Moderating Role of Service Innovation on the Relationship between Service Quality and Performance of Hotels in Kenya

Brenda Musoga[1] Louise Ngugi[2] Kenneth Wanjau*[3]

1. School of Business, Karatina University, P.O Box 1957- 10101, Karatina, Kenya

2. School of Agriculture & Biotechnology, Karatina University, P.O Box 1957- 10101, Karatina,

3. School of Business, Karatina University, P.O Box 1957- 10101, Karatina, Kenya

* E-mail of the corresponding author: kwanjau@karu.ac.ke

Abstract

This study investigates the influence of service innovation on the relationship between customer orientation and the performance of four-star hotels in Kenya. Questionnaires were administered to employees and managers of 43 selected hotels in the Hospitality Industry four-star hotels that had undergone hotel classification by Tourism Regulatory Authority as of 2018 ensuring they met the standards required for the study. Secondary data was also extracted from hotel reports including customer feedback and performance reports. Data analysis was doen using SPSS,STATA and SmartPLS. Moderated multiple regression (MMR) statistical instrument was utilized to test the moderating effect of service innovation on customer orientation and performance The key findings reveal that factors such as customer satisfaction, reputation, service quality, and customer loyalty significantly influence hotel performance. Moreover, service innovation plays a crucial moderating role, enhancing the positive effects of customer orientation on performance. This implies that hotels in Kenya can improve their performance by adopting innovative practices that align with customer needs and expectations.This study provides practical recommendations for hotel managers and policymakers. It emphasizes the importance of fostering a culture of innovation and customer orientation within the industry, which can ultimately contribute to sustainable growth and long-term competitiveness in Kenya's tourism sector.

1. Introduction

Service Quality is the customers' comparison of their service expectations as it relates to a company's performance. Businesses with high levels of service quality are capable of meeting customer needs at the same time remaining economically competitive in the industry. Improvements in service quality and professional handling of customer influences customer satisfaction and loyalty (Tefera & Dlamini, 2021). Successful businesses that remain competitive and relevant in the marketplace work to obtain information from potential and current customer base so that the ensure needs are met. Service Quality has been linked to performance in most service sectors (Fuyane, 2021).This includes tourism and hospitality for the past several decades, it is seen to have a key role to play in customer satisfaction.

Innovativeness in the hospitality and tourism sector is considered as one key factor of performance, with two determinants playing a role that is market and entrepreneurial orientation, where greater competitive advantage can be achieved (Zana Civrea & Omerzelb, 2015). Service Innovation therefore is an additional means through which firms can improve their performance which in turn contributes to competitive advantage in today's business environment (Al-Ababneh, Al-Shakhsheer, Al-Badarneh, & Masadeh, 2022)

Service innovation is receiving increasing attention, due to its potential value for creating competitive advantage and improving performance (Gawer & Cusumano, 2014). (Law, Buhalis, & Cobanoglu, 2014) indicated that service innovation affects behavioral intention and customer experience. Service innovation is a new or improved service concept that is taken into practice, for example a new customer interaction channel, a distribution system or a technological concept or a combination of them (Law, Buhalis, & Cobanoglu, 2014). It involves new aspects in solutions in the customer interface, distribution methods, and novel application of technology in the service process, forms of operation with the supply chain or ways to organize and manage services. It is a service product or service process based on technology. Service innovation benefits the service producer and customers and improves competitive advantage and hence performance of firms

The performance of an organization has in the past been measured by looking at revenues or profits made at the end of the year, or use of key financial ratios (Parmenter, 2015).Despite the development of performance measurement systems in the hospitality industry, research has shown reluctance of the industry to use balanced measures but sole reliance on financial measures (Kala & Bagri, 2014). Some of these financial measures that evaluate performance include return on assets, average annual occupancy rate, net profit, and return on investment (ROI) Examinations have indicated the existence of a positive relationship and found that a positive relationship between growth and profitability (Bowen & Schneider, 2014). The potential for an additional effect wherein profits develop growth and growth develops profits.

