

Service management for co-creating Omotenashi with customers:

A case study of the traditional Japanese 'Kagaya' Inn

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Abstract

Omotenashi, a form of hospitality and customer service, is the hallmark of traditional inns in Japan. This paper investigates the famed service at Kagaya Inn to highlight the elements of omotenashi and the management of the related skill and knowledge. Previous studies discuss customer service delivered by an individual, but not the mentality and practices needed to attain and manage omotenashi organisationally. Through field research and interviews conducted with personnel and service managers, we illuminate the Kagaya Inn, and suggest a model for attaining and managing superior omotenashi. We show that omotenashi is the product of focused training, organisation-wide communication and feedback shared among staff and customers.

Keywords

Omotenashi, service management, case study, tacit knowledge, Kagaya

1. Introduction

Omotenashi is a uniquely Japanese standard of high-quality service that has attracted extensive attention in the tourism industry. Capital poor hot spring inns make omotenashi their selling point in competition with large hotel chains offering full facilities. However, although many inns provide guests singular experience with omotenashi, others do not. This study identifies the practices and key success factors that underlie the century-old reputation of the Kagaya Inn in Japan's Wakura hot springs region for superior omotenashi.

Some earlier studies of Kagaya Inn document its success in omotenashi [Ishino, 2011; Miyashita, 2012; Oda, 2015], no study give examples of inns that successfully copied its best practices. This study aims to revitalise mediocre inns that have been commodified and lost competitive advantage through superior omotenashi. Here, a discussion of this suggestion is presented from the perspective of service management through a case analysis.

2. Literature review

2.1 Defining Omotenashi

A Japanese dictionary defines omotenashi as the treatment of guests, a feast or reception, an attitude of behaviour and a procedure. Combined, these definitions reveal the essence of omotenashi as establishing honourable and courteous relations with others.

Omotenashi's underlying courtesy, modesty and sophistication have been cultivated for centuries in Japan [Chen and Kato, 2014]. Omotenashi has become a dominant conception of service because it embodies a spirituality of acting for others without expectation of reward [Setogawa, 2013].

Kobayashi [2015] pragmatically defines omotenashi as high-

quality service influenced by Japan's nature, culture, history and lifestyle. Omotenashi is embodied in the venue, the opportunity to provide service and the context shared between service personnel and customers omotenashi is a standard of service, but, more, it is the creation of new value for those who provide it and those who receive it.

In accord with this definition, omotenashi is high-quality service created by interactions between customers and staff who understand their respective situations in Japanese custom and culture.

This study defines omotenashi as superlative service shaped by communicative relationships between the staff and the customers to enhance customers' experience under the condition of reciprocating mutual situations.

2.2 Hospitality and Omotenashi

The Western notion of 'hospitality' carries connotations of omotenashi. They include entertaining tourists and guests with kindness, offering a warm welcome and kind treatment, receptiveness and eagerness to understand [Yamagami, 2008]. Similarities aside, however, 'hospitality' does not fully express the meaning of omotenashi [Hattori, 2008].

Hospitality in Western hotels exhibits a hierarchical relation between guests and hosts, who respond to customers' needs promptly and precisely. Omotenashi is based on a more equal relationship, one traditionally cultivated between guests and hosts who tacitly understand their needs.

2.3 The Knowledge model of Omotenashi

Omotenashi in organizations is created by the proprietor or service managers and instilled in staff as knowledge. The well-known SECI model [Nonaka and Takeuchi, 1996] expresses this form of knowledge management as a cycle of creating further knowledge from existing explicit and implicit knowledge.

