



Hotel innovations and performance – The mediating role of staff related innovations

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1. Introduction

Accelerated technological changes, market liberalization, and fluctuating customer demand have increased competition among tourism firms. Their performance – and very survival – depends on their *innovativeness* (Grissemann, Plank, & Brunner-Sperdin, 2013). Hence innovation has become a strategic weapon for both successful chains and independent hospitality enterprises alike (Ottenbacher, Shaw, & Lockwood, 2006). Therefore, hotels face competitive pressures to create new, and improve the quality of existing, services (Úbeda-García, Claver-Cortés, Marco-Lajara, & Zaragoza-Sáez, 2016).

Although there is increasing research on innovation in tourism, there is still *scant empirical evidence* (Martinez-Roman, Tamayo, Gamero, & Romero, 2015), and the general consensus is that much remains to be done in this respect (Gomezelj, 2016). The important issues of the relationship between innovation and performance (Hall & Williams, 2008), and the contributions of different types of innovation to hotel performance, are particularly neglected (Hjalager, 2010; Tugores, 2015). This partly stems from a general lack of research on the types of tourism innovation (Thomas, Shaw, & Page, 2011), and the challenges posed by the blurred distinction between product and process innovation in the service sector (Gallouj & Savona, 2009).

Additionally, while there is evidence that there is strong interdependence between types of innovations, few empirical studies investigate how interactions among innovations impact on performance (Gunday, Ulusoy, Kilic, & Alpan, 2011). Critically, because the types of innovation are interrelated, they can impact directly *and/or* indirectly on firm performance (Mattsson & Orfila-Sintes, 2014). Not all types of innovation are equally significant, and HR-related innovations are particularly important in tourism and hospitality. Enz (2009) suggests that *innovation in HRM* is needed for tourism firms to gain a sustainable competitive advantage. The effects of HR practices on innovation can be understood in terms of *social exchange theory*, which argues that employees will repay a favourable work climate with higher engagement, more innovative behaviour, and better performance (Blau, 1964). In tourism, Dotzel, Shankar, and Berry (2013) identify the important role of human resources (HR) as *p-innovations*, while Ottenbacher,

Shaw, and Lockwood (2006) consider that *staff-related innovations* in hotels lie at the heart of the inter-relationship between product and process innovation. Yet, there are gaps in our understanding of how different categories of service innovations interrelate, and the performance consequences of these interactions (Ostrom, Parasuraman, Bowen, Patricio, & Voss, 2015).

Hotel performance depends not only on innovation but also on the complex interaction of factors both internal and external to the firm (Camisón & Forés, 2015). Interestingly, the antecedents and determinants of innovation are broadly similar to the same groups of factors, which also influence performance (El-Gohary, 2012). Therefore, being determined by the firm's internal and external factors and having their own impact on performance, innovations can mediate the influence of these factors on performance. However, to date, empirical studies either use innovation outcomes or performance as the dependent variable, whereas including both of these in a model can reveal the role of innovation as a mediator between innovation determinants and firm performance (Crossan & Apaydin, 2010).

Therefore, the paper addresses three specific issues in the tourism literature related to: (1) innovation interactions; (2) the combined effects internal and external to firm factors on both innovations and performance; and (3) the mediating role of staff-related innovations between other types of innovations and other factors, and firm performance. As such, the paper responds to Gomezelj's (2016) call to advance research on innovation in tourism by *empirically* testing the connections between the factors influencing innovation and innovation outputs (e.g. firm performance). Specifically, the research draws on a sample of UK hotels to assess a model of the mediating role of staff-related innovations between both other types of innovation and internal and external factors on the one hand, and performance on the other hand. Linked to the three issues identified above, the paper addresses three main research questions:

1. How do different types of innovation interact?
2. How do external and internal to the firm factors influence both innovation and performance?
3. How do staff-related innovations mediate the effects of other

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innovations, and internal/external factors, on performance?

The study is organized as follows. First the literature review discusses the types of innovation, interactions between innovations, innovation antecedents and determinants, and their relationship to performance. This is followed by the research methodology, the main findings, discussion, and conclusions.

2. Literature review

2.1. Definitions and types of innovations

This paper adopts a broad definition of innovation as reflected in Brooker & Joppe's (2014, p. 502) contention that innovation may not necessarily be new to the world or national market, it could simply be new to company, market segment, business unit, or even to single person. In terms of types of innovation, the Oslo Manual summarises four main types: product/service, process, organizational, and marketing innovations (OECD, 2005). The specificities of service innovations, however, lead some authors to question their strict application of this supposedly generic typology (Gallouj & Savona, 2009). For example, Hjalager (2011) identifies supply chain, communication, managerial, and institutional innovations.

