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An Assessment of Change-Readiness Capabilities and Service Innovation Readiness and Innovation Performance: Empirical Evidence from MICE Venues

BANJONGPRASERT, J.*

Silpakorn University International College, Silpakorn University,
22 Borommarachachonani Rd. Talingchan, Bangkok 10170 Thailand

ABSTRACT

Readiness for change involves people's recognition of the need to change and their readiness to submit to change. It also requires some degree of effective abilities and capabilities to successfully make those changes through communication (Armenakis *et al.*, 1993), a vital element for effective organizational changes (DiFonzo & Bordia, 1998; Lewis & Seibold, 1998; Mast *et al.*, 2005; Schweiger & Denisi, 1991 as cited in Elving, 2005). Change-readiness capabilities which is composed of adaptability and collective capabilities are considered one of the key drivers that impact readiness (Combe, 2014; Tao *et al.*, 2008; Tao *et al.*, 2010; Islam, 2010 as cited in Lee *et al.*, 2011). Therefore, this paper seeks to explore the effects of communication and change-readiness capabilities comprising adaptability and collective capabilities, on service innovation readiness. It also aims to investigate the influence of service innovation readiness on service innovation performance. Hypotheses were developed and empirically tested using data collected from 335 MICE (Meetings, Incentives, Conferences and Exhibitions) venues. Structural Equation Model (SEM) with Amos was applied for testing several hypotheses. Findings indicate that communication, adaptability and collective capabilities have positive relationships with service innovation readiness. The result also illustrates the positive relationship between service innovation readiness and innovation performance.

Keywords: Change-readiness capabilities, communication of the change, MICE, service innovation readiness, service innovation performance

JEL Classification: M30, M31

*Corresponding author: Email : jantima_b@yahoo.com, BANJONGPRASERT_J@su.ac.th

INTRODUCTION

Innovation is viewed as new offerings to the customers (Hauser *et al.*, 2006) Currently, innovation encompasses a wide range of activities that is beyond Research and Development (R&D) including non-technological innovations (OECD, 2010). Innovation is widely recognized as an important factor to change (Poole & Van de Ven, 2004). Innovation may include seeking new ways to deliver an organization's operations thus, adopting innovations would involve making changes to an organization. Nonetheless, the challenges that organizations face in light of global movements include not only new product inventions but also service innovations and service operations. Service innovation encompasses significant organizational changes (den Hertog *et al.*, 2010) The importance of service innovation should be highlighted since service industries have become a major driven engine in numerous countries (Vargo & Lusch, 2008, p.4), However, unlike other services, service innovation is less visible (Spohrer, 2007 as cited in Jana, 2007) and this implies the need for more studies in service innovation.

Research focusing on the organizations' preparation to implement changes caused by service innovation is important especially in the context where service innovation can improve profits and the quality of people's life (Yen *et al.*, 2012). A study conducted by Backer (1995) suggested that innovation and change reflect complex human acts, as people adjust to those changes. According to Ford and Ford (1995) as cited in Choi and Ruona (2011, p. 47), people's action originates change, which occurs during their interactions. In addition, the human requirement has significant implications for innovation (Miles, 2008) as people or employees strive to make those innovation strategies work (McKnight & Hawkrigg, 2005). Moreover, Armenakis *et al.* (1993) suggest that organization members are the backbone of the development of readiness for change. Therefore, this paper aims to explore employees' change-readiness capabilities and their service innovation readiness.

The communication of new ideas, products, and services plays a significant role (Mast *et al.*, 2005) in underpinning the success of an innovation. In today's world, communication tools are a part of strategic innovation management activities (Pfeffermann *et al.*, 2013). Communication is vital for building and promoting effective organizational changes (DiFonzo & Bordia, 1998; Lewis & Seibold, 1998; Schweiger & Denisi, 1991 as cited in Elving, 2005). With effective communication, the people within the organization should be better able to cope and successfully adopt the changes which resulted from the introduction of the service innovation. It is not just the prospect of communication that can influence the change readiness of the organizational members. To add on, the organization's capability to deal with these change/s is also important to the readiness for change. Readiness capabilities or abilities to implement change successfully have been deemed as one of the key drivers that impact readiness (Combe, 2014). Portraying the importance of readiness-for-change capabilities, Conner (1992) indicated that people who are not confident about their abilities will not perform well in change circumstances and vice versa. Furthermore, a strong readiness to adopt service innovation requires the ability to implement strategic service innovations effectively (Yen *et al.*, 2012). Studies have shown that readiness for innovation and the capability to execute service innovation are important variables in the changing context (e.g. Wang *et al.*, 2010; Neo & Chen, 2007; Jones *et al.*, 2005). Thus, the current study seeks to make a contribution to

