



Making innovation happen through building social capital and scanning environment



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ABSTRACT

Both new service development and existing service improvement are critical tools for hotels to gain competitive advantages, but pursuing new services while simultaneously improving existing services is difficult for hotel managers. The success of highly proactive hotel managers has been credited to their ability to change the environment effectively, and such managers may be able to lead hotels to resolve the trade-off dilemma and deliver better services. To elucidate the contributions of proactive managers in making innovation happen, this study explored two key activities that hotels may undertake when prompted by the proactive managers, namely, environmental scanning and social capital building. The process involved in developing new services and improving current services was examined using empirical data collected from the general managers of 226 hotels in Taiwan. The results confirm that environmental scanning and social capital fully mediate the relationship between proactive personality of managers and capacity for service innovation as well as service improvement of hotels, indicating that hotel managers with a proactive personality are helpful at implementing innovation.

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1. Introduction

In hotel innovation literatures, developing new services to create memorable experiences and improving existing services to enhance service quality have mostly been regarded as conflicting or paradoxical goals of service quality management (Denicolai et al., 2010; Olsen and Sallis, 2006; Tang, 2014). The paradoxical goals of service quality management imply a condition that, when a goal of a hotel is effectively achieved, the other goal will certainly be hindered. Hotels that can improve their existing services while developing new services are called ambidextrous hotels (Tang, 2014).

Although top managers critically influence their company's choice of strategy and the outcomes of business operations (Salunke et al., 2013), few studies have examined how the characteristics of top managers affect hospitality firms' ambidexterity. For example, Tang (2015) demonstrated that highly proactive bed and breakfast (B&B) owners not only maximized profitability by developing impressive new services but also improved existing services to increase quality and reduce operating costs. These results implied that the proactive personality of managers may play a crucial role in successfully making a hospitality firm ambidextrous.

Proactive personality refers to the tendency toward taking action to influence one's environment (Bateman and Crant, 1993). In dynamic competition, proactive personality conducive to identifying and responding to changes is viewed as a factor that initiates personal success and creates an organizational competitive advantage (Fugate et al., 2004; Seibert et al., 1999). Specially, managers with a highly proactive personality possess two characteristics that are favorable to hotel operation. One of these characteristics is environmental scanning (opportunity assessment), which enables a manager to perceive various types of information in the uncertainty environment and identify market opportunities that have not yet been identified by other competitors (Okumus, 2004; Sund, 2013). The other characteristic is social capital building (obtaining resources), which enables a manager to identify the various resource types and sources in the environment and establish channels for linking resources to realize potential opportunities (Bateman and Crant, 1993; Thompson, 2005; Parker and Sprigg, 1999).

Whether highly proactive managers are capable of using their personality traits to lead hotel employees to scan for internal operating information associated with their hotels as well as external information on customer demands and industry trends? This topic provides valuable insight into how small and medium-sized enterprises (SMEs) specializing in tourism businesses gain competitive advantages, because real-time and relevant information regarding

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the socioeconomic environment of these enterprises is pivotal for their business management. However, compared with their major rivals, SMEs have fewer key resources (Page et al., 1999; Thomas et al., 2011), which leads to a lack of infrastructure for extensively searching for and collecting data (Liao et al., 2008; Thomas et al., 2011) and consequently reduces their scanning ability (i.e., the ability to acquire all available information). In addition, studies on environmental scanning have mostly concentrated on large organizations (Haase and Franco, 2011), with inadequate research having investigated SMEs, especially in hotel industry. Therefore, the first research objective of this study was to explore the contributions of highly proactive hotel managers on the motivation of their hotels to scan their environment and develop new services.

Proactive managers not only vigorously scan opportunities hidden in the environment but endeavor to promote establishing social capitals to acquire the resources necessary to seize these opportunities. Social capital refers to the aggregate of available and usable resources that are embedded in a relationship network (Nahapiet and Ghoshal, 1998). Using hotels as sample, Sainaghi and Baggio (2014) demonstrated that structural social capital exerts the strongest positive effects on hotel performance, surpassing the weak or nonsignificant relationships between occupancy rates and control variables (e.g., star rating, scale, and location). Their empirical results further identified social capital as the key factor that can optimally manage seasonal demand.

