“Entrepreneurial strategies and practices for innovation in the hospitality industry”

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Entrepreneurial strategies and practices for innovation in the hospitality industry

Abstract

The hospitality industry is an increasingly developed sector in the international economy, and innovation and its results are relatively new subject of research. The purpose of this study is to identify the innovation initiatives that have been implemented in a particular sector, especially in the last decade, as well as those strategies and practices, which help to innovate in this sector worldwide. Based on an Online Desk Research, information was collected from some sources, i.e. electronic databases, business press and hospitality industry. The authors found out that these innovative activities include technological and non-technological activities that enterprises of the industry try to exploit and gain a competitive advantage in the market. A significant part of sector-specific innovation involves innovation implemented more on procedures and management than on the product itself. Technological or non-technological innovations have been used over the last decade by the hospitality sector enterprises to improve their ranking in competition. Operating several innovative activities of this kind should support businesses in the industry to gain one or more competitive advantages in the hospitality market, and the enterprises which are trying to innovate in this sector should implement a business growth strategy, but all of these activities need to be included in an integrated and appropriate business model.

Keywords

strategy, entrepreneurship, innovation, hospitality industry, hospitality sector

JEL Classification

L83, O30, L26

Introduction

In the last 60 years, several economists have been trying to define the concept of entrepreneurship. Penrose (1959) noted that entrepreneurship is a particularly indistinguishable concept that does not fit easily within the scope of standardized research, because it is closely linked to the personal characteristics of each. Despite the difficulties, there were many researchers who gave their definitions on the concept of entrepreneurship. One of the most comprehensive definitions is that of Morris (1998), which explains that entrepreneurship is a process by which individuals and groups produce value using different resources to take advantage of the opportunities that exist in their environment. It can appear in any organizational structure and have various results, such as new entrepreneurial endeavors, products, services, procedures, markets and technologies.

Despite the different approaches that have been expressed, there are at least some points that almost all economists agree with:

a) a person chooses between becoming an entrepreneur or an employee and has the potential to move from one choice to another;
b) the above mentioned choice depends on the utility of each situation;

c) an entrepreneur’s income is riskier than that of an employee; and

d) this choice is influenced by each person’s entrepreneurial ability and also by everyone’s different attitude to risk.

Anyway, the theories developed about entrepreneurs and SMEs highlight the important role of certain factors such as business size, market share, management and ownership, data relating to the survival and competitiveness of SMEs, potential fundraising, sales, profitability and liquidity, lack of skilled personnel in the industry, distribution channels data and market information, barriers to entry in certain markets, changes taking place in markets, birth of niche markets, operation in a niche, closed or protected local or regional market, business acquisition data, use of innovations or new technologies, organizational structure, customers, suppliers, creditors and relationships with public institutions and policies, lack of trust in external consultants, control of resources, networks and clustering (Zaridis & Mousiolis, 2014).

Entrepreneurship is related to innovation, and the concepts of entrepreneur and innovator are coherent (Schumpeter, 1942; Schumpeter, 1934). Thus, innovation has been a focus of scientific interest the last decades since it impacts especially on competition of several industries.

1. LITERATURE REVIEW

One of the issues causing disagreement among economists is the role of innovation and its relation to entrepreneurship. A large number of economists believed that innovation is related to entrepreneurship in different ways. Schumpeter (1934–1942) believed that an entrepreneur innovates, which means that he/she invents and develops new ways of creating things and therefore creates new conditions in the market.

According to the first attempt of classification, the types of entrepreneurship are pure and mixed (Gagatsios, 2008). Thus, pure entrepreneurship refers to activities that an entrepreneur can do more effectively than employees or other economic entities, and mixed entrepreneurship when an entrepreneur carries out activities that are easily realized by other people or financial entities (executive members, the banking system, etc.), and is divided into employees’ entrepreneurship and capital/stalkers’ entrepreneurship. Pure entrepreneurship does not often happen in real financial life. The entrepreneur, most of the time, gets in charge of activities which could be carried out by others, without any (negative) effect on his entrepreneurship. In fact, the role of the entrepreneur is played through one of the forms of mixed entrepreneurship. The mixed employees’ entrepreneurship consists of all the activities that can be done by other people, such as senior executives or employees, without reducing the effectiveness of the business. This form of entrepreneurship is implemented nowadays in the case of an entrepreneur founding a business. In the past, and currently in non-developed countries, the entrepreneur carried out such activities because of shortage in specialized working force. Nowadays, this form of entrepreneurship tends to disappear in developed countries because of the following reasons:

a) the entrepreneur cannot know all the subjects (accountancy, technical matters, etc.);

b) the educational system provides specialized knowledge, so what is really essential is the right selection of employees; and

c) it is more productive for an entrepreneur to spend more time on entrepreneurship than on current procedures.