the extant literature by investigating change-readiness capabilities in order to provide a more comprehensive understanding of readiness for change in the service innovation context. In effect, this research extends the scope of research on readiness for change and service innovation to include the associations between change-readiness capabilities, communication, service innovation readiness, and service innovation performance. The results drawn from this study could provide academics and practitioners with a better understanding of communication and change-readiness capabilities and service innovation readiness. This knowledge can then be applied to their strategies and management skills for the purpose of achieving service innovation with success. With that in mind, the first objective of this study is to examine the effects of communication and change-readiness capabilities which comprises adaptability and collective capabilities, and their effect on service innovation readiness. In addition, this paper also aims to investigate the relationship between service innovation readiness and service innovation performance. Further to that, the indirect effects of communication and change-readiness capabilities on service innovation performance are also explored.

The MICE (Meetings, Incentives, Conferences and Exhibitions) industry, a segment within the tourism industry, has been growing rapidly recently (Verikios, 2007). Many countries throughout the world are currently promoting themselves as the MICE destinations or MICE cities for tourists. Nonetheless, an inability to respond to market change is one of the important factors that can lead to a failure to recognise what is required and thus, subject the respective business to be a failure (Tourism Commission HKSAR Government, 2016). In this regard, the MICE industry needs to be better prepared in responding to the changing trends as well as being innovative enough to deal with fierce competitions. In Thailand, the MICE industry plays an important part in the tourism industry (Thailand Convention & Exhibition Bureau, 2014). Hence, this study tests the proposed model by using a sample of 335 responses taken from the MICE venues of Thailand as an approach to address the research objectives.

LITERATURE REVIEW

The section below discusses the literature linked to readiness for change, service innovation readiness and innovation performance. It begins by focusing on the people's readiness for change.

Readiness for change

In most organizations, change is not an easy concept to be introduced to the staff or employees simply because people are used to their comfort zone and any change that needs to be adjusted is difficult. At the management level, managers find it very challenging to get the people ready for change and to be able to implement such change successfully. Studies (Armenakis, *et al.*, 1993 as cited in Walinga, 2008) have noted that one secret recipe for implementing change is people's readiness for change because it is the root of any change management strategy. Organizational theorists might agree that the idea of readiness has been studied in order to avoid or master employees' opposition to change (Holt *et al.*, 2007). However, research of readiness for change service innovation literature is lacking hence, the concept needs to be

defined more aptly. Readiness for change is recognized as one of the critical antecedents to a successful change attempt (Kotter, 1996 as cited in Weiner, 2009). Readiness is defined as the mentally and physically preparedness of an individual or group to experience a new action or way of life (Meriam-Webster, 2005) while the Oxford Learner's Dictionary (2016) defines readiness as the state of being ready or prepared for something. These definitions imply a state of people's recognition of change, an unfreezing process through communication, and the capabilities to make those changes effectively (Armenakis *et al.*, 1993).

Communication and service innovation readiness

The most important question to ask in this context is what is the reason behind the change? Judson (1991), Kanter *et al.* (1992) and Galpin (1996) have suggested that a clear comprehension of the need for change is essential for effective change. In that regard, communication with employees about the change should be a part of the change efforts. Undeniably, successful organizational change efforts are affected by many factors including the role communication plays during the organizational change (Elving, 2005). It has been noted that employees who received better quality information about approaching changes tend to have a superior level of readiness for change (Milter *et al.*, 1995). This claim is supported by Elving (2005) who proposed that enabling a clear process of communication in informing employees about the change will have an effect on their readiness for change. This claim, however, is yet to be tested.