Furthermore, previous studies examining the social capital of the hotels have mainly focused on investigating how social capital improves service innovation ability (Tang et al., 2015), facilitates management innovation (Nieves and Segarra-Ciprés, 2015), and enhances business performance (Sainaghi and Baggio, 2014). In the tourism field, the factors for forming and maintaining social capital have been rarely studied (Tang, 2014; Park et al., 2012). Therefore, the second research objective of this study was to explore how highly proactive managers promote the establishment of social capital and enhance hotel service innovation.

Overall, this research sheds light on the links between proactive personality and service performance by highlighting the mediating roles of social capital and environment scanning.

2. Theoretical background and hypotheses

2.1. Service innovation and service improvement

Possessing service innovation and improvement capabilities is critical to being able to satisfy customers (Subramaniam and Youndt, 2005; Tang, 2014). Service innovation is defined as the capability to develop and execute new services (Boer et al., 2000; Tang, 2014). Service improvement is defined as the capability to systematically apply methods and tools to continually improve existing services, processes, and systems (Ettlie, 1983; Peccei and Rosenthal, 1997; Tang, 2014).

In a constantly changing environment, simply undertaking exploration or exploitation activities is insufficient (Tang, 2014); to enhance service quality, firms must simultaneously engage in the two paradoxical or conflicting activities of service innovation and improvement. Service innovation accentuates future customers or potential market demand and pursues new knowledge (Benner and Tushman, 2003) to create appealing service experiences (Tang, 2014). In addition to the capability of service innovation required for discovering new opportunities, hotels must be able to exploit these opportunities to initiate further improvement. Service improvement involves broadening hotels' existing knowledge and skills, enhancing its existing service designs, and increasing its service efficiency; accordingly, service improvement

is realized according to existing knowledge, skills, operating procedures, and organizational structures (Levinthal and March, 1993).

Overemphasizing exploitation activities and resisting exploration activities in a hotel may lead to organizational core rigidities (Leonard-Barton, 1992) and competency traps (Levitt and March, 1988). However, overaccentuating service innovation activities while neglecting service improvement endeavors may lead a hotel to take excessive risks or even invest excessive resources in experiments that eventually result in financial losses. Considering this and the facts that customer needs constantly change and that enterprises in the industry exhibit patterns of mutual growth and decline in competitiveness, hotels evidently require more than service improvement or innovation activities. While exploiting and improving its existing capabilities, a hotel must continually strive to pursue new service opportunities and designs (Tang, 2014).

2.2. Proactive personality

Proactive personality refers to an individual's tendency to alter the environment (Bateman and Crant, 1993). Highly proactive people not only exhibit a series of behaviors (e.g., scanning opportunities, identifying problems, advocating ideas, exploring strategies, show initiative and taking action) but are also capable of guiding organizational objectives and thus influencing the overall visions and strategic orientations of their organization (Bateman and Crant, 1993; Parker and Sprigg, 1999).

Highly proactive managers possess two characteristics include environmental scanning and social capital that are advantageous for hotel management. The first characteristic is environmental scanning, which comprises identifying information from the external environment and recognizing market opportunities that have not yet been discovered by others. The other characteristic is social capital, which constitutes familiarity with various types and sources of resources in the environment and developing network connection resources to open the channels required for realizing potential opportunities (Bateman and Crant, 1993; Parker and Sprigg, 1999). In other words, proactive managers not only work on scanning and identifying opportunities hidden in the environment but also proactively create links to accessible resources for building an environment that ensures hotel sustainability and competitiveness.

Proactive managers respond to market or industry changes, adopting strategies that conform to their beliefs and behavioral intentions about seeking new opportunities or undertaking new business activities or innovation (Kickul and Gundry, 2002). Proactive people continuously exhibit these types of behavior and are relatively less restricted by their daily operating environments (Kickul and Gundry, 2002). Therefore, in a highly competitive service environment, highly proactive managers have the propensity to identify service opportunities, set high service standards, actively create service differentiation, continue their practices until meaningful reforms appear, develop network relationships to acquire the resources required for high-quality services, and, finally, exploit all available resources to render these high-quality services (Bateman and Crant, 1993; Crant, 2000).

2.3. Environmental scanning

Environmental scanning refers to the acquisition and exploitation of information regarding events, trends, and relationships in the external environment of a hotel (Okumus, 2004). The hotel industry faces increasingly globalized competition, with hotels encountering gradually internationalized and diversified customer needs as well as rapid technological innovation. All of these external factors contribute to an increasingly dynamic environment for hotel businesses (Haase and Franco, 2011). In such environments,

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