Nonetheless, return on assets counts as a return on investment, which is a metric that measures the profitability of the organization total assets. Therefore, the ratio between the assets returns and investment indicates how well a company performs in the industry by comparing the profit generated to the capital invested (Hilman & Kaliappen, 2015) .The more the return, the more productive and efficient the organizational management seems in the utilization of economic resources.

This study, using respondents from forty-eight 4-star hotels, analyzed customers' perceptions of service quality in the hotels. The hotels were from all counties in Kenya. The study sought to evaluate how Service Innovation moderates the relationship between Service Quality and hotel performance.

The research hypothesis for this study therefore is Service Innovation does not moderate the relationship between Service Quality and the performance of hotels in Kenya.

2.0 Literature Review

2.1 Innovation Promoter Theory

The Innovation Promoter Theory by Schumpeter depicted innovation as a root of value creation in which a progressive combination of resources gave rise to new markets, exclusive production methods and products or extensive supply sources (Schumpeter, 1934). Extensively, innovation may protrude as a unique approach or reconnection of old ideas that an industry perceives as new (Van de Ven, Polley, Garud, & Venkataraman, 1999). Development and delivery of electronic newspapers across the world to hotel guests, on-demand, combines the old idea of newspaper provision to each guest with benefits of information technology derived from new developments.

The model shows a combination of invention with commercialization, thus, a firm developing a new product or service must convert an idea into a need desired by customers. Hence, companies invent new services and products with the goal of sustaining or capturing a new market or desire to reduce costs and prices through improved efficiencies (Fung So & Li, 2023) .The theory analyzes innovation and the processes involved within companies. The framework tends to form a better understanding of how alliances can improve effectiveness in market access, sales, and innovative development. Promoters act as supporters and sponsors for the process of innovation, which involves people with impact on power and expertise (Gemünden, Salomo, & Holzle, 2007).Promoters possess important skill sets that organizations need to know for the creation and promotion of alliances. According to Shepard (1967), during analysis of the theory of promoters, developers recognize barriers of resources sanction antagonists, opposition and ignorance; thus, supporting and protecting innovation-enthusiastic employees based on hierarchical positions (Hou, Yang, & Sun, 2017).

(Gemünden & Walter, 1995)developed a specialized Promoters model, "relationship promoters", to test the needs and importance of relationship supporters. The model actively encouraged an improvement process through innovation-related business relationships between and inside organizations and partners involved emphasizing the importance of relationship promoters in enhancing value creation within service organizations (Solnet, et al., 2019). Extensive network competences act as the defining characteristic of the relationship promoters. Thus, technology and market-related relationships promoters improve inter-organizational knowledge between partner companies by introducing external knowledge on customer demands. Extensive promoter relationships assist in exploiting values formed by innovating customers (Gemünden, Salomo, & Holzle, 2007). Hence, relationship promoters can powerfully predict association effectiveness and smother the relationship, the higher the sales, innovation development and market access.

The advancement of relationships increases commitment, adaptation, trust and overall involvement in the development of new products. Gemünden et al. (2007) explain that technology-related relationship promoters directly and effectively affect product quality and budget (Gemünden, Salomo, & Holzle, 2007). Nonetheless, positive influence on budget improves with advancement of technological innovativeness. Henceforth, increased

