
Employee Creativity as an Outcome of Value Co-Creation in Hospitality Service Failure Co-Recovery

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Abstract

Previous research brought forward the effectiveness of customer value co-creation in service failure co-recovery. However, despite recent interest in multi-stakeholder involvement in co-creation, little is known about what factors drive positive, successful outcomes for hospitality employees. This study aims to examine the role of hospitality employee creativity in co-recovery. Using an online self-administered survey with the co-recovery scenario vignette, hotel employees (N=523) assumed an active role in the service failure co-recovery with the destination resort guests. The results of the PLS-SEM analysis revealed that co-created value improved hospitality employee creativity, leading to increased feelings of pride in achievement. Both linear and non-linear thinking styles were positive and significant for co-created value and creativity. Together, co-created value and creativity served the roles of mediators for pride achievement. This study contributes to service-dominant logic and the theory of creativity by revealing hospitality employee creativity as an outcome of value co-creation.

Key Words *Value co-creation, Co-recovery, Creativity, Pride, Thinking style*

Track *Operational Innovations*

Focus of Paper *Theoretical/Academic*

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Introduction

Service failure followed by a successful recovery that co-creates value for customers, service providers, and employees is a critical aspect of hospitality management that could significantly affect, protect, and enhance an organization's reputation, customer satisfaction, and loyalty, and prevent future service delivery issues (Xu et al., 2014; Tronvoll & Edvardsson, 2019). Service co-recovery is an interactive process in which customers and employees actively participate in collaborative efforts to recover from service failure to solve service problems, by providing their feedback, opinions, and recommendations for service failure recovery (Shulga & Busser, 2020). Service co-recovery was also described as a customer service recovery experience (Michel & Meuter, 2008; Tronvoll & Edvardsson, 2019) where the co-created value is either preserved, developed, or increased. Although service-dominant logic (SDL) postulates that value co-creation is a multi-actor process that should lead to the co-created value that is phenomenologically determined by the beneficiary (Vargo & Lusch, 2016), little is known about how service co-recovery influences hospitality employee work-related outcomes beyond job satisfaction (Shulga et al., 2022; Xie et al., 2021). Therefore, drawing from SDL and the theory of creativity (Amabile, 1983), this study explores how and why participation in service co-recovery may improve hospitality employee creativity at work. Furthermore, this study examines how hospitality employees' thinking styles to approach service co-recovery inform their co-created value (CCV) assessment and how these factors influence employees' creativity and pride in achievement at work (work-pride hereafter).

Literature Review

In developing SDL Vargo and Lusch (2016) proposed that in value co-creation operant resources are fundamental for organizational competitive advantage and strategic benefit. Within SDL, knowledge, expertise, effort, time, and energy were previously proposed as operant resources that are intangible, continuous, and dynamic (Ngo & O'Cass, 2009; Busser et al., 2019). Therefore, building on a multi-actor nature of value co-creation (Vargo & Lusch, 2016) it is reasonable to propose the employees' operant resources contributed to the service failure co-recovery should not only be beneficial for employee CCV assessment but also for their creativity and the sense of work-pride, which in return should improve their job performance (Ince et al., 2022; Schilpzand et al., 2025) and enduring advantage (Amabile et al., 2005), organization's innovation (Hon & Lui, 2016) leading to increased competitive advantage of hospitality firm. In this study, CCV is defined as an employee's appraisal of the meaningfulness of a co-recovery based on what is contributed (operant resources) and what is realized through collaboration (Busser & Shulga, 2018). The CCV is understood through one's assessment of co-creation meaningfulness, resource contribution, collaboration with other actors, recognition, and positive evaluation of the process (Busser & Shulga, 2018).

Hospitality employee creativity refers to an ability to suggest new, novel, inventive ideas and the ability to problem-solve (Amabile, 1983; Antwi et al., 2019). The theory of creativity (Amabile, 1983) relies on cognitive, psychological, and social context and the result of three main components: domain-relevant skills, creativity-relevant processes, and task motivation. Previously, it was proposed and demonstrated that a positive affect led to a cognitive variation (elements, context, and flexibility) that stimulates creativity (Amabile et al., 2005). For example, hospitality employees perceived value of green creativity positively affects employee green creativity (Liu et al., 2024). Therefore:

H1: Co-created value increases employee creativity.