Explicit knowledge can be expressed symbolically and

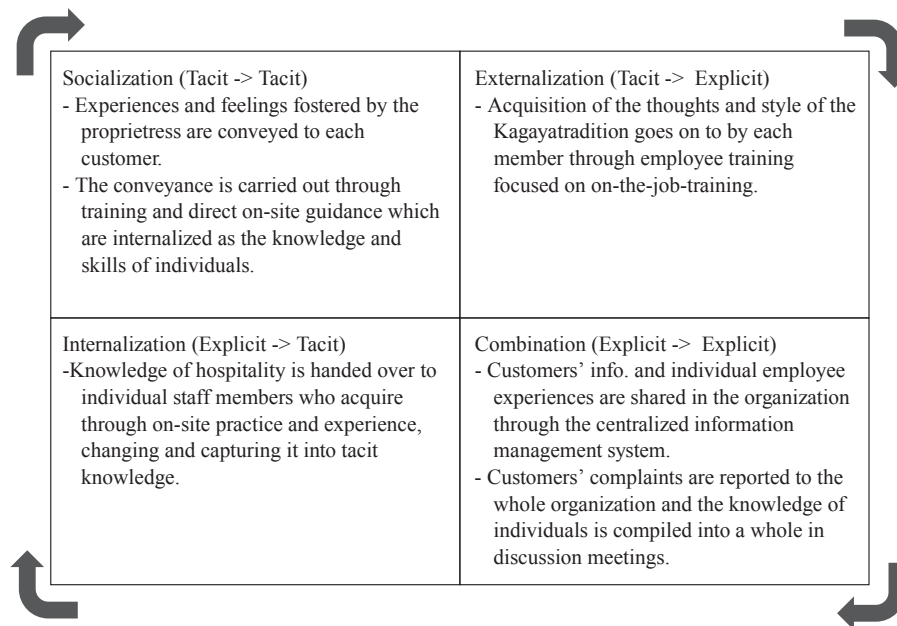


Figure 1: SECI model of Kagaya's omotenashi

conveyed in speech or writing. Examples include numerical formulae, charts and computer language. Implicit and tacit knowledge is hard to verbalize and express in symbols, but it can be conveyed outside words and symbols. The creation of knowledge through interaction of explicit and tacit knowledge is premised on both types of knowledge. The SECI model is represented in the processes of Socialization-> Externalization-> Combination-> Internalization. Koizumi [2013] applies the model to omotenashi at Kagaya Inn, as shown in Figure 1.

- **Socialization at Kagaya**
A variety of omotenashi is offered to customers, part of which is supported by the experience and intuition of the individual staff dealing with customers. At Kagaya, the experience and feelings fostered by the proprietress are conveyed to each staff member through training and on-site guidance that are internalized as personal knowledge and skills.
- **Externalization at Kagaya**
Externalization of knowledge at Kagaya begins with personnel recruitment and continues with employees' indoctrination into the 'Kagaya Way', through on-the-job-training. Tacit knowledge becomes explicit and is actualized as omotenashi in dealing with customers.
- **Combination at Kagaya**
At Kagaya, information about customers and staff members is shared organization-wide by a centralized information management system. Complaints are reported to the entire organization, and knowledge of individual employees is compiled in discussion meetings. The knowledge and experiences of individual employees thereby attain organizational depth and breadth.

• Internalization at Kagaya

The combined knowledge of omotenashi is conveyed to individual staff through on-site practice and experience, transforming it into tacit knowledge. Omotenashi of the entire organization is strengthened by deepening knowledge of individual staff members and increasing their number.

In this way, accumulation and transmission of knowledge related to omotenashi are established within the organization. The continuous creation of new omotenashi originates with Kagaya's staff. The sharing and implementation of this knowledge produces omotenashi organization-wide, becomes a point of competitive advantage, and is the basis of the Kagaya brand.

However, does the SECI model adequately explain this process of creating and managing omotenashi? The model effectively explains the interaction of tacit and explicit knowledge. In Koizumi's [2013] analysis, tacit knowledge is the greater part of omotenashi at Kagaya Inn and is assimilated into information about customers. However, the kind of knowledge management practiced at Kagaya seems common to most inns. Why cannot most of other inns practice excellent omotenashi like Kagaya? This study investigates the clue of service management to provide excellent omotenashi by the case study of Kagaya.

3. Research questions

Individual skill and knowledge are key factors of omotenashi to maintain service quality towards a variety of different customers, where there is relatively high dependence on personal intuition and experience of the staff [Nakamura et al., 2013]. Manuals standardize efficient operations and minimize er-

rors, but *omotenashi* requires observing needs of individual customers in discrete situations and meeting them promptly. *Omotenashi* that is standardized ceases to be *omotenashi*. How, therefore, can it be encouraged?

Omotenashi originates in transforming tacit personal knowledge into organizational knowledge. For example, *Geisha* and *Maiko*, professional entertainers trained in traditional dance and music in Kyoto's Gion area, do not study *omotenashi* as a technique or form of knowledge. Their muscle is memorized as their foundation [Nishio, 2007]. It is not just doing as they are instructed, action by action, but instead memorizing what they see from seniors, checking what they are doing, asking about what they do not understand, occasionally having others teach them something in detail, and then doing it themselves. It is important that they perpetuate the cycle of looking to those who serve as models for imitation.

This process of conveying *omotenashi* from seniors to juniors is commonplace. *Omotenashi* at inns passes through the same process, but with in-specific variations. This process is poorly captured by the SECI model of interaction between tacit and explicit knowledge. The question is how organizations manage *omotenashi*.

Therefore, this study investigates what underlies the success an organization long acknowledged for its extraordinary *omotenashi*.

4. Approach and results of the Kagaya case

Kagaya is a traditional Japanese inn in the Wakura hot springs resort of Ishikawa Prefecture. Established by Yokichi Oda in 1906, it began with 12 room accommodating 30 guests. Today it is a large-scale inn with 246 guest rooms and accommodations for 1,400 where 220,000 guests stay each year [Oda, 2011]. Kagaya has ranked first among hotels in operation over 30 years in the 'Selections of 100 Japanese Hotels and Inns by Professionals'.



