The Effect of Organizational Innovation Mediates between Knowledge Management Capabilities and Hotel Performance: A Conceptual Analysis

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Abstract: The mediation relationship of organizational innovation (OI) between knowledge management capabilities (KMC) and hotel performance (HP) in Malaysia is the focus of this study. According to the World Tourism Organization (2018), around 1.245 billion foreign tourists visited the world in 2016, and the business is expected to generate trillions of dollars in revenue. Unfortunately, this industry has been impacted by the COVID-19 pandemic, which began in early 2020 but has since slowly recovered since 2022 (UNWTO, 2022). To survive in the cut-throat climate, hoteliers in the tourism sector must adopt the prevailing fashion. As a result, hoteliers must equip their staff with the necessary knowledge of infrastructure and processes to handle organizational innovation to ensure they can perform and survive. Nonetheless, a large number of them continue to resist knowledge management adaptation as a creative organization. This initial stage of the conceptual paper is the development of knowledge management, organizational innovation and hotel performance. The data were collected from selected hotels among their top management such as chief executive officers, general managers, managing directors or department managers that represent three-star to five-star hotels in Malaysia by using simple random sampling from the list provided by the Ministry of Tourism, Art and Culture of Malaysia. The result can be expected to assist organizations including hoteliers to sustain competitiveness by having knowledge management capabilities and organizational innovation in the market.

Keywords: Knowledge Management Capabilities, Knowledge Infrastructure, Knowledge Process, Organizational Innovation, Hotel Performance.

1. Introduction

In today’s rapidly changing business landscape, innovation and a diverse set of skills are imperative for organizations not only to survive but also to maintain a competitive edge (Azeem, Ahmed, Haider & Sajjad, 2021; Alves, Galina & Dobelin, 2018). In this context, knowledge management emerges as a vital tool, enabling organizations to foster creativity and innovation, thus sustaining their competitiveness (Huang & Huang, 2020; Lee, 2016). During the era of the fourth industrial revolution which is also known as IR 4.0 is characterized by technological advancements and innovation, the ability to effectively manage knowledge becomes even more critical (Urban & Matela, 2022; Muafi, 2020; Abu Bakar, Elrehail, Alatailat & Elci, 2019; Ansari, 2019). In this new era, digital technologies have undergone transformative changes, leading to new forms of competition in various industries, including the service sectors like tourism and hospitality (Antunes & Pinheiro, 2020; Hock-Doepgen, Clauss, Kraus & Cheng, 2021).

Most research indicates that organizations that embrace innovation can enhance their services and outperform their competitors, while simultaneously reducing operational costs (Putra, Rahayu & Putri, 2021). This further underscores the importance of knowledge management, as it catalyzes innovation, enabling organizations to capitalize on technology advancements and effectively adapt to the dynamic business environment. At the same time, the tourism and hospitality industry, in particular, faces the challenge of staying relevant in an era where consumer preferences and technology rapidly evolve. In this context, knowledge management plays a pivotal role in enabling these businesses to embrace innovative practices, deliver exceptional customer experiences, and optimize their operations. As digital technologies continue to reshape customer expectations and market dynamics, therefore, organizations that prioritize knowledge management and innovation will be better positioned to navigate these shifts successfully.

The tourism and hospitality industry has become a vital contributor to national income and gross domestic product (GDP) for many countries worldwide. Over the past two decades, there has been a steady increase in
international tourist arrivals, as evidenced by data from the World Bank, which shows a rise from 55 million in 1995 to a staggering 1.25 billion in 2016. Malaysia, in particular, experienced a similar trend, as reported by the World Tourism Organization (2018), with international tourist arrivals increasing from 7.5 million to 26.8 million during the same period. However, the industry faced an unprecedented challenge with the outbreak of COVID-19 in 2020, which led to a devastating impact on tourism and hospitality activities globally. Many countries were compelled to close their borders and restrict travel to curb the spread of the virus. Consequently, the industry experienced significant losses, with tourism and hospitality activities coming to a near standstill. In response to the pandemic, countries began adopting phased approaches to reopen their tourism and hospitality sectors, aiming to recover from the economic downturn caused by the pandemic (UNWTO, 2022). These phased reopenings have been accompanied by strict health and safety measures to safeguard both travelers and hospitality professionals. Despite the challenges brought on by the pandemic, the tourism and hospitality industry remains resilient, with gradual recoveries observed in various regions as vaccination efforts and travel protocols evolve. The industry's ability to adapt to rapidly changing circumstances and implement innovative strategies has been key to its survival and eventual revival.

Looking forward, as the global situation continues to evolve; the tourism and hospitality sector will undoubtedly undergo further transformations. Governments, businesses, and industry stakeholders will need to remain agile and proactive in responding to new challenges and opportunities that arise. Embracing knowledge management and innovation will play a critical role in shaping the future of the industry, allowing it to respond effectively to emerging trends, changing consumer preferences, and advancing technologies. While the path to recovery may be complex, the tourism and hospitality industry’s resilience and adaptability are clear indicators of its potential to bounce back and continue its vital contribution to national economies and GDPs worldwide. The industry’s role in driving economic growth, creating employment opportunities, and fostering cultural exchange and understanding between nations will remain central to its significance on the global stage.

