Innovation behaviour of employees in small and medium-sized hotel enterprises

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Abstract

The paper aims at finding out whether employees of small enterprises can be seen as resources in innovation processes and if the determinants "skills", "knowledge" and "commitment" influence this innovation behaviour. Researchers haves used the model proposed by Talke, Salomo and Mensel (2006), which integrates all three elements (skills, commitment and knowledge) into the innovation creation process. For empirical testing, a case study is conducted by investigating a typical small, family owned hotel in the alpine region of Austria. The applied research measures are questionnaires, interviews and a qualitative experiment. The study proves that external impulses, respectively strategic management measures, are able to increase the innovation activities of employees.

The results show that it is the management's task to emphasise and convey the importance of innovation to the employees. Moreover, it is possible to actively stimulate the innovative behaviour of employees by creating innovation-supporting structures within hotel enterprises.

Keyword: Innovation, employees, hotel, human resource management

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Introduction

Rapid developments and changes in the market require new products and innovative solutions (Keller 2004). New ideas and models in human resource management, which integrate employees into business strategies, may increase innovation through the creation of cooperative teams. Through the resultant collective responsibility employees could be motivated and enabled to become part of the entrepreneurial innovation process (Hauschildt 1997). In particular, for small and medium-sized enterprises (SME's) in the alpine area, human-resource concepts offer new possibilities to withstand competition with huge international-acting companies and destinations all over the world. Moreover, SME's are able to gain competitive advantages resulting from the interaction between guest and employee as well as between employee and employer.

Employees are the connecting link between supply and demand (Sattelberger 1989). Within the service encounter employees become a strategic factor, deciding about satisfaction or dissatisfaction of customers (Fitzsimmons/ Fitzsimmons 2006). Much has been written about the motivation and the empowerment of employees (Wong/Pang 2003; Fuchs, 2005) but what is missing so far is the link of empowered employees and innovation, in particular the answer to the question if empowered employees increase the level of innovation. This seems to be of utmost importance of small and medium sized hotel enterprises where the interaction between employees and customers is characterized as being on a high level.

Thus, this paper aims to find out to what extent employees of small enterprises can be seen as resources in innovation processes and how these resources can be deployed. For empirical tests, a small and medium sized hotel in the alpine region of Austria has been used.

Innovation in tourism and drivers of innovation

In today's fast moving economic world, innovation is an essential condition for a company's progression (Drucker 1993). According to Hauschildt (1997) innovation implies innovative products or procedures that differ distinctly from the prior situation. Moreover, innovation enables a company's adjustment to market requirements and therefore ensures a company's long-term consistency within constantly changing market conditions. In a macro-economic context, innovation increases productivity and maximises society's benefit (Brockhoff 1987).

Although innovation plays an important role on the tourism sector, there is still a significant need for a better understanding of innovation (Keller 2004). As compared with other sectors, innovative products and new product development on the tourism sector is lagging behind (Pechlaner, Fischer and Priglinger 2006). The main reasons for this are that SME's lack economies of scale and are not able to raise profit margins, which allow them to reinvest in research and development, market research or creativity enhancement. Moreover, SME's often are indignant when it comes to cooperation with other competitors: hence, they are not able to gain economies of scope, which would increase product and services variation (Pikkemaat and Peters 2005).

In the tourism sector with its peculiarities, innovative measures can be found on different levels. Hjalagar (1997) distinguishes between product level, process level, information exchange level, management level and institutional level. Depending on which level innovation measures are introduced, they will have a more or less important impact on different persons and areas. In particular, inventions on other sectors can be seen as external sources for innovation in tourism, as they manifest themselves in tourism according to "the long wave in economic life" (Keller 2004). Another important external factor is the customer. Changes in customer requirements are very often the reason for innovative measures (Waldner & Pospiech 2006). Therefore, a quality management offensive has to be seen as an incitement for innovative activities (Müller 2006). Internal sources for innovation are mainly entrepreneurs as defined by Schumpeter (Fuchs 2004, Stern & Jaberg 2005, Witte 1973). These entrepreneurs are open minded, have a well-developed entrepreneurial spirit and understand change as a necessity and possibility to break up outdated structures and create something entirely new (Fuchs 2004). Apart from entrepreneurs themselves, employees may be a source of innovation too (Sundbo 1999). Employees' innovative potential depends strongly on their individual professional and cognitive competences as well as on the perception of their working environment (Neuberger 2002). Fuchs (2005) emphasizes the importance of employees 'skills', 'knowledge' and 'commitment'.