In the mixed form of entrepreneurship, an entrepreneur lends capital to his founding business (Gagatsios, 2008). This form of entrepreneurship tends to be limited nowadays because there are more opportunities for funding through the finan-
cial system as well as the different forms of business cooperation, and the different roles of financiers - entrepreneurs and investors have become more apparent in our time.

Early considerations inextricably linked innovation to the meaning of invention. Fagerberg (2003) noted that invention is the first appearance of an idea and innovation is a commercialization of that idea, but admitted that this definition was not adequate. Changing “invention” to “innovation” requires knowledge of the market, resources to produce a product or procedure, and administrative skills.

Another thought was soon rejected that most of the inventions entering the market were harmful. More specifically, only 7% of the few inventions that appeared were marketed. Of these, only 40% made a profit. Generally, the average profit for each invention that entered the market was 7% (Astebro, 2003).

Through several studies, it became obvious that the diffusion of innovation to the market determines the development of the economy since without technological change, the economy will be static. Besides, fostering innovation can also be connected to spillover effects leading to higher levels of innovation diffusion and adoption (Surinach et al., 2009). Solow (1957) proved that 87.5% of the financial development is due to technological changes. Nevertheless, Hall and Khan (2003) noted that the literature review on the introduction of new technologies focused mainly on the microeconomic determinants that were most important in explaining technology diffusion within a single country or economic system.

Ulku (2004) emphasized the correlation between per capita GDP and innovation and found that there was a positive correlation between them in both developed and developing countries.

Schumpeter contributed significantly to the innovation comprehension and introduced the perception of innovation as a radical phenomenon that disrupted social structure (Schumpeter, 1950). He believed that “… innovation is a radical and disrupting action of deviance from the existing practices/norms. Innovation is a typical characteristic of capitalism” and identified five types of innovation:

1) introduction of a new productive method;
2) creation of a new market;
3) acquisition of a new source for the supply of raw material or semi-finished products;
4) creation of a new type of industrial organizing; and
5) introduction of a new product of significant improvement (Schumpeter, 1942).

There were many radical or disruptive innovations, namely: the production line that Henry Ford implemented was a radical/complete change in car manufacturing, the Eastern India Corporation was one of the first corporations to step up in the exploitation of the Indian and Chinese markets, the way in which Bessemer produced steel led to the basic steel production, a new type of industrial planning was created due to the enactment of Ltd corporations, and a disruptive change in the usage of computers was the introduction of personal computers in the 1980s. Although there were many radical or disruptive innovation examples, Freeman and Soete (1997) believed that a lot of the innovations implemented were in fact just improvements and gradual changes in the way things were made.

2. METHOD

To acquire important elements for the innovation initiatives and activities implemented in the hospitality industry worldwide, external desk research was used that involves research done outside the organizational boundaries and collecting relevant information (Crouch & Housden, 2003). Information from secondary research is readily available, while there are many sources from which relevant data can be acquired less expensive and less time-consuming due to the data availability (Granello & Wheaton, 2004; Crouch & Housden, 2003; Farmer, 1998).

An Online Desk Research is useful, since there is an incredible amount of data available online on internet, when different sources are used (Cooke, Hastings, & Anderson, 2002). So, information was collected from two sources that were electronic
databases, and the business press and the hospitality industry.

Concerning electronic databases, a systematic search of electronic databases was performed to identify important and relevant academic papers, while the following electronic databases were used (see Table 1).

**Table 1.** Electronic databases used

<table>
<thead>
<tr>
<th>Electronic databases</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google Scholar</td>
<td>International articles/chapters in books</td>
</tr>
<tr>
<td>Scopus</td>
<td>International articles</td>
</tr>
<tr>
<td>ScienceDirect</td>
<td>International articles/chapters in books</td>
</tr>
<tr>
<td>ISI Social Science Citation Index/Web of Science</td>
<td>International articles and book reviews</td>
</tr>
<tr>
<td>ABI/Inform</td>
<td>International articles</td>
</tr>
<tr>
<td>Emerald</td>
<td>Journal articles and management reviews</td>
</tr>
</tbody>
</table>

The above databases have been systematically searched using the search terms given in Table 2.

