

CASE STUDIES OF INNOVATION ACTIVITY IN THE HOTEL INDUSTRY

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Abstract: *The paper provides the hotel industry with the main answer on the main question: "How can we raise the competitiveness in hotel industry?" Moreover, the study wants to fulfill contribution to the knowledge of the current situation of innovation in the hotel industry. A more detailed survey of different examples refers to different approaches of technological and non-technological innovation in hotel industry. The aim of the research is also with the methodology of meta-analyses try to present essential points of individual researches. In the paper we compare other papers between each other, and through critical discourse trying to determine their usefulness and possibility of implementation in a real environment. The results show that with the training and education activities of employees are the ways to improve and upgrade technological capabilities of service companies and also with that, we can make employees more satisfied which lead to long term of the sustainable development. The results also show that we can not say directly, which organization of hotel industry can be more innovative: bigger or smaller, owners that manage hotel by themselves or owners that rent the hotel or professional executives running hotels through a management contract or the organization through chains of hotels. Moreover, we cannot say exactly which innovations are better for hotels, those which are made step by step (incremental innovation) or by the radical innovation.*

Keywords: *Innovation, hotel industry, tourism, management.*

Introduction

Spain is still the European market leader for Mediterranean holidays, with the Valencian Region and the Balearic Islands sharing market leadership in the Mediterranean Arc (measured by number of tourists), and national statistical data seem to show a picture of growth. The industry is dealing with the problem of seasonality, inherent in massive sun, sea and sand tourism by diversifying supply towards such alternatives as sporting tourism, green tourism or cultural tourism (Camisón, 2000). The tourism sector (Orfila – Sintes, Crespi-Cladera and Martínez-Ros, 2005) in Spain generates 12% of GDP (gross domestic product), but in 2012 the total contribution to GDP grew up to 15,2% (Travel and Tourism Economic Impact, 2013). That means at the same time that tourism is a very important export activity in the

balance of payments because of its fourth place by foreign currency income. This sector in Spain is mainly in the hands of the private sector (Marino, 2001). R&D (Research and development) is a key factor for the creation of an innovative business environment. We can compare that with the national level of Slovenia which invests in R&D 1% of GDP (Evropsko teritorialno sodelovanje, 2007) which is obviously also the same amount which Spain invests in R&D, but of different value. In addition, our country cannot be compared with the Balearic Islands in Spain where Orfila-Sintes et al. (2005) had found that the Balearic Islands, a leading tourist destination (Perez and Sampol, 2000), is an adequate scenario for studying the technological innovation in the lodging activity.

The purpose of this paper is to show to the hotel industry how technology improvements can help them to achieve better competitiveness, how it is possible to reduce costs of the hotel industry, how we can achieve a better motivation of the employees. Moreover, this article intends to be a contribution to the knowledge of the current situation of innovation in the hotel industry. A more detailed survey of different examples will show different approaches to technological and non-technological innovation in hotel industry. Also Orfila - Sintes et. al (2005) emphasize the relationship between innovation propensity and hotels category, governance settings, size, and group the variables capturing market conditions.

The purpose of the research is through the meta-analyses, as possible methodologies, to present essential points of individual research texts. We made the new article with the use of main paper – primary source (Orfila-Sintes et. al, 2005) and all other papers – secondary sources which cite selected main article. Secondary sources have helped to shape and develop a new research paper based on primary source. After that, in that article we compare researches between each other, and through critical discourse we are trying to determine their usefulness and possibility of implementation in a real environment. In the paper we set the three hypotheses and researching questions with one main question and other under questions.

Hypotheses 1: Hotels in our case are not sure of which innovations to adopt or which strategic changes to follow.

Hypotheses 2: Innovation which is made step by step (incremental innovation) is much better or productive than the radical innovation in hotel industry.

Hypotheses 3: Smaller hotels are more innovative than bigger hotels (definition of small and bigger hotels is explained later in this article).

The main research question is: How can we raise the competitiveness in hotel industry? The under questions are: How can we make through different innovation approaches in the hotel industry a better and easier place for employees? What kind of strategic organization do we need to become more innovative in hotel industry? Which organizations of hotel industry can be more innovative: bigger or smaller, the owners that manage hotels by themselves or the owners that rent hotels or professional executives running hotels through a management contract or the organization through chains of hotels? Which innovations are better for hotel industry, those which are made step by step (incremental innovation) or the radical innovations?