This paper accepts also a broad definition of service innovation (Toivonen & Tuominen, 2009, p. 893): “service innovation is a new service or such a renewal of an existing service which is put into practice and which provides benefit to the organization”. Within this frame, we follow the Oslo Manual typology of types of innovation. Product/service innovations can be new, or modifications to existing provision, representing either widened service provision (Sundbo, Orfila-Sintes, & Sørensen, 2007) or a subset of new services (Flikkema, Jansen, & Van der Sluis, 2007). Process innovations involve both technological and non-technological (organizational) changes (den Hertog, Gallouj, & Segers, 2011), with the former increasingly driven by information technology (IT). Organizational innovations are: intra- (new organization of work and motivating employees), and inter-organizational (networking and cooperation) (Armbruster, Bikfalvi, Kinkel, & Lay, 2008). Management innovation refers to the quality of management processes, IT applications, and organizational improvements (Orfila-Sintes & Mattsson, 2009). Marketing innovations include new marketing methods involving significant changes in product design, promotion, or pricing (OECD, 2005, p. 49).

In the service sector, *staff-related* innovations are especially important, reflecting new *human resource practices* (HRP) (Chang, Gong, & Shum, 2011), directed to enhancing human capital (HC) (Nieves, Quintana, & Osorio, 2014) through selective hiring, training, and new skills development. Oke, Walumbwa, and Myers (2012) introduce the concept of “innovation-focused HR policy”, which focus on recruitment of creative employees, pro-innovative methods of staff evaluation and motivation systems, while Tseng, Kuo, and Chou (2008) consider that human capital innovation represents a collective hotel capability to extract optimal solutions from employee knowledge and skills. Following the RBV, Walsh, Enz, and Siguaw (2007) argue that HR innovations serve as a rare and valuable resource which is difficult to imitate, hence giving competitive advantage to firms. They identify a bundle of four HR innovations areas that can enhance hotel performance and demonstrate how these are being implemented in creative ways by both larger, more resourceful and smaller, more entrepreneurial, hospitality organizations. Although these studies demonstrate the significance of staff-related innovations for hotel performance, relatively little is known about the contextual factors that may enhance their impact (Tracey, 2014). Innovation research continue to be focused mainly on products and relatively less on intangibles aspects, which are particularly important in the later phase of service innovation (implementation) (Carlborg, Kindström, & Kowalkowski, 2014).

2.2. Innovations and performance

Researchers show positive associations between innovativeness and different dimensions of performance: company image (Jacob, Tintoré, Aguiló, Bravo, & Mulet, 2003), competitive advantage (Ottenbacher, 2007), financial performance (Grissemann et al., 2013), future sales and firm value (Nicolau & Santa-Maria, 2013), profitability (Martinez-Roman et al., 2015), and overall hotel performance (Orfila-Sintes & Mattsson, 2009).

However, Hjalager (2010) considers that evaluations of the impacts of tourism innovation have been limited. It is still unclear whether different types of innovation are equally important in improving the performance of service firms, particularly among SMEs (McDermott & Prajogo, 2012). An improved understanding is required of which type of innovation configuration will maximise performance (Tseng et al., 2008) as the evidence is often contradictory. For example, Koellinger (2008) find that product/service innovations, but not process innovations, are positively associated with profitability. In contrast, Nicolau and Santa-Maria (2013) show that “process” and “marketing” (and “distribution”) innovations have a higher positive effect on the market value than “product” and “organizational” innovations. Lin and Chen (2007) argue that organizational innovations, rather than technological ones, are most significant for total sales, while Blake, Sinclair, and Soria (2006) demonstrate that product, marketing and promotional innovations are important for accommodation enterprises.

These different findings may partly stem from: 1) not considering the differences between small and large tourism firms; and 2) the failure of most studies to grasp the *interaction of innovations*, which includes indirect or mediation effects.

A broadly recognised impediment for tourism innovation is the small size of many enterprises, which have less resources and competencies (Jacob & Groizard, 2007). There is, however, an important distinction between more and less innovative smaller firms. To some extent this is related to life-style motivations (Ateljevic, 2007), but there are many other more economically-orientated small firms which are innovative. For example, Sundbo et al. (2007) find that there are entrepreneurial tourism shops which, just like larger firms, apply quality control measures, business plans and employee training. Even lifestyle entrepreneurs in the SME-segments of tourism may be innovative (Ateljevic & Doorne, 2000) and compatible with professionally organized business practice (Shaw & Williams, 2004). Pivcevic and Pranicevic (2012) conclude that small hotels in Croatia are not far behind their larger counterparts in the area of innovation, while Tajeddini (2010) shows that the entrepreneurial orientation of hotel managers impacts positively on innovativeness which, in turn, increases business performance.

Although more entrepreneurial firms are generally a minority in tourism (Thomas et al., 2011), it is important to note that management factors have a greater influence on innovation in smaller firms. In most cases, innovations in smaller hotels are initiated by the owner or manager who are the main source of knowledge (Macerinskiene & Mikaliuniene, 2014). Where the driver is the manager, this means that it is particularly important that employees in these firms should be trained and motivated to *implement and deliver* services in new ways. Even when innovations are initiated by employees, the design of a new service delivery involves a management re-engineering process (Tang, Wang, & Tang, 2013).

2.3. Interaction of innovations and performance effects

Novelli, Schmitz, and Spencer (2006) consider that innovations in tourism and hospitality tend to be linked and mutually dependent. Weiermair (2006) also argues that there is often a close interplay between different categories of innovation, which means that the outputs of certain innovations may become inputs into other innovations. For example, because of the co-terminality of production and consumption

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