



Research Paper

Innovativeness and control mechanisms in tourism and hospitality family firms: A comparative study

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ABSTRACT

Identifying and managing innovations are of relevance to researchers and practitioners alike. Since innovation in tourism and hospitality appears more complex than in other industries and family dynamics are an additional factor to consider as most firms in tourism and hospitality are family firms, this study compares the innovativeness of tourism/hospitality family firms (THFF) and its effect on financial performance to that in non-tourism/-hospitality industries (non-THFF). Drawing on family business literature, we also analyze the applicability of control mechanisms to manage the effectiveness of innovativeness. Findings from a sample of 180 firms (82 THFF and 98 non-THFF) show that innovativeness in THFF is as relevant for performance as in non-THFF. However, only in non-THFF control mechanisms show to be relevant, but have a significant negative moderating effect on the innovativeness-performance relationship. We interpret that in THFF control mechanisms are substituted by dynamics of regional and social embeddedness.

1. Introduction

Innovations are key to successful tourism and hospitality business (Nordin, 2003; Paget et al., 2010; Pikkemaat and Peters, 2006). Although the success of a firm is a result of several entrepreneurial factors and activities (Ottenbacher, 2007) such as innovation (Hjalager et al., 2017), past studies suggest that tourists in general are willing to pay more to those firms showing greater innovation activities (La Peña et al., 2016). So far, most studies focused on exploring tourism and hospitality actors' innovative capabilities (Hjalager, 2010) and their ability to absorb external knowledge (Thomas and Wood, 2015, 2014), especially in an Alpine tourism context (e.g., Flagestad and Hope, 2001; Paget et al., 2010; Pechlaner and Fuchs, 2002; Pikkemaat and Peters, 2006). However, despite its importance for firm survival (Sundbo et al., 2007), research so far only shows little evidence for the magnitude of tourism and hospitality firms' innovativeness (Sundbo et al., 2007; Thomas and Wood, 2014) and its effect on financial performance (Hjalager, 2010; Tajeddini, 2010). In addition, despite its relevance for financial performance, mechanisms to control and manage the effectiveness of innovativeness (Sieger et al., 2013) have not yet been the focus of tourism and hospitality research. Previous general management research has shown that control mechanisms can be helpful tools in controlling often costly innovation efforts (March, 1991), particularly when carefully used and not hampering innovation processes too much (Bergfeld and Weber, 2011; Davila et al., 2009).

Aiming to fill this knowledge gap, this study takes into account that most firms in tourism and hospitality are small- and medium sized (SME) family firms (Getz and Carlsen, 2005; Peters and Buhalis, 2013), which often face challenges in implementing innovations due to their small size and the costs and efforts associated with it (Pikkemaat and Peters, 2006). Often, these firms stand for tradition and sustainability (Bergfeld and Weber, 2011) and focus much more on incremental hardware (upgrading hotel facilities, for example) or service innovations (Grissemann et al., 2013) than on radical technology innovations (Pikkemaat and Peters, 2006). In comparison, industries that are dominated by larger companies profit from higher economies of scale and are able to invest in more radical innovations (Weiermair, 2006).

At the same time, family dynamics have shown to be a relevant factor that needs to be considered and controlled in family firm innovation management (De Massis et al., 2015a). These dynamics can lead to less business-oriented and more family-oriented behavior (Nordqvist et al., 2008), which in return can result in negative financial performance effects (Schulze et al., 2001). Drawing on family business literature on agency theory (Miller and Le Breton-Miller, 2006), these negative effects refer to drawbacks of family dynamics originating from altruistic and relational behavior (Mustakallio et al., 2002; Poppo and Zenger, 2002). This behavior can arise from less controlled performance of the family managers (Schulze et al., 2001), and encompasses excessive risk and innovation aversion due to aspiration of family welfare, favoring the employment of family members instead of more

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qualified managers and further issues of moral hazard due to (too) safe family embedment of managing family members (Eisenhardt, 1989; Schulze et al., 2003). For these reasons, in this study we draw on family business research, which found control mechanisms in the form of surveying the activities and performance of the family firm manager/s to be helpful tools for managing the drawbacks of family dynamics (Chrisman et al., 2007; Senftlechner and Hiebl, 2015; Sieger et al., 2013). For the case of the tourism and hospitality industry, the regional and social embeddedness of family firms has shown to be a relevant factor in determining family dynamics (Morrison, 2006; Peters and Kallmuenzer, 2015). Therefore, we also consider the relevance of regional and social embeddedness when interpreting results on the effectiveness of control mechanisms.

Considering the lack of knowledge about the specifics and consequences of innovativeness in tourism and hospitality (Hjalager, 2010; Thomas and Wood, 2014) and the peculiar challenges of family SMEs, the purpose of this study is to empirically investigate the presence of innovativeness in tourism/hospitality family firms' (THFF) and its effect on financial performance. Noting that family firms need to overcome barriers of small firm size and negative family dynamics to successfully innovate (De Massis et al., 2015a), we also investigate the influence of control mechanisms as a tool to manage the effectiveness of innovativeness on THFF performance. As innovation in tourism and hospitality is shown to be complex and peculiar (Hall and Williams, 2008; Hjalager, 2010; Pikkemaat and Peters, 2006), yet little explored concerning its effect on performance (Tajeddini, 2010), we investigate these effects in comparison to other industries, with the goal to be able to identify peculiarities of the tourism and hospitality industry. Except for a few conceptual research contributions (e.g., Reijonen and Komppula, 2007) we hardly find industry comparisons in extant literature, highlighting significant differences between tourism/hospitality and other industries. The study relies on a survey conducted with 180 family firm managers in Western Austria, an area known for its established tourism and hospitality industry. Our findings contribute to the knowledge of innovativeness and control mechanisms in tourism and hospitality in particular and in family business more general, as well as of the applicability of control mechanisms for steering the effectiveness of innovativeness.

