates that larger organizational structures promote the development of firm-level capabilities, which is in-line with Zahra et al.'s (2006) research, where the authors linked dynamic capability development to small-to-medium sized enterprises, new ventures, and mature organizations. Therefore, this contradicts Teece's (2007) assertion that dynamic capabilities are generally only established by multinational organizations. All the boutique hotels comprising this sample, possessed the 'capacity' to establish systemized routines for reconfiguring knowledge resources, with smaller independently run boutique hotels generally establishing one or two firm-level capabilities aimed at reconfiguring knowledge resources. Thus, dynamic capability development is still possible in small organizations, however, admittedly, it is less prevalent. What the dynamic capabilities approach has fundamentally neglected to address, and what seems to be taken for granted in the strategic management literature is the stickiness and complex nature of the 'sensing capability'. According to prior conceptualizations, the sensing capability reflects the (systematic/routinized) ability to "spot, interpret, and pursue opportunities" (Pavlou & El Sawy, 2011, p. 243). As was previously outlined, in the boutique hotels investigated in this research, the ability to sense innovation opportunities emerged to reflect a heterogeneous construct intertwined in personal, subjective, and individual-oriented processes, with boutique hotels only managing to systemize 6 out of 15 stimuli used to identify innovation opportunities. Therefore, counter to the strategic management literature (Pavlou & El Sawy, 2011; Teece, 2007; Teece et al., 1997), in this study, the sensing capability largely mirrored an individual-level cognitive capability, implying that kickstarting the innovation process in boutique hotels commands the individual efforts of hotel personnel.

6 CONCLUSION

In boutique hotels, both micro- and firm-level processes/capabilities for reconfiguring knowledge resources are necessitated and important for the development of ideas and innovation. This empirical

investigation comprises implications for both practitioners and theory.

For boutique hotel practitioners, this study illustrates the core dependence boutique hotels have on personnel for the development of ideas. As a result, practitioners may use the micro-foundation model to understand the stimuli used by personnel to generate ideas, and to react by establishing appropriate intrinsic and extrinsic motivators capable of encouraging employees to externalize their thoughts/ideas.

Given the importance of knowledge resources in the innovation process, practitioners may use the micro-foundation model as a basis to develop and implement systems for the management of knowledge. This, in turn, may assist practitioners establish firm-level capabilities for systemized and structured forms of innovation.

From a theoretical perspective, this paper contributes to the literature by explicating the dual levels through which innovation occurs in boutique hotels, with innovation emerging as contingent on both micro-level processes and firm-level capabilities. This, in turn, overcomes the shortfalls of simplified service innovation process models through a comprehensive and empirically grounded model of the service innovation process.

While this paper comprises implications for practitioners and contributes towards theory development, it comprises certain limitations. First, this research did not explore the role of front-line employees in the innovation process, this may reduce the representativeness of the proposed models. Therefore, future studies should seek to explore and account for the role of all employees in the innovation processes of hotels though, for example, the application of a case study.

Second, in this research, innovation processes were only investigated in boutique hotels, which merely mirrors one type of accommodation provision. Future studies may seek to explore whether innovation processes vary in other types of accommodation, e.g., 4- and 5-star hotels.

Third, due to the qualitative underpinnings of this research, innovation in boutique hotels was investigated by way of a constructivist lens. For more replicable and objective research, future studies may seek explore innovation processes through the application of a critical realist approach.

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