organizational innovativeness brings about positive interaction effect for quality and time and therefore helps in learning to perform processes to achieve planned alliance outcomes. Based on relationship promoters, the question remains, that under which conditions intervention strategies, such as the creation of new agreements or nurturing existing alliances, can assist to create efficiency and quality of inter-organizational coordination of innovation processes.
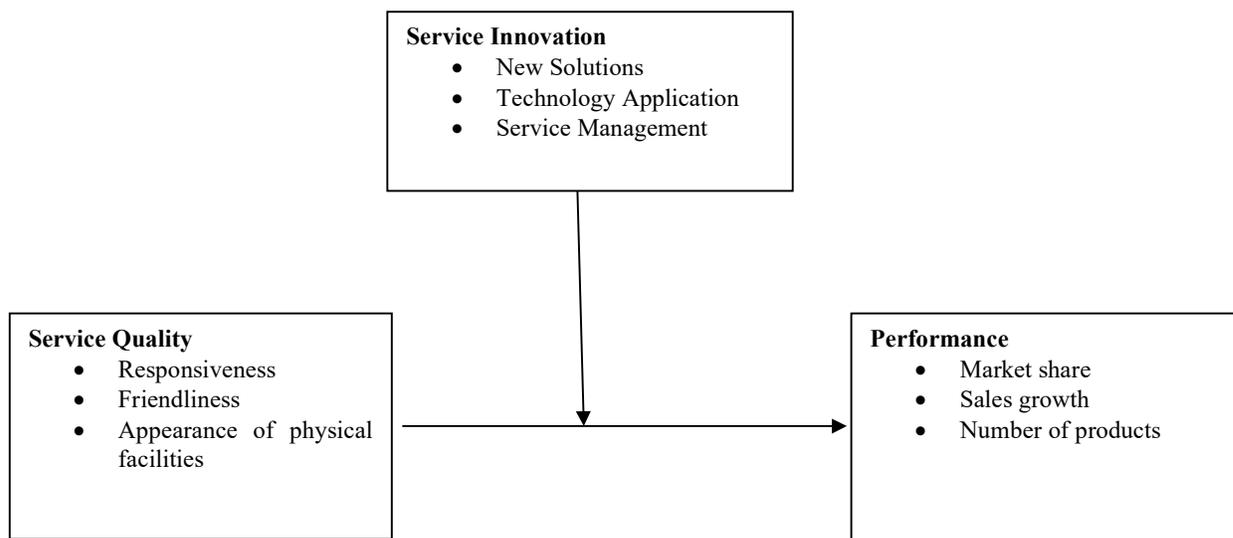
Conceptually, the model assists in knowing that the hospitality industry requires further work in learning alliances to better satisfy customers. Self- management with regards to forming, using and fostering linkages between promoters forms a crucial concept that needs proper analysis for better understanding of alliance management. The model shows the need for the role of institutional management of promoters to better understand the participation of members from different firms in the alliance (Hou, Yang, & Sun, 2017). The relationship concept would assist in the clarification of key skills and roles that drive alliances to performance success for full customer satisfaction. An organization therefore needs to provide an environment that allows promoters process to drive out successful innovation.The innovation promoter theory supports service innovation variable by encouraging hotels to develop new products and services to cater for needs that are desired by customers.

2.2 Theory of Capability

The Capability Theory counts as a principle that guides companies towards sustainable competitive advantage. The model relies on the premise that both resources and resource deployment effectively drive to sustainable competitive advantage (Vorhies, Morgan, & Autry, 2009). With regards to Foss (1993), the capabilities view of organizations bare distinctive lineage to production theory of classical economists (Foss, 1993). As a result, companies conceptualize in terms of their specialized performances and learning about the industry comes as the center stage. However, the modern performance theories diverge from the classical theory of production as they view company specialization in terms of activities and capabilities underpinning them as opposed to consideration of a specific product. Thus, highly diverse organizations may evoke assistance from its functional capabilities; as a result, diversification may assist the accumulation of innovative capacities (Foss, N. J., 1997).

How a company performs counts as a social aspect or a segment of principal arrangements while the old models only regarded personal skills (Turnbull, 1994). An organization's capability involves a collection of cumulative knowledge and techniques that are applied through company procedure that allows coordination of operations and effective use of resources (Mitch Casselman & Samson, 2007). Thus, the basis of a company's capabilities lies in distinctive techniques, cumulative knowledge and exercises that allow regulation of organization performance and maximization of asset utilization. Therefore, distinctive techniques and knowledge of the staff and their occupational expertise influence organizational performance.

Theory of capability supports performance where companies need to rely on resources that they have and acquire more to attain competitive advantage.