The impact of skills, commitment and knowledge on the employees' innovative behaviour

"Innovative" skills

In an innovative process, employees' personal features, e.g., curiosity, imagination, willingness to learn or endurance are considered as their innovative skills (Fuchs 2005). Diverging opinions about the impact of personal features on one's innovative behaviour exist. The Novelty Generation Model (NGM) by Schweizer (2006) describes three phases during the innovative process: "novelty seeking", "creativity" and "innovative performance", focusing on the relevance of individual personal characteristics for each phase. Nütten and Sauermann (1988) distinguish eleven essential factors, which have an impact on an employee's individual creativity. According to them, typical features of creative employees are an unorthodox way of thinking, problem detection, extensive vocabulary, sense of realism, as well as the ability to organise and to concentrate. Based on these factors, the innovative potential of employees is evaluated with regard to their individual skills. Burow (1999) deals with collective creativity, which results from the cooperation between individuals. According to this model, employees use synergies in order to make use of their distinct personal features and, therefore, any individual (even without special abilities) is capable of considerable creative achievements as long as he or she finds or creates an adequate creative environment. All three models concentrate on the correlation between skills and human innovative behaviour, but do not cover the aspects of knowledge and commitment.

"Innovative" knowledge

Apart from labour, capital stock and resources, today knowledge is considered as an indispensable factor of production (Drucker 1993). Although the term 'knowledge' is very complex and used inconsistently in the field of knowledge management, scientists agree on the impact of 'knowledge' on today's economy (Stern & Jaberg 2005, Fuchs & Mathis 2005, Karner 1996). The usability of knowledge, however, depends on its nature, as explicit and implicit knowledge can be distinguished: Explicit knowledge is simple to identify and apply. It can be memorised and passed on to others. Implicit knowledge, however, which accounts for a large amount of our knowledge, but cannot be applied that

easily as it is not detectable from outside (Bettoni & Borter 2007). The transformation of implicit into explicit knowledge and *vice versa* is one successful way of knowledge within organizations. This transformation occurs in a continuous reciprocal process where 'communication' has a double function. On the one hand, it serves as knowledge carrier, and on the other as knowledge transmitter. In the best case, employees question their own approaches critically and try to improve and advance them. In this context intellectual capital serves as a strategic control mechanism, which uncovers unstructured knowledge and monitors its progress applying certain indicators. However, due to today's information overload, knowledge is limited, as the quality not the quantity of our knowledge is crucial. Therefore, the main challenge is to filter and import only relevant knowledge. For any innovative process, the pre-existing general level of knowledge on a certain subject as well as the willingness to add new knowledge in constant vocational training is vital. Hence, the motivation of employees has a major impact on innovative processes (Schneider 2004).

"Innovative" commitment

Commitment, which can also be called motivation, is considered as a special force that induces somebody to take concrete action. This motivation depends on several factors and is stimulated by various impulses and needs (Schweitzer 2006). In terms of employee motivation intangible incentives gain more and more significance. Apart from financial incentives, stimuli like working environment, qualification, (Schneider 1996), managerial behavior, work equipment (Staiger 2004), challenging work tasks (Tausend, Katzauer & Gruber, 2006) and teamwork (Amabile, 1998) become more important. For every employee each of these aspects is more or less vital. According to Maslow's (1973) hierarchy of needs, different levels of human needs exist. These are physiological needs (e.g. breathing, food, water, sleep...), safety needs (e.g. personal security, protection, security of property...), social needs (e.g. affection, intimacy, family...), esteem (e.g. respect, status, reputation...) and self-actualization. Maslow's hierarchy of needs is often depicted as a pyramid with different levels, thus the lower needs have to be met before an individual can focus on a higher need. In order to motivate employees, it is important to bear these structures in mind, as every employee has an individual set of needs and therefore requires different impulses to be motivated. Consequently, there is no universal formula for the motivation of employees. In his two-factor theory, Herzberg distinguishes

between hygiene factors preventing dissatisfaction (e.g. salary, working conditions, job security) and motivators providing satisfaction (e.g. achievement, recognition, responsibility, advancement). As long as hygiene factors are not satisfying, motivators can hardly compensate for this lack. Therefore, based on these general motivation theories, companies may benefit from different means of employee motivation, such as personnel management (management style), human resource development as well as vocational training systems.

These theoretical findings are the basis for the following research questions:

- To what extent does a connection between the innovative behaviour of employees and their skills exist?
- To what extent does a connection between the innovative behaviour of employees and their knowledge exist?
- To what extent does a connection between the innovative behaviour of employees and their commitment exist?
- Is it possible to influence the innovative behaviour of employees with specific strategic measures that foster innovation?

Talke, Salomo and Mensel Model

Talke, Salomo and Mensel (2006) have proposed a model that equally integrates all three elements- skills, commitment and knowledge- into the innovation creation process. According to them, a connection between these three elements and the innovative behaviour of individuals during an idea initiative phase exists. Pre-requisites for the creation of innovative ideas are a certain amount of curiosity, sensitivity, talent for observation as well as the willingness and opportunity (authorisation) to change any detected inconsistency between expectations and reality.