As a service-oriented sector, the hospitality and tourism industry relies heavily on effective knowledge management as a crucial factor for survival and high performance (Patwary, Alwi, Rehman, Rabiu, Babatunde & Alam, 2022; Payal, Ahmed & Debnath, 2016; Cooper, 2006). In this dynamic and competitive landscape, knowledge is recognized as a vital resource that empowers hotels to remain innovative and maintain their competitive edge (Patwary et al., 2022; Hock-Doepgen et al., 2021; Rudez, 2010). Moreover, knowledge management serves as a critical indicator of an organization’s ability to ensure that its employees are knowledgeable and capable of performing their roles effectively (Patwary et al., 2022; Poloski-Vokie, 2008). This is particularly true for frontline employees who directly interact and communicate with hotel guests. These employees require access to the right knowledge to provide exemplary services and create memorable guest experiences (Patwary et al., 2022; Shamim, Cang & Yu, 2017). Skilled and knowledgeable frontline employees not only enhance guest satisfaction but also serve as effective representatives of the organization, leaving a positive impression on guests and enhancing the hotel’s reputation (Tavitiyaman, Zhang & Qu, 2012).

In the fast-paced hospitality and tourism industry, knowledgeable employees play a crucial role in staying up-to-date with market trends, customer preferences, and technological advancements (Patwary et al., 2022; Kumar, 2017; Su & Lin, 2006). Their ability to manage and apply this knowledge is pivotal for the hotel’s adaptability and success in meeting evolving customer expectations and industry trends. Notably, the effectiveness of knowledgeable employees is closely linked to the leadership and guidance of knowledgeable and capable managers (Chaithanapat, Punnakitikashem, Ooo & Rakthin, 2022). In the context of the hospitality and tourism industry, this underscores the significance of knowledge management at all levels of the organization. Managers who prioritize knowledge management foster a culture of continuous learning and development, empowering their teams to thrive in a rapidly changing environment (Urban & Matela, 2022).

Organizations that fail to recognize the criticality of knowledge management may encounter significant obstacles in their quest to perform effectively and compete in the business landscape (Chaithanapat et al., 2022; Urban & Matela, 2022; Carlucci, Marr & Schiuma, 2004). The importance of knowledge management becomes increasingly evident as businesses navigate an ever-evolving and highly competitive environment.
These organizations often encounter challenges when attempting to implement and adapt knowledge management practices to meet the demands of the current business landscape (Hock-Doepgen et al., 2021; Ngah, Tai & Bontis, 2016). In today's dynamic and rapidly changing world, knowledge is a strategic asset that underpins a company’s ability to remain agile and responsive to emerging trends and customer demands.

Without the appropriate levels of knowledge and the ability to manage and leverage it effectively, organizations may find themselves lagging behind their competitors. This lack of knowledge can hinder the development of essential skills and capabilities needed to achieve the organization’s goals and objectives (Khan, 2019). In this context, knowledge management catalyzes fostering innovation, enhancing performance, and achieving sustainable growth. Organizations that prioritize knowledge management can tap into their collective expertise, insights, and experiences to make informed decisions, identify opportunities, and address challenges effectively.

Moreover, a robust knowledge management system enables organizations to learn from their past experiences and avoid repeating mistakes, leading to continuous improvement and efficiency gains. It also fosters a learning culture, where employees are encouraged to share knowledge, collaborate, and acquire new skills, ultimately contributing to the organization’s overall competitiveness and adaptability. Furthermore, in an era marked by digital disruptions and technological advancements, organizations that neglect knowledge management may struggle to harness the potential of emerging technologies, losing out on opportunities to innovate and stay ahead of the curve.

By recognizing knowledge as a strategic asset and implementing effective knowledge management practices, organizations can build a knowledge-driven culture that empowers employees, enhances decision-making, and drives sustainable business success. This proactive approach to knowledge management is not only vital for immediate performance but also for long-term resilience and competitiveness in an increasingly dynamic and unpredictable business landscape. In conclusion, the significance of knowledge management cannot be underestimated, as it represents a cornerstone for organizational performance, innovation, and success in the face of ever-changing business challenges and opportunities. In the ever-evolving business landscape, the implementation of knowledge management alone, without due consideration for innovation and other organizational capabilities may prove insufficient in propelling organizations toward success. Simply managing knowledge without integrating it with innovation and other essential competencies can leave organizations stagnating and struggling to navigate complex business challenges.