In this article, we first elaborate on the theoretical background of innovation and control mechanisms in tourism and hospitality family firms. Second, we display the research design and outline sample characteristics. Third, we present the results of the empirical study. Fourth, we discuss and interpret these results in light of relevant literature. Fifth, we develop theoretical and practical implications and state the limitations of the study.

2. Theoretical background

2.1. Literature review

2.1.1. Innovation in tourism and hospitality firms

Research increasingly discusses innovation in tourism and hospitality firms (Camisón and Monfort-Mir, 2012; Hall and Williams, 2008; Novelli et al., 2006; Nybakk and Hansen, 2008; Ottenbacher and Gnoth, 2005). In this study, we use the terms hospitality and tourism interchangeably as common in literature (Nykiel, 2005), noting that hospitality businesses serve many individuals who are not tourists (Okumus et al., 2010). From a typology point of view and for the purpose of our study, innovation in tourism literature can be defined as “everything that differs from business as usual or which represents a discontinuance of previous practice in some sense for the innovating firm” (Hjalager, 2010, p. 2). Innovativeness as a firm’s “willingness to innovate” (Lumpkin and Dess, 1996, p. 137) defines “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin and Dess, 2001, p. 142) and is commonly measured

by items referring to the introduction of new products of services on the market (Covin and Slevin, 1989). In prior general management research, innovativeness was found to positively influence financial performance (Lumpkin and Dess, 2001).

In tourism and hospitality firms, innovation has shown to be more complex than in general management (Legohérel et al., 2004; Pikkemaat and Peters, 2006). As shown by Hall and Williams (2008) and Hjalager (2010), innovations in tourism occur in the form of product/service, process, managerial, marketing or institutional innovations. Along with this broad nature of innovations, little doubt remains about the relevance of innovation for tourism and hospitality firm survival (Chen and Elston, 2013; Hjalager, 2010; Sundbo et al., 2007). However, prior research so far mostly only concentrated on exploring innovative capabilities of tourism destination actors (Pechlaner and Fuchs, 2002; Pikkemaat and Peters, 2006), without testing the effect on firm performance. The focus on the destination context also led to further research investigating the role of networks in destinations (Aarstad et al., 2015; Strobl and Peters, 2013), and the importance of innovations as competitive advantage for destinations (e.g., Svensson et al., 2005). A further stream of research explored the impact of external factors, such as information and communication technology (Buhalis and Law, 2008), and internal factors, such as employees, on innovation (Nieves and Segarra-Ciprés, 2015; Orfila-Sintes et al., 2005). Finally, another stream of research focused on investigating the effects of customer orientation on the innovation of tourism firms (Tajeddini, 2010; Tajeddini and Trueman, 2012).

In addition, we know that tourism and hospitality firms’ business behavior and their innovativeness is often guided by non-economic goals such as lifestyle (Ateljevic and Doorne, 2000; Peters et al., 2009) or quality of life preferences (Peters and Schuckert, 2014). Nonetheless, financial performance shows to be a dominant goal also to tourism and hospitality firms (Getz and Petersen, 2005; Inoue and Lee, 2011) and innovativeness is generally considered a key factor contributing to financial performance (Lumpkin and Dess, 2001). So far, however, empirical evidence on the effect of innovativeness on tourism and hospitality firms’ financial performance is scarce (Hjalager, 2010; Tajeddini, 2010), despite calls from, e.g., Thomas et al. (2011), who particularly suggest to investigate entrepreneurial attitudes, including innovation capabilities, of tourism and hospitality firms as decisive factors for ‘business growth or failure’ (p. 972).

2.1.2. Innovativeness in tourism and hospitality family SMEs

Most firms in tourism and hospitality are small- and medium sized family firms (Getz and Carlsen, 2005, 2000). Tourism and hospitality research on SMEs so far mostly concentrated on the role of small rural tourism and hospitality firms (Polo-Peña et al., 2012; Reijonen and Komppula, 2007; Tinsley and Lynch, 2001) as “the foundation of the tourism product” (Komppula, 2014, p. 365) in specific regional settings (Morrison, 2006). Further research (e.g. Angeles Montoro-Sánchez et al., 2008; Li, 2008) started to identify relationships of small firm entrepreneurial behavior (and thus, innovation) and financial performance (Hallak et al., 2014; Lee et al., 2016).

Prior tourism and hospitality research so far neglected to consider the impact of family dynamics in THFF innovation (Peters and Kallmuenzer, 2015). Drawing on family business research, findings shows that in family firms innovativeness is influenced by family dynamics, which results from strong family involvement in the firm (De Massis et al., 2015b; Nordqvist et al., 2008). For the purposes of our study, we define family firms as firms where ownership and management are aligned within one or more families, owning family/-ies hold more than 50% of shares, and at least two family members are active in the firm (Chua et al., 1999; Miller et al., 2007; Westhead and Cowling, 1998). Generic literature also shows that family firms (Bergfeld and Weber, 2011) and particularly those with small or medium firm size (De Massis et al., 2015a) constantly need to innovate to protect the longevity of the family firm and to assure long-term performance

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