The main research question is "How can we raise the competitiveness in hotel industry?" all other questions which follow are less important and we can say that they are under questions, because the main question is connected with the under questions. If you get the answer on the main question you will also get the answers on the under questions.

The paper is organized as follows. The following section presents a development and discussion about innovation and examples of innovation in hotel industry A further section contains conclusions and discusses the results, and the last one reports on indications for future research.

Development and discussion of innovation in hotel industry

Tourism innovation is mentioned specifically (Landau, 1991) that the technological innovation is usually defined as the conversion of technological knowledge into new products, new services or new processes introduced into the market, as well as significant technological changes in products, services and processes. In order to achieve innovation, scientific knowledge is not enough: the outcome of such knowledge must be applied in a tradable way. Also Cohen and Levinthal (1990) pointed out that the technological innovation is also depicted as an improvement in a product or service performance in terms of quality, cost, speed or number of characteristics. Nowadays innovation and entrepreneurship have helped to develop the reputation and advancement of the international tourism industry (Bardolet and Sheldon, 2008; Cawley and Gilmore, 2008; Getz and Carlsen, 2005; Morrison and Thomas, 2004), particularly through alternative tourism offers (e.g. eco-tourism and cultural tourism).

Hipp, Tether, and Miles (2000) found that the innovation in services, and services innovation, should, however, be understood in broader terms, and this understanding should extend to non-

technological innovation. Many empirical researches show that the services are much more active with respect to innovation than is widely thought. They are innovative in terms of being producers of service and process innovations. From our broader perspective, we examine the pattern of innovation as it relates to the standardisation-particularisation of service products, across a range of service sectors and across firms of various sizes.

Innovation (Orfila-Sintes et al., 2005) in the hospitality business implies the use of technologies usually embodied in new machinery, equipment or software (technological assests) .

The study of Ettlíe, Bridges, and O'keefe (1984) found out the innovation process in and among organizations had evolved as a multidisciplinary endeavor. Although several recent studies (Kimberly and Evanisko, 1981) represent a more eclectic and rigorous approach to the study of organization innovation, there continue to be lingering problems with this area of research.

I think the key factor in technological and non-technological innovation is the human factor which influenced by the quality of education, motivation of employees, economy cooperation, the % of GDP invested in research and development in innovation. Moreover also entrepreneurial culture and supportive environment, open market and connections are important.

Now when we know what innovation is in the next chapter, we will discuss different examples of innovation which have an impact on hotel industry.

Examples of innovation

According to Gallouj and Winstein (1997), there are some aspects that characterize service and have a great influence on the definition of technological innovation. Those can be relevant to the hotel activity. First, there is a close interaction between production and consumption that makes difficult the typical product and process manufacturing distinction. The innovation activities focus on service individualization, adapting the service provided to the customer's requirements. Only institutional changes, effectively implemented as a business strategy, must be regarded as technological innovations, and not those spontaneously generated and derived from human interaction. This characteristic fits in the hotel set of services provided to their customers. The second is the intangibility and growing information contents in the provision of services. The information and communication technologies play a critical role in the innovation activities of tourist accommodation business. Camisón (2000) pointed out that the research into IT

(information technology) and their impact on business has developed within two different but complementary approaches. The first has a technical slant, basically concentrating on the process for selection, introduction and management of IT, while the second, more organisational in its viewpoint, has focussed on the management of systems which use such IT and their impact on administrative and organisational processes. The tourist business is one of the activities in which intra- and inter –organisational information systems based on ITs are getting increasingly important, both at an internal and inter-organisational level. A large number of hotels and restaurants, for example, have adopted multi – process systems based on networking technologies, improving the effectiveness and efficiency of their internal management systems (Kasavana and David, 1992). However, micro and small businesses, compared to big businesses world-wide, face a wide range of constraints and problems, even in functioning market economies. These constraints relate mainly to access to markets, finance, business premises (at affordable rents), the legal and regulatory environment, the acquisition of skills and managerial expertise, access to appropriate technology, quality of the business infrastructure in rural areas and, in some cases, the tax burden (Diale 2009). This is more so in the new global economic environment where information, and the knowledge it provides, has become a key factor in economic competitiveness.