Studies conducted by Urban and Matela (2022), Ode and Ayayoo (2020), and Nor, Mohd-Nor, and Mohd-Nor (2012) all highlight the crucial role of innovation in addressing business challenges effectively. Innovation serves as a driving force that enables organizations to adapt to changing market dynamics, capitalize on emerging opportunities, and overcome obstacles that hinder growth and performance. In this context, knowledge management and innovation become interdependent, with one complementing and reinforcing the other. Knowledge management lays the foundation by ensuring that an organization’s knowledge assets are effectively captured, shared, and applied. However, it is innovation that transforms this knowledge into tangible solutions, products, or services that propel the organization forward. The integration of knowledge management and innovation allows organizations to harness the collective intelligence of their workforce and translate it into practical innovations that enhance efficiency, drive revenue, and deliver superior customer experiences.

Moreover, the fast-paced advancements in technology and market demands necessitate organizations to continuously innovate and leverage knowledge effectively to gain a competitive advantage. Urban and Matela (2022) emphasize that successful organizations align their knowledge management efforts with a focus on technology-driven innovation to stay ahead in the highly competitive business landscape. By fostering a culture of innovation and knowledge sharing, organizations can create an environment where employees are encouraged to generate and experiment with new ideas. This, in turn, leads to improved problem-solving capabilities, increased operational efficiency, and enhanced customer value propositions.

To address the challenges posed by inadequate knowledge management and limited innovation, organizations can adopt strategies recommended by Patwary el al. (2022), Hock-Doepgen et al. (2021) and
Shamim et al. (2017). They propose creating an effective knowledge management system that transforms individual knowledge into valuable intellectual assets, under the guidance and leadership of top management. This approach ensures that knowledge is harnessed, shared, and applied strategically across the organization, promoting a culture of continuous learning and innovation. Moreover, successful organizations go beyond merely managing knowledge resources; they also leverage innovation and technology to optimize operational efficiency and reduce costs (Hock-Doepgen et al., 2021; Alavi, Kayworth & Leidner, 2005). Embracing innovation in technology can lead to streamlining processes, automating routine tasks, and enhancing overall productivity. For instance, the integration of advanced technologies such as artificial intelligence, data analytics, and cloud computing can enable organizations to make data-driven decisions, predict trends, and allocate resources effectively.

The combination of knowledge management and innovation not only enhances operational efficiency but also fosters a more innovative workforce. Empowered with access to valuable knowledge resources and driven by a culture of innovation, employees are encouraged to think creatively, experiment with new ideas, and contribute to problem-solving and decision-making processes (Patwary et al., 2022; Alaarj, Mohamed, & Ahmad Bustaman, 2016). Knowledge management and innovation are particularly crucial for organizations operating in the dynamic tourism and hospitality industries. The rapidly changing customer preferences, evolving market trends, and unpredictable external factors demand adaptive and forward-thinking strategies. By engaging in effective knowledge management processes, tourism and hospitality organizations can stay attuned to market shifts, anticipate customer needs, and remain competitive in this ever-evolving landscape.

To successfully implement knowledge management and innovation, organizations must foster a collaborative and learning-oriented culture. Leaders should champion knowledge-sharing initiatives, create platforms for open communication, and recognize and reward innovative ideas and initiatives. Additionally, investing in employee training and development programs can equip the workforce with the necessary skills and knowledge to leverage the organization’s intellectual assets effectively. In the contemporary business landscape, organizations, including those in the tourism and hospitality industry, face a myriad of complex challenges that demand effective solutions, making knowledge management an essential tool (Patwary et al., 2022; Alaarj et al., 2016). The tourism and hospitality sector, in particular, can benefit significantly from knowledge management to enhance innovation and competitiveness in the market (Patwary et al., 2022; Urban & Matela, 2022).

Hotels, as integral players in the tourism and hospitality industry, can gain a distinct advantage over their competitors by offering knowledge-based services. By leveraging their knowledge resources effectively, hotels can continuously improve, create and enhance their business quality, elevating the overall guest experience (Patwary et al., 2022; Su & Lin, 2006). Innovation plays a critical role in this endeavor, enabling hotels to implement novel approaches and creative solutions to meet the changing needs and preferences of their customers.

On another hand, the recognition of knowledge management’s importance in fostering innovation and performance is widely acknowledged by scholars and practitioners alike. Gomes, Seman, Berndt, and Bogoni (2022) and Dukeov, Bergman, Heilmann, and Nasledov (2020) concur that the current business environment necessitates organizations to prioritize innovation to remain competitive. In the highly dynamic and fast-paced tourism and hospitality industry, innovation becomes a key driver for staying ahead in the race for customer loyalty and market share. Moreover, as the tourism and hospitality industry faces unique challenges, such as fluctuating demand patterns, changing travel preferences, and the impact of global events like the COVID-19 pandemic, effective knowledge management becomes even more critical. It allows hotels to tap into the collective intelligence of their workforce, identify potential risks and opportunities, and develop strategies that drive resilience and sustainability. By nurturing a culture that values knowledge sharing, continuous learning, and innovation, hotels can empower their employees to contribute their unique insights and ideas. This collaborative approach not only fosters a sense of ownership and engagement among employees but also cultivates an environment where creativity thrives.