The theory of creativity identifies domain-relevant skills as knowledge, skills, special talents, and innate abilities (Amabile, 1983). Thinking style refers to one's preferred manner of using the mental ability to regulate and guide activities, including understanding and problem-solving, where linear is logical, rational, and analytical thinking style and non-linear is intuitive, insightful, and creative (Vance et al., 2007). When proposing the componential framework of creativity, Amabile (1983) discussed that intuitive heuristics and algorithmic conditions might induce creativity differently. Theoretically, task motivation and

creativity-related processes are related to domain-relevant skills, where task motivation influences domain-relevant skills learning and set-breaking of creativity-related processes. In value co-creation as a creativity-related process, hospitality employees might be motivated to resolve service failures and recover the service quality with the customers (Xu et al., 2014), using their preferred thinking style as a domain-related skill, to co-create solutions and improve the CCV, as a result increasing their creativity and feelings of efficacy (Amabile, 1983). Thus:

H2: Employee CCV is increased by (a) linear and (b) non-linear thinking style.

H3: Employee creativity is increased by (a) linear and (b) non-linear thinking style.

Within the theory of creativity, Amabile (1983) proposed the feedback loops, where success or partial success in creative problem-solving might lead to feelings of gratification, self-efficacy, and more mastery attempts in improving the domain skills and intrinsic task motivation. To operationalize the feedback loop in co-recovery, we define work-pride as one's retrospective positive emotional outcome that originates from attributing valued and successful work performance to internal causes (Buechner et al., 2019). Internal, controllable, and variable causes (e.g., effort) and internal, uncontrollable, and stable causes (e.g., ability) were shown to have impacts on one's pride (Tracy & Robins, 2007; Buechner et al., 2019). For example, previously perceived and achievement values were identified as positive predictors of pride in achievement (Buechner et al., 2019; Goetz et al., 2010). Furthermore, creative performance positively influences employee pride (Xu et al., 2024). Therefore:

H4. CCV positively affects employee work-pride.

H5: Employee creativity increases their work-pride.

Buechner et al. (2019) proposed that not only internal stable and variable causes may affect one's pride but also individual cognitive frames. For example, self-based competence represented an individual cognitive frame that influenced pride in achievement. Additionally, following the theory of creativity, both domain-relative and creative-relative skills and processes may influence one's creativity improving one task motivation to improve and master creative performance (Amabile, 1983). The theory of creativity discusses the presence of algorithmic-heuristic distinctions. Furthermore, both CCV and creativity were found to play mediating roles for hospitality employees (Shulga et al., 2022; Luu, 2022) Therefore, it could be proposed:

H6. Co-created value and creativity mediate the relationship between employee work-pride and (a) linear and (b) non-linear thinking styles.

Methods

Data were collected using Qualtrics US-based online panel of respondents, 18 years old or older, who previously had experience working in the service industry in customer-facing positions, and who traveled and spent a night at a hotel or resort over the last 12 months (N=523). On average, the survey participants spent 6.25 years working in the service industries, with the majority working for the hospitality industry (26.96%) and transportation (20.84%). The majority of the respondents (45.7%) worked full-time in customer service (58.3%) and non-supervisory positions (63.1%). More than a half (65.8%) were female employees, married (39.0%) or single (32.3%) with kids (59.1%), with a college degree (54.7%), white (76.3%), followed by black or African American (12.2%) with annual income USD59,999 or below (55.7%).

Construct measurements included in the questionnaire were adapted from well-researched peer-reviewed published scales, in hospitality and organizational behavior research. Linear decision-making (5-items, sample: *"I primarily weigh quantitative factors when making a decision about a large purchase or investment, such as my age, budget needs, or future earnings"*) and non-linear decision-making (5-items,

sample: “When my analysis and intuition are in conflict, I give precedence to my intuitive insights”) were adapted from Vance et al. (2007). The 25-item CCV scale (Busser & Shulga, 2018) was used as a second order reflective construct with five dimensions: meaningfulness, contribution, collaboration, recognition, and affective response. The three-item employee creativity was adapted from Tierney et al. (1999) and Gong et al. (2009) (sample: “At work, I enjoy finding solutions to complex problems”). The work-pride measure was adapted from achievement emotions questionnaire (AEQ) (Bieleke et al., 2021) consisted of 4 items (example: “At work, I think I can be proud of my accomplishments”). The reliability of the constructs was determined by Cronbach’s alpha (ranging from 0.77 to 0.95). All Cronbach’s alphas were above 0.70, the criteria suggested by Hair et al. (2010), and, thus, deemed acceptable (Table 1). Podsakoff et al. (2003) recommendations, statistical and non-statistical methods, were followed to reduce the influence of common method variance (CMV). When Harman’s one-factor test was conducted using IBM SPSS29.0.2.0, it showed that 31.67% of the total variance was explained, which was below the 50.0% criteria (Podsakoff et al., 2003), showing a trivial influence of CMV in the data.