Figure 2: Kagaya Inn

Taka Oda, the second generation proprietress, set the style of *omotenashi* at Kagaya in the 1960s. This case study is based on semi-structured interview with the personnel and service

managers at Kagaya's head office on 19 December 2016, clarifying what is important for managing superior *omotenashi* in Kagaya. Interview concerned the establishment of *omotenashi*, staff education and development, sharing of customer information and management of service quality.

4.1 Twelve Lessons and the Kagaya Way

Kagaya promulgates 'Twelve Lessons for Kagaya Staff' that focused on such basics as 'whether the room you oversee is clean', 'free of bad smells', 'has a set of matches before customers arrive' and 'gathering at the appointed time at the front hallway for greeting customers, making an energetic greeting and greeting customers warmly'. The twelve lessons are printed on cards held by all staff [Hosoi, 2006].

Many Japanese inns have manuals similar to Kagaya's, but what sets Kagaya's *omotenashi* apart, according to the service manager, is that 'Manuals with a fixed form mostly don't help in facing different customers who are different in appearance and feeling every day. From the moment customers enter the front hallway, we don't take our eyes from them for even a minute. We focus on the actions and words of each individual and think only of what can be done to make this customer happy'.

The thoroughness with which staff members take initiative in providing *omotenashi* originates in the Kagaya Way. The chairman of Kagaya installs it in the staff by example. He greets customers and critiques staff who do not, and teaches everyone the importance of greeting guests.

Kagaya's service manual it is not explicit. It imparts service standards, not *omotenashi*. The Kagaya Way and the awareness of doing everything for customers are the foundation of *omotenashi*. The manual is continually improved, but the part related to the 'Kagaya Way' remains unchanged.

4.2 Staff training and support

Kagaya holds three-day intensive courses for new staff followed by a seven days of-the-job training during which they collaborate with senior staff for guidance and encouragement. Kagaya also conducts observational training, sending staff to view exceptional hotels, gather information and examine what is suited to Kagaya.

In addition, Kagaya provides personnel services and facilities that allow staff members to focus on *omotenashi*. Staff dormitories have a kindergarten 'the Kangaroo House' for children while their parents work. A variety of supports exist for preventing fatigue among staff members responsible for *omotenashi*, such as through the preparation of customers' bedding by other staff members and the automatic food tray devices installed in the building of Kagaya. In this way, Kagaya implements various techniques such as high-tech devices and specialisation so that staff members can focus on *omotenashi*.

4.3 Managing customer information

One expression is prevalent at Kagaya: 'Requests of the

staff are the voice of customers'. The collection and sharing of customer information encourage omotenashi [Nonaka and Katsumi, 2012]. Kagaya notes customers' preferences in food and room temperature and assures they are in place prior to their next visit. The staff notes information about first-time guests such as why they are visiting, where they are from and personal preferences when they take reservations. The staff plans omotenashi for their stay.

Kagaya has a centralized system for sharing information and omotenashi experiences throughout the organization [Maruyama, 2004]. The front desk gathers information about customers, determines what services they require and informs the proprietress or service leader, who assigns appropriate staff. For instance, guests gathering for a party are assigned cheerful staff, whereas elder couples might be assigned more measured and mature staff. The proprietress monitors assigned staff and reassigns personnel immediately if necessary. Reasons for the reassignment are shared and discussed.

4.4 Quality control

Kagaya prepares a questionnaire and collects customers' needs that are difficult for the inn to notice to offer sufficient omotenashi [Maruyama, 2004]. The questionnaire contains various items that ask for evaluations on detailed points such as service of staff member, cooking and other facilities. They include the opportunity for guests to write open-ended comments. Positive feedback is posted for everyone; negative feedback is relayed to the relevant staff.

Results of questionnaires aid in understanding complaints and instituting preventative measures. Mean values for levels of satisfaction and frequency of fulfilment/unfulfillment are compared in ratios and analysed. Results are discussed in staff meetings and reported at executive meetings.

Kagaya holds four large 'Complaint Zero meetings' yearly based on the accumulated questionnaires. Meetings are tailored for all staff, leaders and managers, or service staff only. The meetings go over complaints and trends in dissatisfaction along

with the staff responsible. Then all attendees about the shared knowledge of individual staff members have been arranged, such as meetings for correcting all complaints and listening to customers' viewpoints.

5. Discussion

Omotenashi entails reading the context of each interaction with customers, making appropriate decisions and implementing them. Kagaya's superior omotenashi combines methods for expressing welcome suited to customer context while training staff in basic behaviours to assure omotenashi.