Also we have to point out the role of human resources as a key competitive factor mentioned at the fourth paragraph of the development and discussion of innovation in hotel industry. The importance of the human factor in service activities is associated with the capability to establish the quality and features of the service finally provided. Training and education activities are explicitly considered as one way to improve and upgrade the technological capabilities of service companies and to reach technological and non-technological innovation. Otherwise, changes in the organization architecture can be linked to the introduction of new technologies, and should be included as technological innovation activities. These issues are relevant in the hotel industry to fulfil the services requirements. But on the other side, this result was later contradicted, where Gallouj and Weinstien (1997) neglect the innovation in services, probably relating to the widely held view that services are moribund with respect to innovation. Arguably, this itself reflects a strong tradition within innovation studies that privilege technological innovation over other forms of change. They say that the services are not usually producers of new or technically improved tangible artefacts, analysts have had difficulty with understanding of innovation to services and much of the literature on

innovation in services is concerned with service as adopters and users of new technologies, particularly information communication technologies, rather than as creative innovators in their own right.

IT and human resources management (HRM) are very connected. IT cannot be successful without HRM and HRM cannot be successful without appropriate IT, especially in the big systems of hotel industry with thousands of employees. The point is that, we cannot make a good decision about radical and incremental innovation without the help of excellent IT and excellent HRM. Because of that in the next chapter we provide you with the topic about radical and incremental innovation.

Radical and incremental innovations

However, the intensity of the changes introduced and the impact of the technological innovation have been usually defined as incremental or radical according to Deward and Dutton (1986), and Ettlíe et al. (1984). The popular terms used to classify the degree of new product innovation are radical and incremental product innovation (Atuahene-Cima, 2005, Gatignon, Tushman, Smith and Anderson, 2002). However, these terms have diverse definitions. For example Kristina and Dean (2005) consider product innovation in terms of technology. Cooper (2000), Govindarijan and Kopalle (2006), define product innovation in terms of customer's opinion. Radical product innovation is defined as "the development of products that have a different set of features and performance attributes that create a set of benefits different from that of existing products from the customer's perspective" (Hoonsopon and Ruenrom, 2009). Incremental product innovation is defined as "the development of products that have minor changes in attributes, and the benefits from these changes are minimal from the customer's perspective" (Hoonsopon and Ruenrom, 2009). Also a radical innovation is the application of a solution to a problem that so far has not been solved, or has been solved in a significantly inefficient manner. Why does this happen? Because the management cares too much about high costs. But sometimes the potential positive impact on performance is usually high, too. Also a great deal of effort must be put into their implementation and efficient use, enabling the organization to develop skills required to successfully implement the innovations (Olsen and Connolly, 1999; Sirilli and Evangelista, 1998). On the other hand, the incremental innovation is defined as a progressive refinement of previously used solutions that allow an efficiency increase. This implies lower costs and the innovation is launched step by step. Moreover, Hage (1980) suggests that the concentration of technical specialists tends to promote incremental innovation while inhibiting radical innovation, especially during an

organizational crisis, because this type of innovative effort tends to be institutionalized in an "organic" organisation type, but this does not allow for the possibility that experts can be guided by an aggressive policy.

Adopting organizational capability has many ways. In terms of quality improvement, it is useful to firms to create radical and incremental product innovations (Kim, Kumar and Kumar, 2012). For routine-based firms, appropriately adopting organizational capability to increase efficiency of quality improvement process helps develop staffs to create new products that slightly differ from competitors in terms of quality. Also, efficiency of the quality improvement process makes these new products respond quickly to the customer needs and to reduce development costs of these new products (Nair, 2006).

Very often as a manager we have in our minds how to implement a new innovation by radical or incremental step. This depends of the organization culture, character of management, size of company etc. Moreover, we have managers who are too soft on one side and we have managers who are too harsh on another side. Mostly, what is the most difficult for manager is to find the middle way.

In the next paragraph we would like to find out how different size, location, revenues, agglomeration of the firm influence the innovation of hotel industry.