Through change, firms or organizations are forced to innovate and innovations lead to various changes thus, the innovation team needs to have better collaborations with the employees. This requirement for communication has been emphasised by several studies (Moenaert *et al.*, 2000). In general, the innovation team communicates the information to the markets, trends, customers, other competitors, and various other resources so that such information can be turned into new products or services. Communication is thus, considered as one of the key factors for innovation readiness (Shinwon *et al.*, 2015). Studies (Zerfass, 2005) have also noted that insufficient innovation communication frequently resulted in ineffective innovation implementations. Thus, understanding the concept of communication is important for organizations that are seeking to achieve a high level of preparedness among their staff for the purpose of adopting and implementing new innovations.

The change due to innovation is likely to cause risk and uncertainty; hence, the process of disseminating this knowledge through communication should enable organizational members to alleviate those feelings of insecurity like fear and risks, which are associated with innovation. In this way, the organizational members should be better prepared for the changes caused by innovation and so more capable of implementing the innovation successfully. In this regard, the present study proposes that communication has a significant influence on employees' service innovation readiness, as shown in the following hypothesis:

H1: Communication positively influences employees' service innovation readiness

Change-readiness capabilities: adaptability and collective capabilities

This section provides some input into change readiness capabilities which refers to adaptability and collective capabilities. It begins by looking at adaptability and service innovation readiness.

Adaptability and service innovation readiness

The importance of supporting staff's ability to change has been emphasized in the change-readiness concept (Walinga, 2008). Organizational members' preparedness for change resulting from service innovation is equally required in order to implement change-involving tasks. To be effective in operating service innovations, individuals need to adapt to or cope with the changes added to their work roles (Griffin *et al.*, 2007). When service innovation is a source of competitive advantage, organizational members must be capable of new service implementations so as to be able to survive. Furthermore, readiness that considers personal attributes is essential in facilitating the implementation of service innovation (Lehman *et al.*, 2002). The adaptability or the ability of employees to adapt to change caused by new services should bring about success in their mission of preparedness for service innovation. As research into service innovation has increased in the last decade, adaptability and readiness for change have become salient research issues. Thus, this research offers the following hypothesis:

H2: Adaptability positively impacts employees' service innovation readiness

Collective capabilities and service innovation readiness

Change often necessitates the acquisition of capabilities to cope with the associated change. In this respect, employees need to have the skills that are necessary for performing their tasks and activities that are related to the operation of the forthcoming change. Simultaneously, organizational members also need to carry out their own core tasks with care. Thus, capabilities to handle change and the ability to carry out their jobs well are equally essential for achieving service innovation. This claim is consistent with organizational change literature which proposed that organizational capabilities are critical for implementing change successfully (Cummings & Worley, 2001; Deter*et al.*, 2000; Paton & McCalman, 2000 as cited in Jones *et al.*, 2005). Given that the fundamental of organizational change is employees' action (Porras and Robertson, 1992, p. 724), this study thus focuses on employees' capabilities. Turner and Crawford (1998) have suggested that operation capabilities are required for current business performance while the capabilities necessary to accomplish change application can support the organization to perform change effectively. This illustrates the importance of capabilities for everyday performance and those capabilities are required for change. In addition, Beckard and Harris (1987) investigated the relationship between existing capabilities and levels of readiness for change by developing a Readiness-Capability Assessment Chart allowing the evaluation of people's readiness and capability related to change. Bearing that in mind, this paper proposes that operational capabilities and capabilities for change namely collective capabilities, should bring about readiness for change, as is shown in the following hypothesis:

H3: Collective capabilities positively impact service innovation readiness

Service innovation readiness and performance

Alam and Perry (2002) presented a process of service innovation which describes the activities carried out, beginning from the strategies that were planned up to new services being launched

in the market. When fully in function, the service innovation can then lead to change and an improvement in practice or routine working processes. Organizational characteristics may affect each stage of the service innovation process. Of particular importance is personal readiness. This is in agreement with the work of Yen *et al.* (2012) which highlighted the significant role of readiness for change in service innovation. Given that service innovation involves new and/or improved services, processes, and businesses (Ostrom *et al.*, 2010), it is deduced that organizational members may encounter changes in multiple aspects of the operation.