Service Innovation
- New Solutions
- Technology Application
- Service Management

Service Quality
- Responsiveness
- Friendliness
- Appearance of physical facilities

Performance
- Market share
- Sales growth
- Number of products

Conceptual Framework

3.0 Research design and methods

The research utilized cross sectional descriptive design to address the aim of the research study, both the quantitative and qualitative data was collected from General Managers from selected hotels in the Hospitality Industry through questionnaires. The researcher selected respondents using purposive sampling technique. 43 study questionnaires were initially administered, due to incompleteness 3 were deemed invalid, and 40 completed questionnaires were used for analysis. The study used Excel and SPSS version 21.0 for data entry, cleaning, and Exploratory Factor Analysis (EFA). The Kaiser-Meyer-Olkin (KMO) statistic was used to assess data suitability for factor analysis, with a satisfactory value of 0.5 or above and a significant Bartlett's measurement. SmartPLS, STATA and ATLAS were used for path analysis, testing assumptions of the variables used and qualitative analysis respectively. An internal consistency measured by Cronbach's alpha (α), with a threshold value of 0.70 was used to test reliability. Structural Equation Modeling (SEM) was employed for hypothesis testing with Moderated Multiple Regression (MMR) used to test the moderating effect of service innovation on customer orientation and performance. All statistical tests were conducted at 95% confidence level.

Empirical data

Service Quality

As proposed by initial works by (Parasuraman, Zeithaml, & Berry, 1985), service quality is considered the near capacity between client desires and genuine execution of services. The implication is that consumers will judge quality in view of the connection of the real service and their desires. Thereafter (Berry, Parasuraman, & Zeithaml, 1988), considered service quality as the capacity of a company to meet or surpass consumers' desires in employees' responses and expected appearance of physical facilities. Service quality counts as a mentality that entails long-term evaluation of services on an overall basis. The hotel industry has continued to face an increase in demand for services, with diverse clients in need of better offers. Consequently, service delivery has contributed to rivalry among industry players.

As a result, hotels have improved service delivery by advancing the level of know-how about market needs as they try to become more appealing and friendly to customers (Dominici & Guzzo, 2010) .Provision of high standards of services and significant advancement of customer satisfaction have been considered key elements responsible for the enhancement of hotel industry performance and capable of improving profitability. Therefore, service quality acts as the cause, operating independently and customer satisfaction as the effect of the offer in the hotel industry, confirming the strong relationship between the two elements. Decisively, service quality identifies with the behavioral outcome (Al-Rousan & Mohamed, 2010). Hence, service quality can influence repurchasing and customer loyalty   to a particular company because of contentment with service provision (Peppers & Rogers, 2016)

Service Innovation

According to (Yen, Wang, Wei, Hsu, & Chiu, 2012) and (Al-Ababneh, Al-Shakhsheer, Al-Badarneh, & Masadeh, 2022) service innovation counts as the improvement and increase of application of specialized knowledge and skills through processes for creation of competitive advantage and extensive performance in an industry. Moreover, services entail a set of activities in a process that take place in interactions between individuals, goods and systems with an aim of solving customers' problems (Mosikatsana, Van Zyl, & Crowther, 2024). Since service innovation represents an interaction between service providers, customers and resources, it assists in the creation of value to benefit consumers of products and services therefore a moderating factor. With improved services, hoteliers can provide guests with advanced deals based on consumers' inclination to attain a greater competitive advantage (Anning-Dorson & Nyamekye, 2020). For instance, hotels can offer WIFI services, display of creative architectural designs, and delightful menus as an influence of service innovation (Ziyae, Sadeghi, & Golmohammadi, 2022) . Service innovation is technology-based and assists service providers in improving service provision leading to advanced performance.

4.0 Results and Discussion

Service Quality

Employees providing prompt services

As evidenced in Table 1, the study sought to understand the respondents' perception of whether employees provide prompt services to their customers. It was established that 32.5% of the respondents agreed and 67.5%

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strongly agreed. This indicator had a mean score of 4.675 which is an implication that on average all the respondents agreed that employees provided prompt services to all their customers. This is in agreement sentiments by (Tournois, 2015)who found that improvements in service quality and professional handling of customer voice influences customer satisfaction and loyalty

Employee availability to respond to customers' requests

The study further sought to find out the perception of the respondents on availability of employees to respond to customers' requests. Majority (62.5%) of the respondents strongly agreed that employees are never too busy to respond to customers' requests. A further 37.5% of the respondents agreed. The indicator had a mean score of 4.625, implying that on average, respondents agreed that employees are never too busy to respond to customers' requests. Similar to a study by (Abuelhassan & AlGassim, 2022)

Hotel facilities and equipment being modern and up-to-date

Majority (60%) of the respondents strongly agreed that hotel facilities and equipment are modern and up-to-date. The other 2.5% of the respondents expressed neutral opinion while 37.5% agreed. The indicator had a mean score of 4.575 which is an implication that on average respondents agreed that hotel facilities and equipment are modern and up to date. The respondents were also asked about their perception of whether employees are expected to understand the needs of the customer fully. It was noted that 35% of the respondents agreed while 65% strongly agreed. On average as indicated by the mean of 4.8, the respondents agreed that employees are expected to understand the needs of the customer fully.