Furthermore, knowledge management and innovation go hand in hand to create a positive feedback loop. As knowledge management processes enrich the organization with valuable insights and best practices,
innovation turns these assets into tangible solutions, products, or services that provide a competitive edge. This cycle of continuous improvement drives the organization's growth and positions it as an industry leader. In the pursuit of competitiveness and success in the business market, hoteliers must effectively assess their organization's performance from multiple perspectives, as suggested by Philips (1999). Traditionally, organization performance has been evaluated primarily through financial metrics, such as profitability and revenue generation. However, Huang and Huang (2020), Reyes-Santiago, Sanchez-Medina, and Riaz-Pichardo (2019), and Chow and Van Der Stede (2006) raise valid concerns about the limitations of relying solely on financial measurements. They argue that financial metrics may not provide a comprehensive picture of an organization's overall performance and may overlook crucial non-financial aspects.

Recognizing the significance of non-financial indicators, Kokkaew, Jokkaw, Peansupap, and Wipulanusat (2022) advocate focusing on non-financial perspectives, which they find to be more suitable for measuring organization performance, especially in the context of knowledge management. Non-financial metrics encompass a wide range of criteria, including customer satisfaction, employee engagement, innovation capability, and sustainability practices, among others. These indicators offer valuable insights into the organization's ability to create value, build relationships, and drive long-term success. In light of the challenges and complexities associated with assessing organization performance in the hospitality industry, this conceptual analysis endeavors to shed light on the research objective of investigating the relationship between knowledge management and hotel performance in Malaysia. More specifically, the study aims to explore how innovation serves as a mediator between knowledge management and hotel performance. By understanding this relationship, hoteliers can identify the mechanisms through which knowledge management practices impact performance outcomes and leverage innovation as a catalyst for sustainable growth and competitiveness.

The inclusion of innovation as a mediator is of particular importance, as it helps elucidate the dynamic interplay between knowledge management and hotel performance. Innovation acts as a bridge, transforming the knowledge acquired, shared, and applied within the organization into tangible improvements, novel solutions, and enhanced guest experiences. As a result, hotels can unlock their full potential by effectively utilizing their intellectual assets to drive innovation and improve overall performance.

This conceptual study serves as a valuable foundation for future empirical studies seeking to validate and further explore the relationship between knowledge management, innovation, and hotel performance. By incorporating both financial and non-financial perspectives, researchers can gain a comprehensive understanding of how knowledge management practices and innovation contribute to hotels' overall success and competitiveness.

2. Literature Review

Knowledge Management Capabilities: Knowledge is a valuable resource that plays a pivotal role in an organization's ability to maintain a competitive edge and achieve strong business performance (Martins, Rampasso, Anholon, Quelhas & Filho, 2019). Scholars like Barney (1991) and Grover & Davenport (2001) emphasize the significance of knowledge as an asset for organizations. Bolisani and Bratianu (2018) go further to explain that knowledge is not just an abstract concept but rather undergoes a transformative process, becoming tangible and actionable.

The concept of knowledge management, which involves the systematic handling of knowledge within an organization, emerged in the late 20th century, as noted by Steward and Waddel (2008). However, its roots in organizations can be traced back more than four decades. Anjaria (2020) defines knowledge management as a set of tools, techniques, and methods used to manage the process of knowledge within organizations. It entails understanding, codifying, disseminating, and applying knowledge to accomplish organizational goals, as suggested by Al-Hawari (2004).

Furthermore, the idea of knowledge management capabilities highlights an ongoing and intentional mechanism within organizations to acquire knowledge, as described by Chiu & Chen (2016). This capability is essential for organizations to create, transfer, integrate, and apply knowledge effectively to their operations.
Hock-Doepgen et al. (2021) and Alavi and Leidner (2001) concur with this perspective, emphasizing that knowledge management capabilities are the organization’s capacity to handle knowledge throughout its various stages, ultimately leading to improved performance and competitive advantage.

To truly become knowledgeable organizations, knowledge management capabilities must undergo a comprehensive and radical transformation, involving a complete reassessment of assumptions, structures, and the value system within these organizations. This proposition, put forward by Hindasah and Nuryakin (2020), stresses the need for continuous support and implementation of knowledge management practices to enhance overall performance and ensure sustainability in the fiercely competitive market.

In this context, it becomes imperative for organizations to not only embrace knowledge management but also to incorporate innovation as an integral part of their capabilities. By fostering a culture that supports innovation, organizations can ensure a steady flow of fresh ideas and adapt to the dynamic business landscape. When examining the constituents of knowledge management capabilities, various scholars have offered different perspectives. Jasimuddin and Naqshbandi (2019) and, Zhang, Liu, Tan, Jian, and Zhu (2018) present a tripartite division of knowledge management capabilities, encompassing technological, structural, and cultural elements. This approach acknowledges that successful knowledge management necessitates not only the right technological tools but also the proper organizational structure and a supportive cultural environment that encourages knowledge sharing and collaboration.