Readiness for the change brought about by service innovation could enable employees to execute the service innovation successfully. Scholars have argued that successful innovation is highly dependent on the innovation readiness level (Tao *et al.*, 2008; Tao *et al.*, 2010; Islam, 2010 as cited in Lee *et al.*, 2011). In addition, many studies also noted the association between readiness for change and opportunities for growth (Judge *et al.*, 1999; Bartol, 1979; Hall, 1968; Fishbein, 1995 as cited in Lehman *et al.*, 2002). Results from all of these studies suggest that a high level of service innovation readiness is a precursor for positive performance of service innovation as is illustrated in the following hypothesis:

H4: Service innovation readiness positively influences service innovation performance.

Indirect Relationships

In addition to the direct links described above, three indirect relationships encompassing both theoretical and practical interest are included in the current study. This extension is offered as a means of furthering our understanding of how communication of the change, adaptability and collective capabilities influence service innovation performance. Additionally, the proposition should also contribute to the relevant literature that proposes the relationships between these variables. According to Kratzer (2001) as cited in Kratzer *et al.* (2004), communication is considered to be the essential input for innovation team members. Chakravarthy (1982) and Hooley *et al.* (1992) as well as Miles and Snow (1978) as cited in Oktemgil and Greenley (1997) proposed that adaptability is vital when working on new service concept developments and evaluations. Service innovation refers to both the creation of a fundamental new service and the incremental change of existing ones (Pöppelbuß *et al.*, 2011). Therefore, collective capabilities or operational capabilities and capabilities for change are critical for the successful operation of service innovation. Thus, the question that needs to be addressed is whether communication about the change has a significant indirect influence on service innovation performance when viewed through service innovation readiness. In addition, the indirect effects of adaptability and collective capabilities on service innovation performance when viewed through their influence on service innovation readiness should be of similar interest too. These indirect relationships are represented as hypotheses 5, 6 and 7 below.

H5: Communication has a positive, indirect influence on service innovation performance.

H6: Adaptability has a positive, indirect influence on service innovation performance.

H7: Collective capabilities have a positive, indirect influence on service innovation performance.

Based on the literature review, this study developed a framework that includes the communication change-readiness capabilities, service innovation readiness and innovation performance. From the hypotheses discussed above, the relationships among the components are depicted as a framework for this study and this is shown in Figure 1.

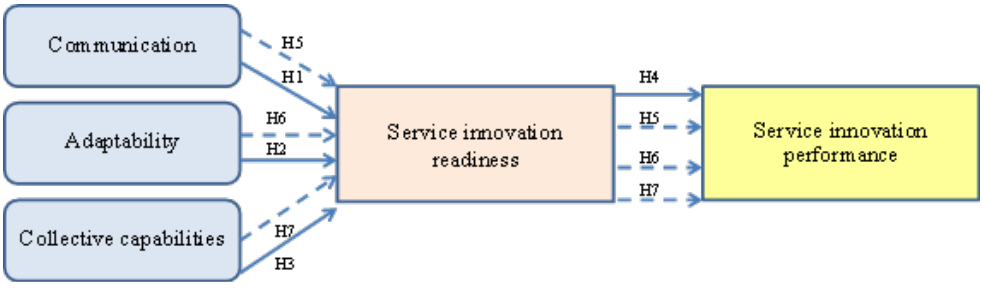

Figure 1: Theoretical Framework

METHODOLOGY

The current study takes the following steps to validate the constructs used. First, a survey was developed to assess the communication dimension, adaptability dimension and collective capabilities dimension, service innovation readiness and service innovation performance. Second, using empirical data, the factor structure of the communication, adaptability, collective capabilities, service innovation readiness and service innovation performance constructs were validated. The third and final step was the hypotheses testing and results.