**Table 2.** Search terms used

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Entrepreneurship</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality Industry</td>
<td>Hospitality Sector</td>
<td>Internet</td>
</tr>
<tr>
<td>Product design</td>
<td>New product development</td>
<td>Communications</td>
</tr>
<tr>
<td>Venue</td>
<td>Tourism</td>
<td>Travelling</td>
</tr>
</tbody>
</table>

Concerning the Business Press and hospitality industry, the above search terms were searched in Google search engine.

This methodology has two limitations that are shortage of resources prevented the use of some industry sources – lack of or extremely expensive acquisition – and that related information technology is limited in low- and middle-income countries, so information is difficult to obtain (Cooke, Hastings, & Anderson, 2002).

### 3. RESULTS

#### 3.1. Hospitality industry and innovation

Hospitality or Philoxenia – an etymology in Greek, from “philo” and “xenos” means “friend to a stranger” – refers to the act of caring for a stranger in someone’s house. In Ancient Greece, Philoxenia was high in the list of virtues and there was a great respect from host to guest.

Hospitality industry consists of a wide range of branches in the services sector, including accommodation, event planning, transportation, cruise ships, travelling and additional tourism industries. The hospitality industry is a multi-billion dollar industry that depends on the availability of spare time and disposable income.

Hospitality units, such as restaurants, hotels or entertainment parks, consist of multiple groups of people, for example, persons for premises maintenance and direct operations (servers, house holdings, porters, kitchen workers, barman management, marketing, human resources, etc.).

The main purpose of a business is to maximize its wealth and stay on profit areas, as well as further shareholder profit, which can be achieved by gaining and maintaining a diachronically long-term competitive advantage (Zaridis, 2016). Hospitality companies are not an exception. In this direction and in a permanently changing environment, businesses of the specific sector have to find ways to improve or change the services they offer according to their clients’ wishes and needs, and also according to the social-economic development.

In the age of technology and virtual reality, a hotel that is still operating using old methods – queues at the reception, clients’ books, central heating, etc. – risks losing its clients. Therefore, it becomes obvious that businesses in the hospitality sector are to realize changes and innovations both in products and services they provide and in the way they operate and take action. Indeed, in the last few decades, there were great changes in all the above. The innovations, which have been attempted and put into practice internationally, are very important.

This study tries to collect and examine all the innovative activities realized in the hospitality industry diachronically.

The innovations, which have been realized internationally in the hospitality sector in the recent years, include technological and non-technological activities.
Concerning technological innovations, one can mention:

1. CRM technology based on information on the cloud (Kobres, 2018).


4. Interactive communication among businesses (B2B) as well as among businesses and clients (B2C). Relations-with-clients management platforms.

5. Free internet access anywhere in the enterprise (WiFi).

6. Internet of Things. Handling/Management of the room by the customer, even out of it, through his mobile phone or his tablet (switching on/off the TV, room temperature arrangement, food ordering, etc.).

7. Check in before the client gets to the hotel, finding his room and possibility of being provided with a special keycard, which does not get demagnetized (RFID) (Global Hospitality Portal, 2017).

8. Voice-activated services in the room, for example, to book an appointment at the hotel spa, give an order for a taxi, ask for an awakening call, etc. (Global Hospitality Portal, 2017).

9. Artificial intelligence and virtual or augmented reality software, for example, some hotels/restaurants provide their customers with the capability of “seeing” famous people in the premises, using specific applications on their mobile phones (Kobres, 2018).

10. Great hotels make it easy for customers to find the area they want in a hotel, such as their rooms or the gym, via the GPS service on their mobile phones.

11. Websites that gather data compare them and give visitors the opportunity to book the room/hotel of their choice online, for example TriVaGo, Booking, etc.

12. Platforms or business opportunities, where the customer can evaluate or comment on the services provided by providing feedback.

13. Online food ordering platforms, e.g., e-food.gr.

14. Providing the ability to charge electronic devices – mobile phones, tablets – in the premises of enterprises, cafes, restaurants or provide such devices to the client while he remains in the business premises.

15. Order taking through an automated system of tablets connected to a central computer at the bar in a cafe.

16. Special ordering devices, where the client chooses from a variety of products, orders, pays and gets informed as soon as his order is ready at airports.

17. Special electronic devices – pager – for informing the client that his order is ready, so that he goes to pick it up himself at the “reception”.