Apart from that, personal competence is also required. This implies that task-related competences (knowledge), action-related competences (commitment) and cognitive competences (skills) are indispensable. In the context of Talke, Salomo and Mensel (2006) model it is necessary that all three competences are simultaneously present and are jointly emphasised in order to enable a systematic innovation generation management.

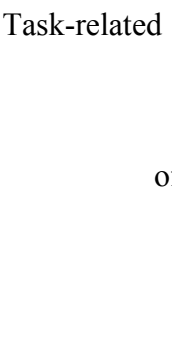

Figure 1: Personal competences of innovation development (Source: Talke, Salomo and Mensel 2006, p.377)

Case Study

For the former stated research questions a longitudinal case study was carried out. It was considered prudent that the question whether employees stimulate innovative processes and which circumstances enable and encourage this behaviour, should be answered with the help of a case study. In addition, it was investigated whether innovative activities of employees could actively be managed and tested throughout strategic management and whether those measures could have an impact on the employees' behaviour and therefore the enterprise.

The subject matter chosen for the case study was a typically small sized family hotel business in the alpine area of Austria with 17 employees. The applied research methods were questionnaires, interviews and a qualitative experiment.

Basically, the case study consisted of two parts. First, personal characteristics of each employee as well as his or her working environment were examined through a questionnaire. The second part was a qualitative experiment in which the company held group discussions regularly for a period of two months. All employees were invited to participate in these meetings focussed on the development of innovation. In order to monitor and stimulate the innovate behaviour of each employee; it was necessary to intervene actively within the entrepreneurial process. Considerations analysed and recommendations in terms of theoretical as well as practical implications for the management of small hotel businesses were given.

Results

The case study proved that a personality structure, which is 'open minded' for innovations and an innovation encouraging environment alone are not sufficient to stimulate employees to initiate innovations. At the beginning of the study, the individual employees already had different characteristic features concerning the three dimensions 'skills', 'knowledge' and 'commitment'. As in any business, the hotel had employees with high characteristic features in all three fields, employees with different characteristic features depending on the field as well as employees with rather low characteristic features in all three fields. In an interview, which was carried out at the beginning of the study, the owner of the company stated that innovations were almost exclusively initiated by him and that no or rare innovative behaviour of the employees was observed. Thanks to the weekly group discussions that were introduced as a part of the procedure of this case study, new ideas were born. During these discussions the employees were asked explicitly to reflect and discuss innovative ideas and changes, which led to 31 new ideas suggested by employees within the examination period. At the end of the three months in which the study was carried out, some of the ideas had already been realised.

The experienced changes within this period were remarkable, particularly as they indicated that in many cases employees do have an innovative potential, though it is rarely used. On close examination of the variables applied in this qualitative experiment, the variables 'time for innovation' and 'innovation as an explicit task of employees' had a major impact on the result. In response to the questionnaire only two employees named

‘not enough time’ as an obstacle for innovation, whereas none was convinced that ‘innovation is business of the boss’. However, these two aspects were very likely the main obstacles for innovation although the employees were not aware of it. During the group discussions the employees had plenty of time and were explicitly asked to think in terms of innovation, which was probably the reason for the notable change in their mind and in their innovative behaviour.

Another interesting point that emerged was that even though the individual factors ‘skills’, ‘knowledge’ and ‘commitment’ were found to be connected with creativity, before the research period the presence of a huge potential did not result in innovations without impulses from outside. On the other hand, with concrete impulses from outside, even employees with a rather low potential had innovative ideas, although mainly on an operational level.

Conclusion

There were certainly limitations of the study. A major limitation was the difficulty to attribute an innovation to an individual person and, consequently, to quantify this innovation as it was not easy to quantify innovation in general. In practice it proved not difficult to identify innovative activities, though very often it was impossible to attribute an innovative measure to a certain person afterwards.

Nevertheless, both the theoretical and empirical findings prove the importance of employees for a company’s innovative potential, although the existing innovative potential of employees has to be activated and stimulated in many cases. Thus, the hypothesis of Stern & Jaberg (2005), that innovative activity is a management activity that cannot be delegated, has been proved. Therefore, it is the management’s task to emphasise and convey the importance of innovation to the employees. In order to achieve this, it is necessary to create innovation-supporting structures, which ideally should cover all parts of the company in a comprehensive network. To install such an innovative culture that involves all employees is only possible in the long run. Employees have to get used to their ‘new role’ first and in addition the necessary structures within the company have to be set up.

A successful way of innovative management is only possible as a mutual symbiosis between management and employees. The entrepreneur benefits from the integration of employees into the innovation process in the sense of a learning organisation. However,

responsibility for an innovative company cannot be delegated to the employees. This has to remain with the entrepreneur himself. But hopefully, this study was able to give a first proof that employees are able to increase innovation, in particular in small and medium-sized service companies where they strongly influence customers' satisfaction.

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