On the other hand, Gold, Malhotra, and Segars (2001) and Lee and Yang (2000) propose a different categorization, dividing knowledge management capabilities into two main types: knowledge infrastructure and knowledge process. Knowledge infrastructure involves the establishment of a solid foundation for managing knowledge, including the integration of information systems, databases, and communication networks. Knowledge processes, on the other hand, focus on the implementation of effective knowledge-sharing, creation, and utilization procedures within the organization.

In the realm of knowledge management capabilities, the concept of knowledge infrastructure emerges as a critical organizational asset. According to Jasimuddin and Naqshbandi (2019) and, Wu and Chen (2014), knowledge infrastructure serves as the foundation upon which organizations build systems and services to support their core business functions. Lee and Yang (2000) emphasize that an organization’s infrastructure is a dynamic amalgamation of its structure, technology, and culture, all of which play integral roles in shaping its overall knowledge management capabilities. To optimize social capital within the organization, Gold et al. (2001) argue that a robust infrastructure should be developed, incorporating aspects from structural, cultural, and technological dimensions. This comprehensive approach recognizes the interplay of human, technological, and organizational elements in fostering an environment conducive to effective knowledge management.

In this context, technology infrastructure assumes significance as a valuable resource for organizations, influencing overall business performance, as noted by Jasimuddin and Naqshbandi (2019) and, Gil-Padilla and Espino-Rodriguez (2008). Similarly, the significance of organizational culture within the knowledge infrastructure cannot be ignored. Azeem et al. (2021) and, Mohannak (2011) highlight that culture plays a pivotal role in determining the success or failure of knowledge management initiatives within an organization. The importance of a well-developed knowledge infrastructure is further evidenced by Hock-Doepgen et al. (2020), who found that the integration of culture, technology, and structure within the knowledge management framework directly influences business innovation among Germany’s SMEs. Moreover, research conducted by Urban and Matela (2022) within the hospitality sector in Lesotho supports the notion that knowledge management practices significantly influence an organization’s innovativeness.

Considering the above observations, it becomes evident that knowledge infrastructure is a critical component of an organization’s knowledge management capabilities, impacting its overall performance and potential for innovation. Based on this understanding, researchers are prompted to examine the following hypothesis:

**H1:** There is a direct relationship between knowledge infrastructure and organizational innovation.

This hypothesis aims to shed further light on the intricate relationship between knowledge management
capabilities, knowledge infrastructure, and organizational innovativeness, contributing to a deeper understanding of how organizations can leverage their knowledge-related assets for sustained success and competitive advantage.

In addition to knowledge infrastructure, the knowledge process is another vital component that organizations must focus on to effectively utilize the knowledge captured, stored, reconciled, and disseminated through their infrastructure, as highlighted by Nonaka and Takeuchi (1995). The knowledge process can be seen as an organization’s ability to generate knowledge and transform it into a competitive advantage, granting them an edge over their competitors. Cegarra-Navarro, Jimenez-Jimenez and Gracia-Perez (2021) and, Su and Lin (2006) define the knowledge process as the identification of core competencies in a challenging and competitive market, emphasizing its role in shaping the organization’s business strategies.

The process of knowledge management encompasses several key stages, as identified by various researchers. These stages include knowledge acquisition or generation, dissemination or application, and transfer (Hock-Doepgen et al., 2021; Antunes & Ayavoo, 2020; Lee & Yang, 2000). Wu and Chen (2014) present their unique perspective and categorize knowledge processes into creation, transfer, integration, and application, illustrating how these stages form a cohesive and accumulative process for implementing knowledge within organizations. Gold et al. (2001) contribute to the understanding of knowledge process capabilities, emphasizing the integration of knowledge acquisition, conversion, application, and protection. This comprehensive view highlights that the knowledge process involves not only the generation and application of knowledge but also the safeguarding of intellectual assets.

The significance of the knowledge process in driving business innovation is evident in the findings of Hock-Doepgen et al. (2021) who establish a direct relationship between the knowledge process and an organization’s capacity for innovation. Additionally, they identify the knowledge process as an external management capability, further underlining its influence on promoting innovation within the organization.

Drawing from the body of knowledge discussed, researchers aim to explore the hypothesized relationship between knowledge process, organizational innovation, and hotel performance in the following study. This hypothesis seeks to enrich the understanding of how organizations can effectively harness and leverage their knowledge processes to foster innovation, thereby contributing to their overall success and adaptability in a dynamic and competitive business landscape. Thus, the following hypothesis is examined:

**H2**: There is a direct relationship between knowledge process and organizational innovation.

**Organizational Innovation**: Innovation, owing to its long-standing history in academia, has been conceptualized and defined in various ways. Economists have viewed innovation as both a cost and a quantity of production within organizations, particularly in the context of technological development and achieving economies of scale (Mohamad, Nor & Fikry, 2022). This perspective emphasizes the role of innovation in driving efficiency and competitiveness within the business landscape.