Outdoor surroundings being visually attractive

Regarding whether outdoor surroundings are visually attractive and are consistent with the 4-star hotel service industry, 20% of the respondents agreed and 80% strongly agreed. The mean response was found to be 4.65 which shows that on average, the respondents agreed that outdoor surroundings are visually attractive and are consistent with the 4-star hotel service industry. The results are in agreement with the backdrop of evidence that ambiance is one of the important attributes used by customers when a hotel concurring with a study by (Qureshi, Irfan, Whitty, & Desta, 2014) on ambiance and service quality roles in enhancing customer satisfaction and loyalty in the hospitality sector.

Table 1: The mean score and distribution of Service Quality indicators

Key: (1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5=Strongly Agree)

	1	2	3	4	5	Mean	Std. dev
Our employees provide prompt services to our customers. (SB3i)	0	0	0	32.5	67.5	4.675	0.474
Our employees are never too busy to respond to our customers' requests. (SB3ii)	0	0	0	37.5	62.5	4.625	0.490
Our hotel facilities and equipment are modern and up to date. (SB3iii)	0	0	2.5	37.5	60	4.575	0.549
Our employees are expected to understand the needs of the customer fully. (SB3iv)	0	0	0	35	65	4.800	0.405
Outdoor surroundings are visually attractive and are consistent with the 4-star hotel service industry. (SB3v)	0	0	0	20	80	4.650	4.830

Model of influence of service quality on the performance of hotels in Kenya

To determine the influence of Service quality on performance, the model fitted portrayed both absolute and comparative fitness as shown by the indices which were all within the required cut-offs. The chi-square had a p-value of 0.000 which is less than 0.05 indicating that there was an association between service quality and performance of hotels in Kenya. The Goodness of Fit Index (GFI) which is also an absolute fit index is above the 0.8 cut-off and the Root Mean Square Error Approximation (RMSEA) is well below the required threshold of 0.08 meaning that the variable was a good fit for the study. The incremental fit indices for this model; the Normed Fit Index (NFI) and the Comparative Fit Index (CFI) are also both above their respective cut-offs.

Table 2: The influence of Service quality and performance of hotels

	Chi-square χ^2	Probability	CFI	NFI	GFI	RMSEA
Statistic	55.437	0.000	0.837	.862	.802	0.031
Cut-off	P-value <0.05		≥0.9	≥0.8	≥0.8	≤0.08

The structural model depicting the influence of service quality on performance of hotels in Kenya is shown in Figure 1. The paths from the latent variables to the observed indicators depict the measurement model component with figures reflecting the standardized loadings of the indicators on the study variables. The path from the service quality to performance depicts the influence that service quality has on the performance of the hotels
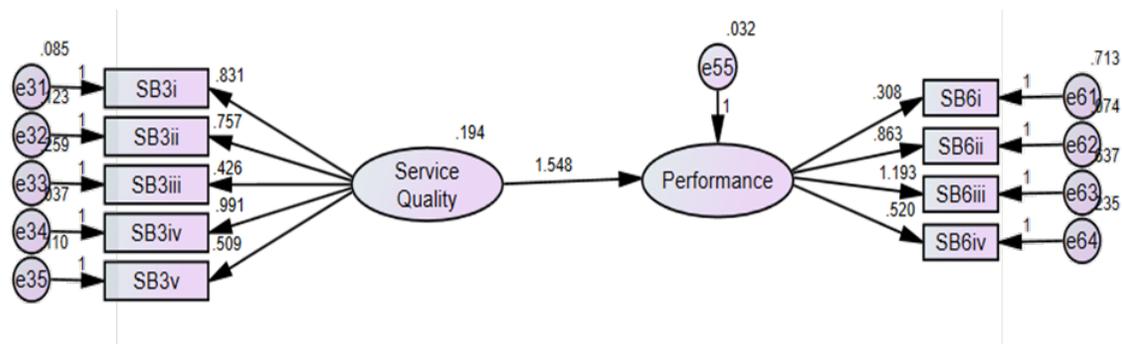