To examine variables in the value co-recovery context, the service co-recovery scenario at a destination resort was designed based on the examination of TripAdvisor reviews for the one of 10 most popular US travel destinations. A scenario-vignette is a well-accepted method to examine value co-creation interactions among multiple actors (Storbacka et al., 2016) including co-recovery (Xu et al., 2014). The co-recovery scenario-vignette, developed for this study, consisted of two parts: the multi-step service failure and co-recovery among resort guests and resort employees and feedback from the resort guests to the resort management. After the respondents read the scenario, they were asked three manipulation check questions. First, they estimated the realism of service scenario (10-point scale; M=8.62). Second, they evaluated whether the scenario represented service failure and recovery (10-point scale; M=8.62). Third, they were asked whether the scenario represented a collaboration among customers and employees (10-point scale; M=8.39). Based on previously utilized benchmark of M=6.50 (Busser et al., 2019), the co-recovery scenario was deemed acceptable for further interpretation.

Results

Partial-least squares structural equation modeling (PLS-SEM) using SmartPLS 4.1.0.9 software was utilized to test the hypotheses. PLS-SEM was deployed in this study due to the exploratory nature of the research model (Figure 1). Hair et al. (2019) used a two-step PLS-SEM procedure, and criteria were followed to analyze the data. In the first step, confirmatory factor analysis (CFA) was conducted. The results confirmed the reliability, convergent, and measures discriminant validity (Table 1). No multicollinearity concerns were detected (VIFs: 1.00 – 1.21).

Table 1. Results of CFA.

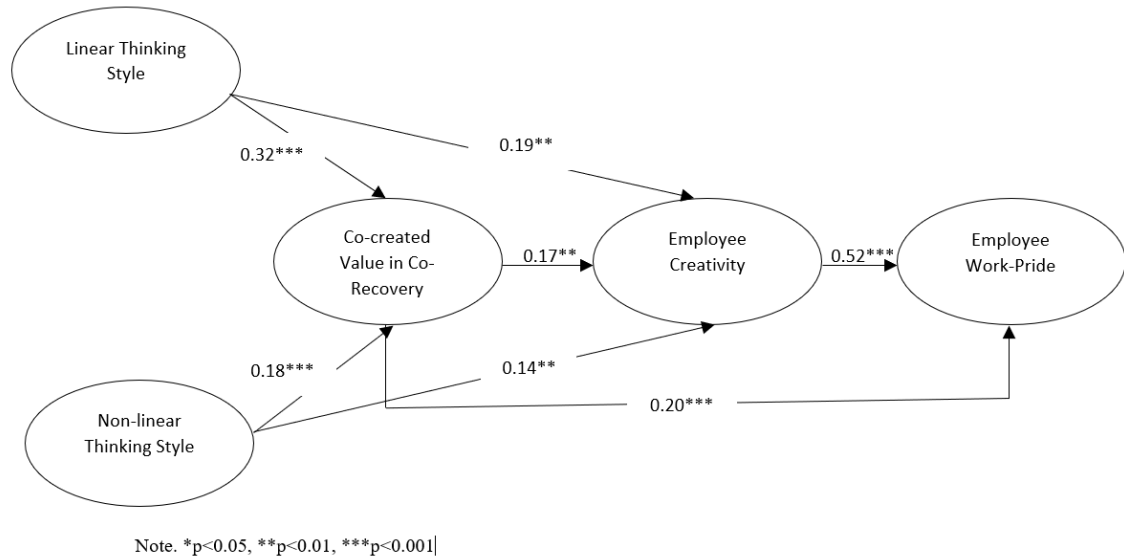
Variables	Cronbach's α	AVE	CCV	Creativity	Linear	Non-linear	Work-pride
CCV	0.95	0.50	0.71				
Creativity	0.86	0.78	0.28	0.89			
Linear	0.77	0.52	0.38	0.30	0.72		
Non-linear	0.78	0.60	0.28	0.25	0.32	0.78	
Work-pride	0.86	0.70	0.35	0.58	0.37	0.26	0.84

Note. CCV- co-created value, AVE-average variance extracted; Fornell-Larcker criterion used to establish discriminant validity.