Measurements

Based on the outcomes of previous studies, four constructs including communication, adaptability, collective capabilities, and service innovation performance were developed for the current study. The measurement item for each construct was constructed on a seven-point Likert scale anchored at strongly agree (7) and strongly disagree (1). Each construct was conceptualized as a concept at the individual level. All constructs consisted of variables that have been well established in literature. In this regard, existing scales were used as the basis for developing the measures that fit the context of this study. The measure of "communication", taken from Judson (1991), consisted of three items that gauged employees' communication of the change in the organization. On the basis of previous studies (Griffin et al, 2007; Daft & Weick, 1984), six items were developed for the dimension "adaptability" which was used to measure the extent to which an individual adapts to change. To assess "collective capabilities", three items were adapted from Holt *et al.* (2007) as a means to indicate the degree to which organizational members' skills were used so that they are able to execute the everyday tasks and activities which were associated with the implementation of the prospective change. The measures used for "service innovation readiness" included five items adapted from Yen *et al.* (2012) which helped to indicate the degree of individual readiness for service innovation. Service innovation performance scales were adapted from Yen *et al.* (2012), Voss (1992) as

cited in Johne and Storey, (1998), Melton and Hartline (2010), and Menor and Roth (2007) as a means to provide a seven-item measure of service innovation performance. The items assessed desired service innovation outcomes and intended service innovation purposes.

Sampling and data collection

In Thailand, many hotels have won prestigious awards which recognised and certified their position as leading MICE venues, for instance, the Dusit Thani hotel. In this regard, the hypothesis model was tested in Thailand by using potential respondents taken from a sampling frame that came from 201 hotels that were randomly selected from the Thai Hotel Association (THA) database. The Thailand Convention and Exhibition Bureau (TCEB) designated five major MICE cities: Bangkok, Phuket, KhonKaen, Pattaya, and Chiang Mai. Therefore, these cities were selected for the survey. A total of 369 employee questionnaires, which was considered a satisfactory data set, were retrieved for analysis. Of this total, 34 questionnaires were incomplete and so discarded eventually, making the final sample total to be 335 complete questionnaires which fitted the analysis.

Reliability and validity

Confirmatory Factor Analysis (CFA) is a way to test how well the theoretical specification of the factors represent latent constructs (Hair *et al.*, 2010). The measurement properties were assessed by the CFA using Amos 21 in order to examine their uni-dimensionality as well as the discriminant and convergent validity. The overall model fit was assessed using seven goodness-of-fit indices (Byrne, 2010; Gatignon, 2010) namely the Chi-square/degree of freedom (χ^2/df) ratio, the comparative fit index (CFI), the Tucker-Lewis index (TLI), the normed fit index (NFI), the goodness-of-fit index (GFI), the root mean square error of approximation (RMSEA), and the expected cross validation index (ECVI). The fit indices shown in Table 1 indicates that the model was a good fit for the data (Chi-Square/df = 1.790, goodness-of-fit index (GFI) = 0.994, Tucker-Lewis index (TLI) = 0.960, normed fit index (NFI) = 0.998, comparative fit index (CFI) = 0.990, root mean square residual (RMR) = 0.049).

Table 1: Goodness-of-fit measures

Goodness-of-fit						
χ^2/df	CFI	TLI	NFI	GFI	RMSEA	ECVI
1.790	0.990	0.960	0.998	0.994	0.049	0.088

All measures were also examined for internal consistency as reflected by the construct reliability which was assessed through the calculation of Cronbach's coefficient. The Cronbach alpha coefficients were all above the threshold value of 0.7 which was recommended by Nunnally (1978). The coefficient's values were substantial (0.871, 0.894, 0.803, 0.869, and 0.892 respectively) for all multi-item scales and this indicates a high level of internal consistency, thereby, proving that all these outcomes could be considered as reliable. They are presented in Table 2.

Table 2: Cronbach's alpha

Items	Cronbach's alpha
Communication	0.871
Adaptability	0.894
Collective capabilities	0.803
Service innovation readiness	0.869
Service innovation performance	0.892

DATA ANALYSIS

Descriptive statistics

In Table 3, data indicate that approximately 49% of the respondents were males and 25% were females. Majority of the respondents (52.2%) were aged between 26 and 35. A total of 46% of the respondents were in possession of a Bachelor's degree, while approximately 27% have studied at college. Of the 335 respondents noted, nearly 24% have been working in the hotel between four to six years while 31% of the respondents have been working in the organization between one to three years. Data also indicate that 158 respondents were single and 121 respondents were married.