Figure 1: Path diagram for service quality and performance

The regression coefficient estimates (regression weights) of the structural model used to assess the objective on service quality and performance are in table 3. The coefficient estimate of service quality on the model is 1.548. The coefficient estimate is significant as shown by the Critical ratio (C.R.) of 6.102 which is greater than the standard normal Z-score of 1.96 at 5% level of significance.

Table 3: Regression Weights for service quality and performance

			Estimate	S.E.	C.R.	P
Performance	<---	Service quality	1.548	.254	6.102	***
SB3i	<---	Service quality	.831			
SB6iv	<---	Performance	.520	.123	4.214	***
SB6iii	<---	Performance	1.193	.216	5.524	***
SB6ii	<---	Performance	.863			
SB6i	<---	Performance	.308	.202	1.529	.126
SB3iv	<---	Service quality	.991	.155	6.376	***
SB3iii	<---	Service quality	.426	.201	2.121	.034
SB3ii	<---	Service quality	.757	.168	4.512	***
SB3v	<---	Service quality	.509	.143	3.560	***

The results were used to test the hypothesis related to this objective and draw conclusions on the objective.

H_{o3}: Service quality does not significantly influence performance of hotels in Kenya.

The critical ratio (C.R.) of the coefficient of service quality on the model was found to be 6.102 which is greater than the standard normal distribution Z-score at 5% level of significance hence depicting significance between service quality and performance. The null hypothesis was rejected and a conclusion drawn that service quality significantly influences the performance of hotels in Kenya.

The findings are consistent with the work of (Dominici & Guzzo, 2010) and (Abdullaeva, 2020)who noted that provision of high standards of services and significant advancement of customer satisfaction have been considered key elements responsible for the enhancement of hotel industry performance and capable of improving profitability. As put forward by Peppers and Rogers (2016), service quality can influence repurchasing and customer dedication to a particular company because of contentment with service provision. This is consistent with previous studies such as (Abdullah, Uli, & Tali, 2005) which support the existence of a positive relationship between service quality and firm performance.

Service Innovation

Operating systems reducing transaction time

The study sought to understand the perception of respondents on operating systems' hand in time reduction during process transactions for the guests and thus impacting how the organization performs. With a mean response of 4.4 it was established that 5% of the respondents strongly disagreed, 7.5% of the respondents were neutral, 25% of the respondents agreed and 62.5% strongly agreed that the operating systems, reduce the time used to process transactions for the guests and impacted on the organization's performance. This is in line with a study by (Wynn & Lam, 2023) the integration of IT strategies to improve operational efficiency, including reducing transaction times.

Improvement of Customer Service Processes

Majority (52.5%) of the respondents strongly agreed that the hotel improves customer service processes to help customers acquire information, make transactions and file complaints. There were 5% who disagreed while a further 5% strongly disagreed with 37.5% of the respondents agreeing. On average as implied by the mean of 4.275, the respondents agreed that the hotel improves customer service processes to help customers acquire information, make transactions and file complaints.

Incorporation of New technologies into service processes

90 % of the respondents agreed that the hotel incorporates modern technologies into the design of service processes 5 neutral, 5 disagreed. The indicator had a mean score of 4.25 which is an implication that the members on average agreed that the hotel incorporates modern technologies into the design of service processes.