On the other hand, Hurley and Hult (1998) present a broader definition, describing organizational innovation as the organization’s ability to be open and receptive to new ideas, considering it an essential aspect and an ingrained part of the organizational culture. This definition highlights the importance of fostering a culture that encourages creativity and the adoption of novel approaches. Alves et al. (2018) offer a more pragmatic understanding of organizational innovation by defining it as the actual implementation of new methods and practices within the business, both in internal operations and in its relationships with external stakeholders. This definition underscores the tangible application of innovative ideas and practices to improve business processes and relationships as well as the outcomes (Azeem et al., 2021). Furthermore, Dukeov et al. (2020) emphasize the proactive nature of organizational innovation, defining it as the capability of organizations to continuously innovate and adopt new business methods. This includes building external relationships based on their internal processes to ensure sustained success in the ever-evolving business landscape. This perspective emphasizes the significance of innovation as an ongoing process rather than a one-time event.

In recent years, the business landscape has been characterized by rapid technological advancements, necessitating innovation among business players for their survival and success (Azeem et al., 2021; Pandey,
Gupta & Gupta, 2019). As suggested by Chung et al. (2016), organizations must embrace and implement new technological changes as part of their long-term survival and growth strategies. In response to these evolving demands, numerous studies have explored different facets of innovation within organizations.

From a managerial perspective, researchers like Fritz (1996) have examined the organizational characteristics that are conducive to fostering innovation. On the other hand, scholars such as Lukas and Ferrell (2000) have focused on product innovations, analyzing how marketing strategies and consumer needs drive innovation in product development. Additionally, other studies, like Chung et al. (2016), have explored the relationship between technology adoption and innovation, recognizing the crucial role of technology in driving organizational progress. A common focus of research on organizational innovation has been product, process, and administrative process innovations (Dukeov et al., 2020; Huang and Huang, 2020; Muafi, 2020). These studies delve into how organizations can innovate their products, streamline internal processes, and adopt new administrative approaches to enhance overall efficiency and effectiveness.

However, Urban and Matela (2022) brought forth a fresh perspective by proposing that innovation specifically within the hotel industry in Lesotho could have a positive impact on overall business performance. This insight highlights the industry-specific context in which innovation plays a crucial role in driving success. Building on the findings and research gaps in the existing literature, researchers may examine the following hypothesis:

H3: There is a direct relationship between organizational innovation and hotel performance.

This hypothesis aims to explore the relationship between organizational innovation and business performance within the hotel industry in Malaysia, shedding light on how innovation initiatives can contribute to the industry's competitiveness and growth. By examining this hypothesis, scholars can contribute to a deeper understanding of the significance of organizational innovation in driving success in a specific sector, offering valuable insights for businesses in Malaysia's hospitality industry and beyond.

Organizational Innovation as a Mediator: Organizational innovation is a crucial component of an organization’s capabilities and resources, serving as a means to enhance competitiveness in the market (Azeem et al., 2021; Barney, 1991; Grant, 1991). As a mediator, organizational innovation plays a pivotal role in establishing the relationship between independent and dependent variables, facilitating a better understanding of the factors that drive business success.

The research conducted by Ramirez, Parra-Requena, Ruiz-Ortega, and Garcia-Villaverde (2018) sheds light on the mediating role of organizational innovation, particularly in conjunction with product innovation. They discovered that organizational innovation, when combined with product innovation, positively mediates the relationship between external information and marketing innovation. This finding emphasizes the significance of organizational innovation in transforming external knowledge into tangible marketing innovations, subsequently contributing to an organization's market performance. Similarly, Gomes et al. (2022) conducted a study focused on knowledge-intensive organizations in Brazil and found that innovation and learning mediate the relationship between entrepreneurial orientation and organizational outcomes. This highlights how innovation, as a mediating factor, can translate entrepreneurial orientation into practical applications, leading to organizational success in knowledge-intensive sectors.

Based on this empirical research, it can be hypothesized that organizational innovation acts as a critical mediator in various contexts, facilitating the link between independent variables (such as external information, entrepreneurial orientation, or other relevant factors) and dependent variables (such as marketing innovation, organizational outcomes, etc.). The specific hypothesis to be examined may revolve around the mediating role of organizational innovation in a particular context or industry. Thus, it could be hypothesized that:

H4: Organizational innovation positively mediates between knowledge infrastructure and hotel performance.
H5: Organizational innovation positively mediates between the knowledge process and hotel performance.

By further exploring these hypotheses, researchers can deepen their understanding of how organizational innovation functions as a conduit for translating inputs into desired outcomes, providing valuable insights for
businesses seeking to harness their innovation capabilities for sustainable competitive advantage. This line of research contributes to the ongoing discourse on the pivotal role of organizational innovation in the success of modern businesses, emphasizing its significance as a transformative force in today's dynamic and competitive markets.

**Hotel Performance:** Performance is a fundamental measure of success, encompassing the evaluation of achievements and the fulfillment of objectives and goals for individuals, societies, and organizations. The significance of performance cannot be overstated, as it serves as a key driving force for these entities to strive and excel. Antunes and Pinheiro (2020) concur with this definition and characterize performance as the outcome of a well-structured process aimed at attaining desired results. However, when viewed from managerial and organizational perspectives, Chaithanapat et al. (2022) propose a more comprehensive understanding of performance, incorporating both financial and non-financial perspectives. This approach recognizes the multifaceted nature of success within the industry and underscores the importance of considering diverse aspects to gauge organizational performance.