In terms of non-technological innovations, the following is mentioned:

1. Special designs and materials in their construction, for example, all the external part made of glass so that the visitor can enjoy the view (Hofmann, 2018).

2. Use of environmental-friendly products, materials and constructions, for example, furniture made of recyclable materials, use of renewable energy sources, etc.

3. Provision of special services, such as spa, gyms, libraries, childcare facilities, etc.

4. Special benefits/gifts for the customer if he chooses not to use his mobile phone, personal computer or tablet while staying (Kobres, 2018).

5. Providing discounts to customers on specific sights, shops, events of the area.
6. Provision of regional tours for the client to live the authentic experiences of the area, such as elephant rides, camels tours, desert dinner, etc. (Hofmann, 2018).

7. Enabling contact with nature, e.g. caring for animals or plants, participating in traditional activities such as group-pressing, etc.

A significant part of the innovations realized in the specific sector includes innovation implemented more on procedures and management than on the product itself. For example, the use of special platforms and applications on the customers’ mobile phones has changed the way in which hotels and restaurants, cafes, etc. operate leading to higher efficiency and reduced unnecessary expenses (Hospitality Net, 2015). Another innovation in management has been realized over the last few years by hotel chains, which instead of owning a hotel, have switched to managing and operating hotels, leaving property to others (Cruz & Rosenkranz, 2017).

Finally, many enterprises give their employees the opportunity to voice their opinions and discuss business issues with each other through special platforms that operate in the business itself. This provides solutions to issues that could not be solved before by two or three managers, who faced a lot of problems. However, the greatest innovation realized in the hospitality sector during the last ten years has been AirBnB accommodation, where any person can dispose a room/house that he owns to clients/tourists for money. It was started in 2008 by two roommates who could not afford to pay the rent of their house and since then it has turned to a rapidly developing trend of our time.

3.2. Strategies and practices of innovation in the hospitality industry

Adopting innovation by a hospitality business can be a kind of business growth strategy. However, this adoption is neither easy nor simple because, according to Martin-Rios and Ciobanu (2018), copying one or more innovations from other sectors is not enough to successfully innovate in the hospitality industry. Also, it doesn’t matter if there is a lot of innovation. In order for such a business to be profitable and gain competitive advantage, innovation must combine innovative activities in several functions, such as production and marketing, organization and procedure, etc. Moreover, the innovation adoption must be the result of careful consideration and planning for a specific strategy.

The careful planning of a specific strategy for the adoption of one or more innovations is the first and most significant step, so that the adoption is successful and effective in the profit-seeking of the enterprise. According to Pisano (2015), such a strategy is based on four main parts. Firstly, the enterprise should answer the question: “How will this specific innovation create value for the customers and for the business itself?” Second, it should create a high-level plan for the distribution of its sources to the different kinds of innovations. Third, it should manage to keep the balance among the different parts of the enterprise, and also between the amount spent on innovations and the one spent on the acquisitions the business has had already. Fourth, it should acknowledge and operate with the perception that innovation strategies must evolve to remain competitive.

Stalk, Pecaut, and Burnett (1996) and Drucker (2002) go a step further, suggesting that innovation is created by a conscious, deliberate research on innovation opportunities, which perceives the enterprise as open to unexpected, wary of dissonance and inconsistencies in logical order of procedures, it seeks the needs of clients and the society in general. Finally, it can happen if the business foresees and takes advantage of the market and demographic changes, but also if it accepts changes in things and new knowledge. The strategy of an enterprise is usually designed by top management. So, such an executive should be open-minded, prudential, flexible, hard-working, intelligent, talented, persistent and, above all, focused on his target and strategy.

The business strategy can be planned by the top executives, but the enterprise itself also stands out for its employees. Consequently, in order for innovation to be successful and profit-making, especially for a hospitality business, employees should get informed, trained and get accustomed to this
innovation. Otherwise, the innovation itself could become an obstacle in the development and progress of the business.

Indeed, in the last few years, more and more enterprises give their employees the time and opportunity to think about solutions to specific problems or come up with new ideas that can lead to innovation. Besides, some businesses have created special platforms, that only their employees can access, where they can discuss and exchange views on business (Malchev, 2018).

The hospitality industry should consider and prioritize the best service and satisfaction for its customers, regardless of whether it intends to innovate or make administrative/organizational changes (Harnisch, 2018).