Size, location, revenues, agglomeration of the firm and innovation

How does the size of hotel influence the innovation? First of all, we have to know the influence of innovation could empirically be positive (impact of scale economies on innovation activities) or negative (the effect of flexibility on the introduction of changes). The size of the hotel is able to determine the success and profitability of the implemented innovations (Cohen and Levin, 1989). Moreover, smaller hotels (Modic, 2006), where the difference between smaller or bigger hotel depends of the categorization of the country. For example small hotel in Slovenia has less than 60 rooms big hotel is a hotel with more than 100 rooms, but the definition of Horwath Consulting, (1995) says that the small hotel is the hotel which has less than 100 rooms and big hotel is the hotel with more than 300 rooms. Independent hotels do better in markets populated by larger and chain affiliated hotels. Interestingly, we find that some establishments can be harmed, enjoying lower revenue performance than if there was no agglomeration. These findings suggest that firms should select their locations with care. Inappropriate location choice is potentially harmful (Chung and Kalnins, 2001). We have to point out the concentration between competition and agglomeration effects. Agglomeration gains of two types exist: those yielding production enhancements and those

yielding heightened demand. Both effects have common roots in the value of information and originate with Marshall (1920). He provides several explanations including the concentration in one place of necessary physical inputs and demand. The concentration of production provides stability, which provides incentives for skilled trades to invest in specialized skills. The proximity of skilled trades' people to each other then allows knowledge of production improvements to become quickly available to many. Studies of agglomeration have been conducted at the city (Baum and Havemen, 1997), state (Chung and Kalnins, 2001; Kalnins and Chung, 2004), and national (Canina, Enz, and Harrison, 2005) levels of the USA. Most empirical studies of agglomeration have focused on the benefits of production enhancements (e.g., Dogan, 2001; Dumais, Ellison, and Glaeser, 2002; Kearns and Georg, 2002), especially in the context of firms choosing their foreign direct investment locations (e.g., Driffield and Munday, 2000; He, 2002; Shaver and Flyer, 2000; Wheeler and Mody, 1992).

To explain hotels' revenue performance, we include four categories of determinants: market demand conditions, market supply conditions, an establishment's own traits, and market agglomeration conditions. A hotel in a market with higher demand will have greater supply and lower revenue per room. More expensive, higher quality hotels will have greater revenue per room (Hassan, 2000). Large hotels are clearly going to have higher revenues than smaller hotels; we ask if a hotel performs better than other hotels, given its size. Investigations revenues per room are also appropriate given our focus on agglomeration demand effects rather than production effects. Agglomeration production effects should lower costs, while demand effects should raise revenues. Thus revenues per room should capture agglomeration gains for demand, which is our focus, while omitting most production agglomeration effects (Hassan, 2000).

The idea that both technical and social skills are necessary is not new in management; research has shown the need for both social and technical skills in a host of programs, including but not limited to: quality management, enterprise resource planning and process innovation (Ahire, Golhar and Waller, 1996; Bendoly, Donohue and Schultz, 2006; Khazanchi, Lewis and Boyer, 2007; Bendoly and Cotteleer, 2008). Revenue management research has also acknowledged the importance of both technical and social skills, but to a limited extent. Thus, there is a need for quantitative research examining how, why, and to what extent social skills impact revenue management performance.

On the other hand (Gellman Research Associates, 1982) says only large organization size appears to be emerging as a consistent predictor of innovation, and this general result appears to be qualified, because smaller organizations have been found to be more innovative proportionate to their size (Globerman 1975, Rothwell, 1978). Hannan and Freeman (1977) discussed a model where they proposed the idea that organizations of different sizes in a population use different strategies and structures and, therefore, that large and small sized organizations, though engaged in similar activities, depend on different mixers of resources. This conjecture implies that organizations will compete most intensely with organizations of similar size. Consequently, the intensity of competition faced by organizations in a population may depend not only on the number of other organizations in the population but also on the sizes of the other organizations. Thus, if large and small organizations depend on different resources mixes, their patterns of resource use will be specialized in segments of the size distribution, and similarly sized organizations will compete most intensely. As a result, large organizations will pose a threat to medium – sized but not small organizations. Whatever strategy medium – sized organizations adopt to compete with large organizations, it will make them more vulnerable to competition from small organizations and vice versa. Therefore, the emergence of large organizations should be accompanied by decline in the number of medium – sized organizations, while small ones flourish at their most intense when competitors are removed from the environment (Hannan and Freeman, 1977). Additionally (Sundbo, Orfila-Sintes and Sørensen, 2006) say small tourism firms may have relations to many actors; however, it is reasonable to suppose that these relations may not open up the possibility for innovation-oriented knowledge. The small firms will keep their secrets so as not to give competitors the opportunity to imitate their ideas. Only entrepreneurs may be supposed to be able to procure adequate knowledge and utilise the actor network progressively to develop many advanced innovations. However, according to the qualitative interviews from the province of Malaga, though large firms are also here seen to be more innovative than small firms, it is evident that size is not the only dimension that needs taking into consideration (Sørensen, 2004). And we have to add that smaller tourism firms have often been deemed ‘non-entrepreneurial’ and non-innovative (Shaw and Williams, 1998 and Hjalager, 2002), non-networking (Bull, 1999), and generally responsible for a lack of innovation in tourism (Hjalager, 2002).