Rewarding of Employees involved in development of new businesses

Majority (45%) of the respondents strongly agreed that the hotel offers incentives or promotions to all employees involved in the development of new businesses and ideas for the benefit of the hotel. There were 7.5% who strongly disagreed, 10% disagreed, 2.5% were neutral and 35% agreed that the hotel offers incentives or promotions to all employees involved in the development of new businesses and ideas for the benefit of the hotel. The mean response was found to be 4 which shows that on average, the members agreed that the hotel offers incentives or promotions to all employees involved in the development of new businesses and ideas for the benefit of the hotel. This is in agreement with (Wang, 2016) and (Srivastava, Singh, & Sanjay Dhir, 2020) studies that probed how hotels that engage employees in innovation activities, including offering incentives, see improved performance and competitive advantage

Table 4: Distribution of respondents by their responses on Innovation indicators and the mean scores

Key: (1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5=Strongly Agree)

	1	2	3	4	5	Mean	Std. dev
The operating systems e.g. Opera, reduce the time used to process transactions for the guests impacting how the organization performs. (SB5i)	5	0	7.5	25	62.5	4.400	1.008
Hotel improves customer service processes to help customers acquire information, make transactions and file complaints. (SB5ii)	5	5	0	37.5	52.5	4.275	1.062
Hotel incorporates modern technologies into the design of service processes. (SB5iii)	5	0	5	45	45	4.250	0.954
The hotel offers incentives or promotions to all employees involved in the development of new businesses and ideas for the benefit of the hotel. (SB5iv)	7.5	10	2.5	35	45	4.000	1.261

Moderating effect of service innovation the relationship between service quality and performance of hotels

The moderating effect of service innovation on the relationship between service quality and performance was assessed using the MMR model that is based on ordinary least squares (OLS). The summary of the MMR model is shown in Table 5. This model was found to be significant as shown by the significant F-statistic with an R-square of 0.363 implying that 36.3% of the variance in performance (Y) can be explained by the model. An increase in the R-square was noted with the addition of the moderating factor. The R-square increased to 0.491 at step 2 and 0.544 at step 3 depicting a change in R-square of 0.127 and 0.054 respectively. The p-value of the change at step 2 was observed to be 0.004, which is less than 0.05 implying a significant improvement in the model. At step 3, the interaction terms were included in the model and the effect due to addition assessed. The change in R-square due to the addition of the interaction terms was 0.54 with and p-value of 0.046. The p-value of the change being less than the alpha value of 0.05 implied a significant change and improvement due to the addition of the interaction terms. Therefore, it was noted that service innovation had a significant effect on the relationship between service quality and performance.

Table 5: MMR model summary for the moderating effect of Service Innovation on Service Quality and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.603a	.363	.347	.808	.363	21.7	1	38	.000
2	.701b	.491	.463	.733	.127	9.254	1	37	.004
3	.755c	.544	.506	.742	.054	4.263	1	36	.046

Figure 2 shows the path diagram for the structural model depicting the moderating effect of service innovation on the relationship between service quality and performance of hotels in Kenya. The paths from the latent variables to the observed indicators depict the measurement model component with figures reflecting the standardized loadings of the indicators on the study variables. The path from the interaction terms which has a Critical Ratio (C.R) of 0.917 to performance depicts the moderating influence that service innovation has on the relationship between service quality and the performance of the hotels.
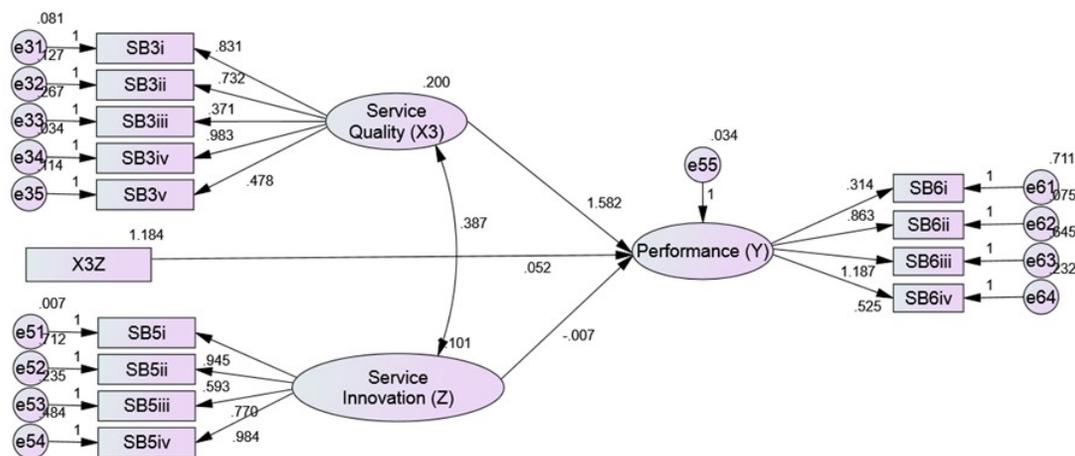