4. DISCUSSION

The hospitality industry consists of a wide range of branches in the services sector, which includes accommodation, event planning, transportation, cruise ships, travelling and additional tourism industries. Hospitality is a multi-billion dollar industry, which depends on the availability of spare time and disposable income. Businesses of the specific industry have to find ways to improve or change services they offer in accordance with their clients’ wishes and needs and social-economic development. Besides, the unrestricted expansion of tourism markets drives at intensified competition, continuous improvement of production and increased competitiveness of tourism products (Stankova & Vasenska, 2017).

Over the last decade, the main goal of the hospitality industry has been to create a unique and original holiday experience with flawless service provision (Michaelides, 2017). To achieve that, businesses in the industry can sometimes use one or more innovative measures. Adopting innovation by a hospitality enterprise can be part of a business growth strategy, and the industry’s main effort is to gain a sustainable competitive advantage to compete and survive.

However, this adoption is neither easy nor simple, while copying one or more innovations from other sectors is not enough for successful innovation for a hospitality business. Besides, it does not matter if there are many innovations. In order for such a business to be profitable and gain competitive advantage, innovation must combine innovative actions in more than one business functions. Furthermore, innovation should be the result of careful research and planning of a specific strategy. Careful planning for a specific strategy for adopting one or more innovations is the first and most important step in making adoption successful and effective for business. Also, in order for innovation to be successful and profit-making, especially for a business in the hospitality sector, its employees should be informed, trained and get accustomed to this innovation. Otherwise, the innovation itself will become an obstacle in the development and progress of the business.

Scholars have recognized the central role of technology and knowledge management for market success (Oerlemans, Rooks, & Pretorius, 2005) and the use of technology to increase customer power for a particular product or service, reduce supplier power or create barriers to entry (Porter, 1983).

Profit is important for business but its primary goal should be to develop new innovative products that will foster growth and employment and become more accessible to a wider range of consumers, while disruptive innovation brings products and services that are cheaper, better and more convenient for consumers, who had little or no access to them (Ahlstrom, 2010). Product innovation drives firms to take advantage, maintain their position in the competitive market, use new technologies and keep businesses viable, although many companies still struggle with the innovation process as firms need to develop their ability to constantly integrate new products to take advantage of product innovation (Dougherty & Corse, 1997). But technological innovation without a commercialization strategy is likely to lead to the self-destruction of creative enterprises (Teece, 2009).

Thus, a business needs to develop a business model that is ready to gain value from technological innovation, such as an integrated business model, in which an innovating firm combines innovation and product together and takes responsibility for the entire value chain, outsourced business ap-

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proach, and hybrid approaches involving a mixture of the two approaches that require clear selection and orchestration skills from management (Teece, 2009).

The hospitality industry enterprise must have as its primary goal the best service and satisfaction of its customers, whether it intends to realize a technological innovation or an administrative/organizational change. In the age of technology and virtual reality, a hotel that still operates with the old methods – reception queues, customer books, central heating, etc. – risks losing its clients. Therefore, it becomes obvious that businesses in the industry need to be aware of changes and innovations in both products and services they provide and the way they operate and take action.

**CONCLUSION**

This study tried to identify, collect and examine all the innovation activities implemented in the hospitality industry diachronically, especially in recent years. These innovative measures include technological and non-technological activities that businesses in the industry try to exploit and gain a competitive advantage in this market. Much of the sector-specific innovations include innovation implemented more on procedures and management than on the product itself.

Technological innovations include CRM Technology based on cloud information, fully automatic business management systems, workflow management tools, interactive communication among businesses (B2B) as well as among businesses and clients (B2C), relations-with-clients management platforms, free internet access (WiFi), Internet of Things, check in before the client enters the hotel, voice-activated in room services, artificial intelligence and virtual or augmented reality software, GPS service in the hotel, websites that allow visitors to book the accommodation online, feedback platforms, platforms for ordering food online, charging electronic devices, automated system orders, special ordering devices, and special electronic devices (pager). Non-technological innovations include special designs and materials in their construction, use of environmentally friendly products, materials and construction, provision of special services, special benefits/“gifts” to the customers, discounts to customers concerning specific sights, shops or events, and provision of regional tours with authentic experiences, allowing customer to come in touch with nature or participate in traditional activities. At least in the last decade, businesses in the hospitality sector used both to gain competitive advantage and improve their competitive position.

To summarize, the use of several innovative activities of this type can help businesses in the hospitality industry to gain competitive advantages in the market, and the enterprises that try to innovate – this adoption is neither easy nor simple – in the sector aim to implement a business growth strategy, but all of these activities need to be included in an integrated and appropriate business model in order to be strategically aligned.

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