Some hotels are independently managed; others belong to a hotel chain or to a more diversified company conglomerate. Hotel chains are used to standardizing their activities. This enhances the chain's reputation

and benefits from economies of scale, which helps increase efficiency. Some of the functions carried out by hotel chains are: the use of a more efficient marketing system (e.g., central reservations office wide – reaching advertising campaigns, better conditions with tour-operators), personnel and management training, centralized bulk purchasing at special prices, management of hotel's brand image, centralized advice and consultancy (e.g., design and fitting-out of facilities, commercial agreements, quality control), and up-to-date information on new events and trends in the industry. The functions carried out by hotel chains that refer to the transfer of knowledge are extremely important for environmental protection-related matters (Álvarez Gil, Jiménez and Céspedes Lorente, 2001). The higher innovator percentage among hotel chains is consequent with the knowledge of the innovative process flowing easily among all the members of the chain (Darr, Argote, and Epple, 1995). Moreover, Tisdell (2000) finds that large hotel chains based in more developed countries are continually involved in R & D product development and training. Scandic Hotels in Scandinavia may be one of the most progressive examples of a hotel chain that has holistically integrated sustainability into its core values and practices; their Omtanke corporate social responsibility (CSR) program created a number of positive results for the company, one of which was an increase in satisfaction among managers, employees and customers (Bohdanowicz and Zientara, 2008; Goodman, 2000).

Nevertheless, the dynamic innovative behavior of the establishments managed through management is somehow counterintuitive. In rural markets, chain establishments and larger establishments create positive effects. Other factors, held constant, a hotel in a market populated with a higher fraction of chain affiliated hotels and a higher fraction of larger hotels experiences higher revenues per room. Chain affiliation effectively signals unobservable quality, which likely draws more consumers. Larger establishments likely advertise more, since they can spread this fixed cost across more units and this advertising also benefits other firms (Chung and Kalnins, 2001). We find the evidence of the opposite. While the presence of chains heightens the demand, independent hotels do better in markets populated by more chain hotels. Also while larger firms heighten demand, small hotels' revenue performance increases when surrounded by larger hotels. Interestingly, medium and large hotels do worse when amidst larger hotels and chains do worse amidst chains (Chung and Kalnins, 2001).

Additionally the size of the hotel, is that big or small, where is the location, how big the revenue is, is there any agglomeration, always has

advantages, disadvantages, threats and opportunities which are inside and outside of the company. The reason for good business is mostly in human acting through the company for example: what kind of decision as entrepreneur you make, for example: to your employees, guests, business partners, owners if you just manage the company, competition etc. There is a nature law, what you give that you get back nothing more or less.

With size, location, revenues, agglomeration we can connect also the operation management which has influence on innovation.

Operations management influence on innovation

Operations management techniques like time and motion studies, quality circles, product and process standardization, cause effects diagrams and Pareto charts (Institute for Innovation and Improvement, 2008, explained that Pareto analysis is a very simple technique that helps you to focus efforts on the problems that offer the greatest potential for improvement by showing their relative frequency or size in a descending bar graph. Pareto's principle, the 80/20 rule, should serve as a daily reminder to focus your time and energy on the issues that really make a difference) may help improve hotels' efficiency, service and quality. The hotel's use of these operations management techniques and procedures constitutes a strategic capability that may provide a sustainable competitive advantage by reducing cost or differentiating the hotel's product. Developing this capability usually takes a long time, since it is based on the hotel employees' acquisition of certain abilities, such as knowledge, experience, co-ordination and skills with respect to both operations management techniques, and the hotel operations and delivery system (Álvarez Gil et al., 2001).