Expanding on this concept, Rolstadas (1998) introduces a comprehensive framework for assessing organizational performance, which comprises seven criteria: productivity, quality, effectiveness, efficiency, innovation, quality of life, and profitability/budget-ability. These criteria collectively represent a holistic approach to evaluating an organization's performance, taking into account not only financial success but also factors like innovation, employee well-being, and overall efficiency. An organization is deemed to be performing well when it effectively balances and synergizes these seven criteria to achieve its objectives. Salim and Rajput (2017) emphasize the strategic dimension of organizational performance, describing it as the ability to skilfully implement and manage strategies, ultimately translating them into tangible results that align with the organization's stated goals. This highlights the importance of effective planning and execution in achieving and sustaining high levels of performance.

In the tourism and hospitality industry, hotel performance is a key area of focus, with researchers exploring various dimensions related to the environment, management, and marketing aspects (Abu Bakar et al., 2019; Jang et al., 2009; Claver-Cortes et al., 2007). A comprehensive understanding of hotel performance requires a balanced assessment that considers both financial and non-financial perspectives, as highlighted by Ali et al. (2020) and Alonso-Almeida et al. (2016). This acknowledgment of the significance of both financial and non-financial factors in evaluating hotel performance underscores the need for further exploration in this field.

However, existing research on hotel performance has primarily emphasized quantitative measurements, with a focus on financial indicators and efficiency, particularly profitability (Sainaghi et al., 2013). While financial metrics are undoubtedly crucial, they only provide a partial picture of a hotel’s overall performance. To develop a more comprehensive and well-rounded understanding of hotel performance, it is imperative to include non-financial or subjective perspectives as well.

Reyes-Santiago et al. (2019) have recognized the limited attention given to non-financial perspectives in hotel performance measurement, indicating a gap in the existing literature. To address this gap, the current study aims to explore hotel performance, seeking to redefine strategies based on non-financial perspectives. Such perspectives include achievements related to customer and employee satisfaction, accomplishments relative to competitors, as well as progress toward broader financial and strategic objectives.

By focusing on this approach, this study aims to delve deeper into the non-financial aspects of hotel performance, providing a richer understanding of the underlying factors that contribute to success in the hospitality industry. This research’s focus will shed light on the intangible aspects of hotel performance, such as guest experiences, employee engagement, and strategic positioning, which can significantly impact a hotel’s long-term viability and competitiveness.

Overall, this research contributes to the advancement of knowledge in the domain of hotel performance measurement, urging scholars and practitioners to consider a more comprehensive perspective to gain a holistic understanding of success in the dynamic and multifaceted world of hospitality.
3. Research Methodology

This research employs a quantitative method to gather and analyze data. Primary data will be collected through an e-survey distributed via email to selected respondents. The unit of analysis for this study is the organization, but the information will be presented by individual representatives on behalf of their respective organizations. The respondents will be randomly selected from the top management of 266 hotels in Malaysia, including managers, managing directors, and chief executive officers. These individuals are chosen due to their in-depth knowledge of their hotel’s performance, as well as their ability to implement knowledge management and innovation strategies for their establishments. The selected hotels will come from three-star, four-star, and five-star categories, based on the services and amenities they offer to their guests. The sample size for this research is based on the list provided by Malaysia’s Ministry of Tourism, Art, and Culture (MOTAC), which comprises 863 hotels falling under the specified categories.

Data analysis will be conducted using two software tools. The first software utilized will be the Statistical Package for the Social Sciences (SPSS), which will be employed for preliminary analysis and data exploration. The second software is SmartPLS, which falls under Partial Least Squares Structural Equation Modeling (PLS-SEM). SmartPLS will be used to examine and test the relationships, direction, and significance of the structural parameter estimates in the research model (Hair Jr., Hult, Ringle & Sarstedt, 2016).

The quantitative approach allows for a systematic and rigorous investigation of the relationships and variables under consideration. By distributing e-surveys and using data from a substantial number of hotels, the study aims to provide comprehensive insights into the impact of knowledge management and innovation on hotel performance. The utilization of SPSS and SmartPLS as analytical tools ensures robust statistical analysis, enabling researchers to draw valid conclusions and make evidence-based recommendations for the hospitality industry. The findings of this research hold the potential to guide hotel managers and decision-makers in adopting effective strategies to enhance their organization's performance, innovation capabilities, and competitiveness in the dynamic tourism market of Malaysia.

The measurement scales used in this research will employ a 7-point Likert-type scale, ranging from 1 = strongly disagree to 7 = strongly agree, for all variables except for hotel performance. The hotel performance variable will also use a 7-point Likert-type scale, but with a different measurement approach, where 1 = decrease more than 20% and 7 = increase more than 20%. This modification allows respondents to express their perceptions of hotel performance in terms of significant changes in either direction.