Table 3: Demographic data

	Male	Female	Age	Education	Tenure (years)	Single	Married
Respondents	164	83	26-30 (31.6%)	College (26.9%)	1 – 3 (31%)	158	121
			31-35 (20.6%)	University (46%)	4 – 6 (23.9%)		

Hypotheses testing: direct relationships

Hypothesis 1 proposes that communication has a positive influence on employees' service innovation readiness. The results showed that the value of the standardized parameter estimates was .227. The standard error was .038, and the t-value was significant (p = ***). Hence, Hypothesis 1 is supported.

In the case of Hypothesis 2, the value of the standardized parameter estimates was .397. The standard error was .039, and the t-value was significant (p = ***). Therefore, Hypothesis 2 is also supported, thus, adaptability positively impacts employees' service innovation readiness.

The proposition of Hypothesis 3 suggests that collective capabilities positively impact service innovation readiness. The results indicate that the value of the standardized parameter estimates was .358. The standard error was .043, and the t-value was significant (p = ***), thus, Hypothesis 3 is supported.

For Hypothesis 4, the value of the standardized parameter estimates was .168. The standard error was .028, and the t-value was significant (p = ***). Therefore, the finding supports

Hypothesis 4, indicating that service innovation readiness positively influences service innovation performance (see Table 4).

Table 4: Hypotheses testing

	Estimate	S.E.	C.R.	P	
SIR	<--- Com	.227	.038	5.976	***
SIR	<--- Adapt	.397	.039	10.272	***
SIR	<--- ColCap	.358	.043	8.378	***
Perf	<--- SIR	.168	.028	5.951	***

Hypothesis testing: indirect relationships

Table 5 depicts the direct, indirect and total effects of each independent variable on service innovation performance. The direct, indirect and total effects of communication of the change, adaptability and collective capability, on service innovation performance were found to be significant. Additionally, this study indicate that service innovation readiness plays a full mediator role between communication of the change and service innovation performance, between adaptability and service innovation performance, and between collective capabilities and service innovation performance. The standardized indirect effects of communication, adaptability and collective capabilities, on service innovation performance, were significant at the 0.05 level ($p = 0.012$; $p = 0.006$; and $p = 0.014$ respectively). Thus, the results support Hypotheses 5, 6 and 7. All the Hypotheses' results are illustrated in Table 6.

Table 5: Direct, indirect, and total effects of paths

Independent variables	Service innovation performance		
	Direct Effect	Indirect Effect	Total Effect
Communication	…	0.073	0.073
Adaptability	…	0.122	0.122
Collective capabilities	…	0.113	0.113

Table 6: Hypotheses results

	Hypotheses	Results
H1	Communication positively influences employees' service innovation readiness	Supported
H2	Adaptability positively impacts employees' service innovation readiness	Supported
H3	Collective capabilities positively impact service innovation readiness	Supported
H4	Service innovation readiness positively influences service innovation performance	Supported
H5	Communication has a positive, indirect influence on service innovation performance	Supported
H6	Adaptability has a positive, indirect influence on service innovation performance	Supported
H7	Collective capabilities have a positive, indirect influence on service innovation performance	Supported

DISCUSSION AND MANAGERIAL IMPLICATIONS

This study focused on change-readiness capabilities, communication, service innovation readiness and service innovation performance. Specifically, the study aimed to identify the association between communication and service innovation readiness, and to investigate the relationship between change-readiness capabilities (adaptability and collective capabilities) and service innovation readiness. Moreover, the study also sought to assess the association between service innovation readiness and service innovation performance.

The communication of information about new ideas, products, and services plays a significant role (Mast *et al.*, 2005) in underpinning successful service innovation. Communication is also vital for building effective organizational change (DiFonzo & Bordia, 1998; Lewis & Seibold, 1998; Schweiger & Denisi, 1991 as cited in Elving, 2005). Therefore, this research expects to see positive employee service innovation readiness when there is sufficient communication of the change. The results noted from testing Hypothesis 1 shows support for the proposition. Today's organizations need for adaptable employees is due to the dynamics imposed by the global environment (Edwards & Morrison, 1994; Hollenbeck *et al.*, 1996; Ilgen & Pulakos, 1999; Smith *et al.*, 1997 as cited in Pulakos *et al.*, 2006). Hence, this paper proposes that employees' adaptability should have a positive influence on service innovation readiness. The result of testing Hypothesis 2 also shows support for the proposition. Hypothesis 3 suggests that collective capabilities positively impact service innovation readiness. The result demonstrates that Hypothesis 3 is also supported. The result is in agreement with Combe (2014) who said that change-readiness capabilities or abilities to implement change successfully are one of the key drivers that impact readiness.