Jinzhaio (2007) says today's organizations find that diversity management practices must be sensitive to issues of gender, ethnicity, personality, religion, sexual orientation, marital and family status, age, and various other unifying life experiences. Many organizations are striving to manage diversity effectively because they believe that they can use diversity to create greater economic value. With a diverse workforce and positive organizational culture in place, many managers believe that their companies will be able to:

- Develop products and services for new markets;
- Attract a broader range of customers;
- Improve customer satisfaction and increase business from repeat customers, and reduce costs, including those associated with litigation.

Operation management has influence on innovation. In operation management as Jinzhao (2007) says must be the sensitivity to: gender, ethnicity, personality, religion, sexual orientation, marital and family status, age, and various other unifying life experiences, without those facts as a manager you can not expect innovation in your company. We have a lot of other segments in hotel industry which have also the impact on their innovations.

Other market segments which have influence on innovation

Innovation propensity can be explored according to the hotel activity targets to specific market segments related to quality and categories levels, seasonality and possibilities of product differentiation (Orfila - Sintes et al., 2005). The market segment can be approached, according to Davies and Downward (1996), through the type of board sold, the channels used in commercializing service and the degree of customer loyalty. The channels used to commercialize the service can also be innovated through the new possibilities offered by the information and communication technologies (e.g., booking via the Internet) or else improved use of these new technologies (Sangster, 2001). Poon (1993) has argued that the tourism market has become increasingly segmented along demographic, socio-economic, and psychographic lines, including tourists motivations, hobbies, opinions, and more. As a result, the analysis of markets has become increasingly complex, demanding more sophisticated tools. The characterization of the tourists each market receives, and thus of the product on offer, cannot be undertaken on the basis of isolated considerations of each attribute like nationality, age, type of accommodation, and the like. Pressures from other stakeholders, not only chains, have also the impact on development of innovation in hotels and these are: shareholders, government, travel agencies and tour operators, customers, competitors, employees, non governmental organizations (e.g. ecology groups).

Conclusions

In conclusion, we would like to give you the answers on main research questions and under questions which we raised in the introduction. Also we provide article with the turndown or confirm hypotheses and at last to report on indications for future research.

How can we raise the competitiveness in hotel industry?

This implies that the way hotel chains deal with ecological issues is likely to affect their long-term competitiveness (Dow Jones Indexes, 2009; Holcomb, Upchurch and Okumus, 2007). That is why the

imperative to protect the environment in general, and to reduce climate change-inducing CO₂ emissions in particular, features prominently on the responsible business agendas of most international hospitality firms. And there is little doubt that top hotel chains, with their global reach and significant financial resources, are particularly well placed to propagate corporate environmentalism (Bohdanowicz and Zientara, 2009; Bowen, 2000).

Also agglomeration gains can raise the competitiveness in hotels and we know two types of them: those yielding production enhancements and those yielding heightened demand. Both effects have common roots in the value of information and originate with Marshall (1920). He provides several explanations including the concentration in one place of necessary physical inputs and demand. The concentration of production provides stability, which provides incentives for skilled trades to invest in specialized skills. The proximity of skilled trade's people to each other then allows the knowledge of production improvements to quickly become available to many. And this is the one of the possibility to raise the competitiveness in hotel industry. Moreover city promotion initiatives and city knowledge networks undertaken in a destination may affect the sustainability of a destination or the competitiveness of its hotels (Claver-Corte's, Molina-Azorin, and Pereira-Moliner, 2007). The relationships between city marketing and hotel competitiveness can be explored from the resource-based view of the firm. The resource-based view provides a firm specific perspective where in city promotion initiatives and knowledge creation networks provide the frameworks from which knowledge can be transferred and created (Ergazakis, Metaxiotis and Psarras, 2004). On one hand, the promotion initiatives that link hotels with their cities are channels for the flow of information resources and determine the range of resources available (Nahapiet and Ghoshal, 1998). Thus the opportunity exists for knowledge transfer (accessibility). On the other hand, through knowledge creation networks, municipal managers foster an environment where hotels are continuously able to innovate, not only to survive but to thrive on people who travel to hotels for a variety of reasons, providing, in some cases, a new or more affordable way of accomplishing a task, solving a problem or satisfying a need that was at best inconveniently satisfied in the past (Connell, Klein, and Powell, 2003). Furthermore, the day-to-day hotel management and its staff will be able to make similar interpretations among hotel members (Holsapple, Johnson, and Waldron, 1996). Therefore, effective knowledge creation can also occur (capability).