To assess knowledge management capabilities, the researchers adapted questions from the scale developed by Gold et al. (2001). This scale has been widely used in previous studies and has demonstrated reliability and validity in assessing an organization’s ability to manage knowledge effectively. Meanwhile, for organizational innovation, the constructs were derived from multiple sources, including Damanpour and Gopalakrishnan (2001), Fritz (1996), and Pennings (1991). By incorporating constructs from these various studies, the researchers ensure a comprehensive and robust assessment of organizational innovation, encompassing diverse aspects related to innovation within the organization. The measurement of hotel performance constructs is based on a non-financial performance scale developed by Narver and Slater.
This choice is particularly relevant as it allows the researchers to capture non-financial aspects that are critical to understanding a hotel's overall performance, such as customer satisfaction, employee engagement, and market share.

By utilizing established scales and constructs from reputable sources, the researchers ensure the reliability and validity of the data collected for their study. This approach also facilitates comparability with prior research, enabling them to build upon existing knowledge and contribute to the body of literature in the field of hospitality and organizational management. Furthermore, the use of 7-point Likert-type scales offers a wide range of responses, allowing respondents to provide nuanced feedback and express their perceptions with greater precision. The inclusion of a specific measurement for hotel performance adds granularity to the assessment, enabling a more detailed analysis of performance changes.

4. Conclusion

In the realm of organizational research, knowledge management, organizational innovation, and performance have garnered significant attention due to their crucial roles in shaping organizational success. Numerous empirical studies have been conducted, exploring these variables from diverse perspectives and scopes to understand their impact on organizational outcomes.

This conceptual paper is a pivotal component of a doctoral research project centered on knowledge management, organizational innovation, and performance within the hotel industry in Malaysia. The study aims to shed light on the interplay between these three variables specifically among three-star, four-star, and five-star hotels across the nation. To ensure the study's relevance and accuracy, the top management of these hotels, including managers, managing directors, general managers, and chief executive officers, were selected as participants to represent their respective organizations.

The research employed a robust sampling methodology, using simple random sampling to choose hotels from the list provided by Malaysia’s Ministry of Tourism, Art, and Culture (MOTAC). The MOTAC list is considered the most comprehensive and authoritative compilation of hotels in Malaysia, making it an ideal reference point for comparison with other sources, such as the Malaysia Association of Hotels (MAH).

The results of this study hold promising implications for hoteliers and organizations across various sectors. By examining the relationships between knowledge management capabilities, organizational innovation, and performance, the study aims to offer valuable insights to assist organizations in effectively implementing strategies to improve their knowledge management and innovation practices. By doing so, they can enhance their overall performance and better navigate the competitive business environment.

The findings of this research are expected to contribute to the existing body of knowledge, providing practitioners and scholars with a deeper understanding of how knowledge management and innovation can be harnessed to achieve sustained success and growth in the hospitality industry and beyond. As hoteliers and organizations gain greater clarity on the drivers of organizational performance, they can make informed decisions and implement targeted initiatives to stay competitive, meet customer demands, and thrive in an ever-changing marketplace. Ultimately, this research seeks to empower organizations to navigate the complexities of the modern business landscape with confidence and resilience.

**Contribution of the Research:** The framework used in this research has been widely employed by numerous scholars in previous studies, attesting to its relevance and applicability across various organizational contexts. However, despite its established use, this conceptual study seeks to make a unique contribution by applying the framework specifically in the context of the hospitality industry. As the hospitality sector poses distinct challenges and opportunities, this study aims to enrich the existing body of knowledge by offering insights tailored to this particular industry.

Moreover, the utilization of this framework is an integral part of a doctoral research endeavor that delves into the intricate relationships between knowledge management, organizational innovation, and hotel performance in Malaysia. By conducting an in-depth investigation within the hospitality industry, the study
aspires to shed light on the specific dynamics and factors that shape knowledge management practices, organizational innovation, and ultimately, the performance of hotels in Malaysia.

The dimensions of the variables under scrutiny, namely knowledge management, organizational innovation, and hotel performance, hold the potential to provide a comprehensive and nuanced understanding of the factors at play. Specifically, this research aims to elucidate the elements of knowledge management, including knowledge infrastructure and knowledge process, that significantly influence both organizational innovation and hotel performance. By exploring these dimensions, this study seeks to offer valuable insights and practical implications for industry players and academics alike.

By disseminating its findings, this research aims to contribute to the enhancement of knowledge management practices and organizational innovation in the hospitality industry, thereby fostering improved hotel performance. The implications of this study extend beyond just the hospitality sector, as the insights gained could apply to other industries grappling with similar challenges related to knowledge management and innovation.

Overall, the framework employed in this conceptual study holds the potential to unlock valuable insights that can bolster the performance and competitive edge of hotels in Malaysia and potentially serve as a blueprint for industry players seeking to optimize their knowledge management efforts and drive innovation. Additionally, the academic community can benefit from the enriched understanding of the interconnections between knowledge management, organizational innovation, and performance, fostering further research and exploration in this critical domain of organizational studies.

References


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