In the second step, PLS-SEM was conducted using a 5,000 bootstrap procedure with a 95% confidence interval. The model demonstrated acceptable predictive validity with low to moderate explained variance in CCV ($R^2=0.17$), creativity ($R^2=0.14$), and pride ($R^2=0.37$), predictive relevance of employee

pride was above zero ($Q^2_{predict}=0.13$) (Hair et al., 2019). The results of hypotheses testing are presented in Figure 1 and Table 2. Based on the results of PLS-SEM, H1, H2, H3, H4, and H5 were accepted.

Figure 1. CCV impact on employee creativity research model testing results.



When mediated-mediation tests were analyzed, the indirect mediation path from linear and non-linear decision-making to CCV to creativity and work-pride were found significant (linear: t -value=2.67, $p<0.01$; non-linear: t -value=2.39, $p<0.05$), the direct effects were also significant (linear: t -value=5.46, $p<0.001$; non-linear: t -value=4.57, $p<0.001$), hence partial mediation was revealed. Therefore, H6 was partially supported.

Table 2. PLS-SEM Results

Paths	β	t -value	p -value	f^2	CI [2.5%; 97.5%]	Hypotheses testing
Linear -> CCV	0.323	7.097	0.000	0.113	[0.231; 0.411]	H1a - accepted
Non-linear -> CCV	0.177	4.589	0.000	0.034	[0.104; 0.254]	H1b - accepted
CCV -> Creativity	0.171	3.324	0.001	0.028	[0.074; 0.273]	H2 - accepted
Linear -> Creativity	0.193	3.413	0.001	0.035	[0.085; 0.307]	H3a - accepted
Non-linear -> Creativity	0.144	2.764	0.006	0.021	[0.041; 0.246]	H3b - accepted
CCV -> Work-pride	0.201	3.803	0.000	0.059	[0.101; 0.307]	H4 - accepted
Creativity -> Work-pride	0.519	10.122	0.000	0.392	[0.415; 0.620]	H5 - accepted

Discussion and Implications

The results of this study revealed that hospitality employees engage in both linear and non-linear thinking styles when they are involved in service failure co-recovery with their customers. This allows them

to increase the CCV and, as a result, enhance their creativity, intensifying their work-pride. Following the theory of creativity (Amabile, 1983), the results demonstrate that both logical and intuitive domain-related skills impact one's creativity. Supporting and advancing Buechner et al. (2019), we found that CCV positively influences work-pride. Extending the findings of Xu et al. (2024) our results demonstrate the positive impact of employee creativity on the work-pride.

Theoretically, the results extend SDL by revealing that not only knowledge and effort but also cognitive resources such as thinking styles both logical and intuitive (linear and non-linear) increase one's partial mediation of CCV. Furthermore, by deepening the SDL understanding of multi-stakeholder benefits from the employee perspective, successful value co-creation with customers may increase their creativity and work-pride. The mediated-mediation effects of CCV and creativity between thinking styles and work-pride advance the theory of creativity proposition of the interplay among domain-related skills, creative skills and processes, task motivation, and the personal striving towards competence and feelings of self-efficacy (Amabile, 1983). This research furthers hospitality research on service failure recovery by showing the positive employee-organization outcomes of value co-creation with customers that are beyond job satisfaction (Shulga et al., 2020) as employee creativity has the potential to improve organizational innovation and competitive advantage (Luu, 2024; Hon & Lui, 2016). From a practical standpoint, hospitality managers should engage employees in logical and intuitive thinking to improve service failure co-recovery results by explaining and training all employees in linear and non-linear thinking. For those who mainly rely on logic, training in mindfulness, expanded perceptiveness, and relaxation could be beneficial while training in logic, critical thinking, and systemic analysis might benefit those who primarily use the non-linear styles. Managers should focus on describing the benefits of co-recovery for employees, such as increased creativity skills and an elevated sense of work-pride, as these self-based factors might improve one's professional development self-efficacy and master customer-service skills.

The cross-sectional data collection is a limitation of this study. The generalizability could be improved with a longitudinal and quasi-experimental study design using real-life co-recovery could be utilized. Border conditions such as organizational and supervisor support, leadership styles, and service climate could be tested. Further research should test the gender and generational differences in hospitality employees' perceptions, attitudes, motivations, and behaviors related to their value co-creation involvement, CCV, creativity, and attitudes toward work.

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