How can we make through different innovation approaches in the hotel industry better and easier place for employees?

Orfila-Sintes et al. (2005) claim that the role of human resources is a key competitive factor. The importance of the human factor in service activities is associated with the capability to establish the quality and features of the service finally provided. So the training and education activities of employees are two of the ways to improve and upgrade technological capabilities of service companies and with that, we can make employees more satisfied and give them better motivation (motivation for work, motivation for additional payment etc.). According to Orfila-Sintes et al. (2005), the human capital innovation suggests that the adjustment of human capital skills is roughly equal to efforts in successful innovation implementation. Updating human capital skills and capabilities emphasises the importance of changes in training and investment in human resources (Cohen and Levin, 1989; Griliches, 1990; Pine, 1992; Van der Wiele, 2007) in successful innovation (Olsen and Connolly, 1999; Sirilli and Evangelista, 1998). To measure innovation activity, the three primary constructs of innovation activities are defined as follows (Tsenga, Kuo and Chou, 2008):

- Technological innovation primarily indicates improvements in computer power and communication. Because technological change is the strongest force changing or reconfiguring the market landscape, hotel are highly aware of the importance of innovation, especially advances in communications and information technology profoundly impacting the manner in which customers interface with service providers.
- Organisational innovation refers to innovations relating to the effectiveness and efficiency of how hotel manage and develop their own knowledge when confronting a highly competitive environment. Organisational innovation includes operation process and organisational culture.
- Human capital innovation involves collective hotel capability to extract optimal solutions from employee knowledge, and employee skills such as experience or extensive customer relationship when they are taken to be symbols of service company efficiency, particularly for a hotel.

What kind of strategic organization do we need to become more innovative in hotel industry?

Operations management techniques like time and motion studies, quality circles, product and process standardization, cause effects diagrams and Pareto charts may help improve hotels' efficiency, service

and quality. The hotel's use of these operations management techniques and procedures constitutes a strategic capability that may provide a sustainable competitive advantage by reducing cost or differentiating the hotel's product. Developing this capability usually takes a long time, since it is based on the hotel employees' acquisition of certain abilities, such as knowledge, experience, co-ordination and skills with respect to both operations management techniques, and the hotel operations and delivery system (Álvarez Gil et al., 2001).

Additionally, Jinzhao (2007) says today's organizations find that diversity management practices must be sensitive to issues of gender, ethnicity, personality, religion, sexual orientation, marital and family status, age, and various other unifying life experiences. Many organizations are striving to manage diversity effectively because they believe that they can use diversity to create greater economic value.

Which organizations of hotel industry can be more innovative: bigger or smaller, owners that manage hotel by themselves or owners that rent the hotel or professional executives running hotels through a management contract or the organization through chains of hotels?

The size of the hotel is able to determine the success and profitability of the implemented innovations (Cohen and Levin, 1989). Moreover, smaller hotels and independent hotels do better in markets populated by more large and chain affiliated hotels. Large hotels are clearly going to have higher revenues than smaller hotels. On the other hand (Gellman Research Associates, 1982) says only large organization size appears to be emerging as a consistent predictor of innovation, and this general result appears to be qualified, because smaller organizations have been found to be more innovative proportionate to their size (Globerman 1975, Rothwell, 1978). However, micro and small businesses, compared to big businesses world-wide, face a wide range of constraints and problems, even in functioning market economies. These constraints relate mainly to access to markets, finance, business premises (at affordable rents), the legal and regulatory environment, the acquisition of skills and managerial expertise, access to appropriate technology, quality of the business infrastructure in rural areas and, in some cases, the tax burden (Diale 2009). This is more so in the new global economic environment where information, and the knowledge it provides, has become a key factor in economic competitiveness. With that review of the literature we cannot turndown or confirm the hypothesis 3.