At Kagaya, omotenashi is more than standardizing high quality, individualized service. It means that staffs sense each guest's interests and understand their situations. Staff training is the transfer of knowledge and techniques of Kagaya's omotenashi from the proprietress or service leaders. Staffs acquire new knowledge and skills via on-the-job training.

Training is internalized through experience. Each staff member internalizes the Kagaya Way in order to respond to situations involving disparate customers. Kagaya provides a congenial work environment that allows staffs to concentrate on omotenashi.

The Kagaya Way is a mentality shared organization-wide that is founded on business experience, culture, vision and history. It is the foundation for the staff of Kagaya [Nonaka and Katsumi, 2012]. The Kagaya Way seeks to transfer omotenashi between staff with differing experiences and personalities. There is a fusion of knowledge, and new omotenashi is created. The tacit knowledge of Kagaya's omotenashi is understood as explicit knowledge of external competitors who do not share the Kagaya Way of thinking, but this tacit knowledge of omotenashi is difficult to implement.

The SECI model portrays dynamic interaction of tacit and explicit knowledge that creates new knowledge. Omotenashi is personalized and configured with tacit knowledge. The best omotenashi will be done by judging each situation in

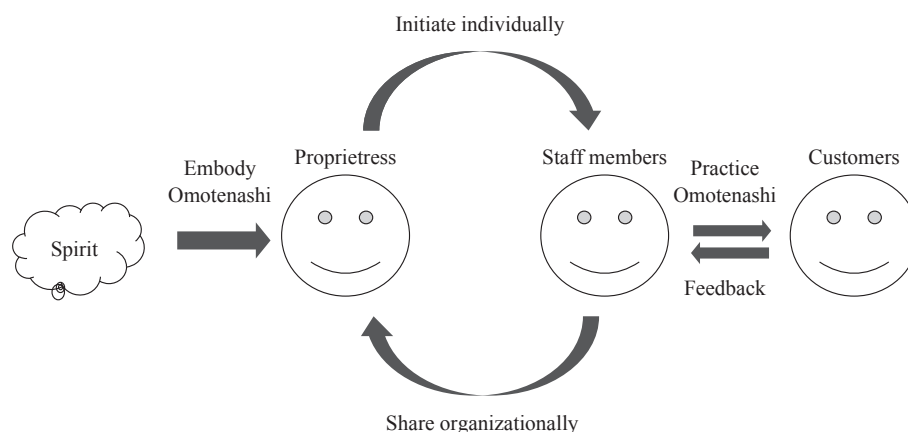


Figure 3: Model of service management for co-creating Omotenashi with customers

relation to each individual customer. It becomes Kagaya's unique and excellent omotenashi that each staff member, who understands the 'Kagaya way' while discovering the basic omotenashi from senior staff members delivers omotenashi corresponding to the context and situation with each customer at Kagaya. The SECI model of omotenashi at Kagaya has not discussed that a tacit knowledge of unique experience and intuition of staff members is actualized to explicit knowledge like manuals in the process of 'Externalization', and it is just customer information or cases, not knowledge in the process of 'Combination'. Therefore, it is difficult to capture in the SECI model. Figure 3 proposes a new service management model for creating omotenashi from the Kagaya example.

Taka Oda, the second generation proprietress, embodied the Kagaya Way towards omotenashi. Her training of staff and service to customers, assure that her successor will perpetuate omotenashi. The proprietress and service leaders teach omotenashi and initiate its spirit in the organization. Each staff member at Kagaya practices omotenashi with customers and receives feedback. Staff share feedback with colleagues in the organization, including the proprietress and service leaders, and discuss how to attain higher omotenashi.

The accumulation and transmission of tacit knowledge of omotenashi is established through interaction with customers. This cycle is the linchpin at Kagaya. The co-creation of new omotenashi through collaboration between customers and staff follows the Kagaya Way. The sharing of knowledge and implementation of omotenashi are the sources Kagaya's sustained reputation and the basis of its brand.

6. Conclusion

This study covers the case of 'Kagaya', the Japanese traditional hot spring inn which is famous for the omotenashi, aiming to discover the features of this organization that manages and creates superior omotenashi. An analysis and discussion were presented from the service and knowledge management perspective, i.e. the SECI model.

We find that the Kagaya Way is conveyed to the staff to create and recreate omotenashi. The twelve Lessons for the Kagaya Staff specify the basic standards minimal of customer service, and staff personnel follow the Kagaya Way to create omotenashi. Kagaya's proprietress embodies the Kagaya Way and instils its spirit among the staff to attain omotenashi. Kagaya's holistic management approach allows employees to do so by providing support systems. This comprehensive system creates standards in service that become a distinct competitive advantage.

The service model portrayed and analysed here has implications beyond Japan and the tourism industry. Nonetheless, we examine only one organization. Future studies need to verify whether its results can be generalized. Quantitative analysis of data from questionnaires and word-of-mouth communication

also would repay inquiry.

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