Figure 2: Path diagram for the Moderating Effect of Service Innovation on Service Quality and Performance

Table 6 shows the regression coefficient estimates (regression weights) of the structural model used to assess the objective on service quality and performance. As shown in the table, the coefficient estimate of customer satisfaction on the model was 1.582. The coefficient estimate is significant as shown by the Critical ratio (C.R.) which is greater than the standard normal Z-score of 1.96 at 5% level of significance. The coefficient estimate of

the interaction terms between service innovation and service quality (X3Z) was found not to be significant since the Critical Ration was less than the 1.96 standard normal Z-score. The results implied that service innovation moderates the relationship between service quality and performance.

Table 6: Regression Weights for the Moderating Effect of Service innovation on Service Quality and Performance of Hotels in Kenya

			Estimate	S.E.	C.R.	P
Perf	<---	SQ	1.582	.388	4.078	***
Perf	<---	SI	-.007	.137	-.053	.958
Perf	<---	X3Z	.052	.057	.917	.359
SB6iv	<---	Perf	.525	.118	4.446	***
SB6iii	<---	Perf	1.187	.208	5.711	***
SB6ii	<---	Perf	.863			
SB6i	<---	Perf	.314	.194	1.617	.106
SB5i	<---	SI	.945			
SB5iv	<---	SI	.984	.114	8.669	***
SB5iii	<---	SI	.770	.080	9.567	***
SB5ii	<---	SI	.593	.131	4.513	***
SB3i	<---	SQ	.831			
SB3iv	<---	SQ	.983	.145	6.787	***
SB3iii	<---	SQ	.371	.196	1.886	.059
SB3ii	<---	SQ	.732	.162	4.531	***
SB3v	<---	SQ	.478	.139	3.443	***

Hotel managers now attempt to differentiate in discrete, one hotel from its competitors (Reid and Sandler, 1992) in terms of making pre-emptive changes which focus even more compellingly on customer penchants for quality and high-tech interfaces to satisfy its customers and to stay competitive in a self-motivated environment.

5.0 Conclusions

The study sought to establish how service quality influenced performance of hotels in Kenya. In view of the moderating effect of service innovation on the relationship between service quality and performance of hotels in Kenya, the study established that service innovation has a moderating effect on the relationship between service quality and performance. Closer relationships are developed by more frequent interactions with customers, which helps the firm to develop relational and intellectual assets such as knowledge of the customers. These allow the firm to better anticipate and adopt appropriate responses to changes in an industry, customer group or technology platform.

 On average most of the hotels studied scored high levels of service quality. The score of service quality was an average of 4.6 out 5. Service quality can influence repurchasing and customer dedication to a particular company because of contentment with service provision. The findings are consistent with the work of (Mosikatsana, Van Zyl, & Crowther, 2024) who noted that provision of high standards of services and significant advancement of customer satisfaction have been considered key elements responsible for the enhancement of hotel industry performance and capable of improving profitability.

6.0 Recommendations

On service quality, the study recommends that hotels and other hospitality establishments should engage fully in innovation taking place in the industry, anticipate and respond to the emerging needs of their customers and upcoming technology to improve business performance. When the service standards are high, it influences customer loyalty to the establishment because of contentment with service provision, this in turn enhances

performance. With improved services, hoteliers will be able to provide guests with advanced deals based on consumers' inclination to attain greater competitive advantage. The study also calls for further research that incorporates the customer perspective by gathering data on customer satisfaction and feedback to better understand the impact of service quality and innovation. It recommends exploration of the interplay between various types of service innovation (e.g., process, product, organizational) and their specific impacts on hotel performance and encourages collaboration between academia and industry practitioners to ensure that research findings are practical and can be readily implemented to improve hotel performance.

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