Some hotels are independently managed; others belong to a hotel chain or to more diversified company conglomerate. Hotel chains

are used to standardizing their activities. This enhances the chain's reputation and benefits from economies of scale, which helps increase efficiency. The higher innovator percentage among hotel chains is consequent with the knowledge of the innovative process flowing easily among all the members of the chain (Darr, Argote, and Epple, 1995). Moreover, Tisdell (2000) finds that large hotel chains based in more developed countries are continually involved in R & D product development and training.

Teece (1980) says that firms are not sure of which innovations to adopt or which strategic changes to follow. Individual firms often lack the capability to search for and process sources of concepts and ideas, or they lack sufficient flexibility for speedy adaptation to changing new ideas. So we can turn down the hypothesis 1. Furthermore, Goes and Park (1997) mentioned that organizations also cannot depend on market mechanisms for the information necessary for innovation. Under bounded rationality, buyers' uncertainty and asymmetrical ownership of information create a "knowledge paradox" (Alston and Gillespie, 1989). Information buyers have trouble fully understanding what they are buying, and sellers are reluctant to reveal the true value of the information for sale, fearing that buyers could get it free of charge (Teece, 1980). The idea that both technical and social skills are necessary is not new in management; research has shown the need for both social and technical skills in a host of programs, including but not limited to: quality management, enterprise resource planning and process innovation (Ahire, Golhar and Waller, 1996; Bendoly, Donohue and Schultz, 2006; Khazanchi, Lewis and Boyer, 2007; Bendoly and Cotteleer, 2008).

Which innovations are better for hotel industry, those which are made step by step (incremental innovation) or the radical innovation?

A radical innovation is the application of solution to a problem that has so far not been solved, or has been solved in significantly inefficient manners. Why does this happen, because the management cares too much about high costs. But sometimes the potential positive impact on performance is usually high too. Also a great deal of effort must be put into their implementation and their efficient use, enabling the organization to develop skills required to successfully implement the innovations (Olsen and Connolly, 1999; Sirilli and Evangelista, 1998). On the other hand, the incremental innovation is defined as a progressive refinement of previously used solutions that allow an efficiency increase. This implies lower costs and the innovation is launched step by step.

Adopting organizational capability has many ways. In terms of quality improvement, it is useful to firms to create radical and incremental product innovations (Kim, Kumar and Kumar, 2012). For routine-based firms, appropriately adopting organizational capability to increase efficiency of quality improvement process helps develop staffs to create new products that slightly differ from competitors in terms of quality. Also, efficiency of the quality improvement process makes these new products respond quickly to the customer needs and to reduce development costs of these new products (Nair, 2006). With these answers we cannot confirm or turndown the hypothesis 2.

Empirical analysis of R&D investments from Cohen and Levinthal (1990) suggest that firms are in fact sensitive to the characteristics of the learning environment in which they operate. R&D both generates innovation and facilitates learning. Small firms do receive a significantly higher number of patents per R&D dollar but this can be explained by their being a much more highly selected group. Patent data can be used to study longer-run interfirm differences in levels of inventive activity and as a substitute for R&D data where they are not available in the desired detail. We should not be cursing the darkness, but rather, we should keep on lighting candles (Griliches, 1990).

In our opinion there are still many different examples of innovation in the hotel industry which can be developed in the future. Moreover, it is not easy to pick up one innovation from one hotel company and than implement it to another hotel company, because in another company we have different employees with different organization culture, organization structure etc. There is a lot of ideas come from managers, we would like to say from 100 only 1 or 2 from them can be successful. Managers sometimes push too much and they demand ilusion in their heads from employees, which can not be implemented in real environment of the hotel company. Actually they just require, but they do not know how to put their ideas into practise. It is much easier to lie on the sofa and thinking about new ideas than to process them into real work. For further research we would like to give some questions: How many ideas find out in one hotel company were transformed to another hotel company and were realized? Which are the main reasons, why the ideas from one company can not be implemented in another company of the hotel industry? How a dissatisfaction of employees has influence on innovation in the company?

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