The result of Hypothesis 4 is also supported. In other words, service innovation readiness positively influences service innovation performance. The finding is consistent with those of other scholars (Tao *et al.*, 2008; Tao *et al.*, 2010; Islam, 2010; cited in Lee *et al.*, 2011) who argued that successful innovation is highly dependent on innovation readiness level. The supported result of Hypothesis 5 demonstrates that communication of the change, through service innovation readiness, positively impacts service innovation performance.

Hypothesis 6 is also supported, so adaptability mediated by service innovation readiness positively affects service innovation performance. The result of Hypothesis 7 shows that collective capabilities, through service innovation readiness, positively influence service innovation performance.

Marketing academics (e.g. Barrett et al, 2015; Storey *et al.*, 2016) have emphasised on the importance of service innovation. Likewise, this paper has shown the significance of service innovation readiness as the antecedent of service innovation performance. However, drawing on insights gained from the readiness theory, service innovation research, communication studies and capability research, the mere use of service innovation readiness does not automatically result in successful performance. Through this study, communication of the change, adaptability and collective capabilities positively relates to service innovation readiness which in turn, leads to better service innovation performance. The findings of this study indicate that the effectiveness of communication, employees' adaptability, and employees' collective capabilities enhance service innovation readiness, which consequently, results in improvement of the service

innovation performance. The results gained from this study contribute to the understanding of service innovation as involving not only readiness for changes and communication of the change but also, the need for abilities to perform current jobs and new services, simultaneously.

Previous research on service innovation (e.g. de Brentani, 2001; Xiao, Hua & Ruoyu, 2007) have suggested that employees are important and valuable contributors in service innovation. Furthermore, innovation is no longer based on Research and Development (R&D) only. As a matter of fact, innovation is derived from (re)configurations of daily work practices (Høyrup, 2012). In this regard, it can be said that the results offer valuable implications for service innovation studies. The study has indicated that employees, especially their adaptability and collective capabilities, can be the new resources for superior innovation performance. Therefore, strengthening employees' skills and abilities would be valuable contributors to service innovation.

This study also tried to expand on the knowledge of how success in service innovation can be enhanced. The research findings can thus, provide guidelines for managers, particularly those in the MICE industry, to carry out practical planning and the implementation of their employment strategy and effective communication system. In this regard, this study provides managers with a useful tool with which to assess their employees' strengths and weaknesses in relation to their change-readiness capabilities comprising adaptability and collective capabilities. The proposed measure also serves as a basis for managers to determine where additional investment should be made so as to improve employees' change-readiness capabilities. Managers can creatively leverage their employees' capabilities by developing different ways to integrate these capabilities. Managers can also cleverly use employees' adaptability and collective capabilities as a means of introducing the various new services, systems or processes, all of which could differentiate the organization from their competitors. Moreover, effective communication is a crucial ingredient for successful change readiness and so it is an important tool to be valued as it can be used to support employees' service innovation readiness. Thus, management teams in organizations should develop an effective communication strategy as a means to support their service innovation.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The limitations of the current study include the fact that it was conducted based on a single service industry (MICE industry) and in one country only, Thailand. The generalizability of these study results, therefore, is limited by industry and area. The findings may have different results when applied to different industries and nation contexts, thus, further research is required. This is because countries differ in their socio-economic and cultural characteristics (Hofstede, 1984). The influences of the firm's native culture may also cause different marketing strategies (e.g. Money *et al.*, 1998; Nakata and Sivakumar, 1996 as cited in Alam, 2010) thus, it is likely to make them use different ways to develop new services. In this regard, it is recommended that further comparative studies be initiated in order to explore similarities and differences in practices and employees' capabilities in different cultures/countries. Finally, in addition to quantitative research, qualitative research employing interviews can be conducted to provide a

richer set of data and to deepen the understanding of communication towards change, change-readiness capabilities, service innovation readiness, and service innovation performance of other nationalities in other contexts.

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