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# What is Innovation in the Hospitality and Tourism Marketplace? A Suggested Research Framework and Outputs Typology

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**WHAT IS INNOVATION IN THE HOSPITALITY AND TOURISM MARKETPLACE?  
A SUGGESTED RESEARCH FRAMEWORK AND OUTPUTS TYPOLOGY**

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**ABSTRACT**

In this paper, we offer a comprehensive framework for researching innovation in hospitality that comprises drivers of innovation, innovation outputs, and their connections with business performance. The framework synthesizes the research in the manufacturing sector and draws upon the most recent literature in hospitality innovation. Definitions of innovation outputs based on preliminary research from interviews and pilot surveys are summarized. Finally, we submit a typology that may serve as a starting point for academic and practitioner dialogue and suggest that reaching consensus on a typology is critical to advancing new knowledge in a comprehensive manner.

**Key Words:** Innovation, hospitality, definitions, typology, survey, study

## **INTRODUCTION**

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Innovation is considered a major source of competitive advantage and economic growth (Porter & Ketels, 2003), and research about innovation is plentiful and diverse. The majority of the business studies in innovation to date, however, have focused on the manufacturing sector. Researchers have pointed to the dearth of studies in the services sector relative to manufacturing (Prajogo, 2006) and some have hypothesized the difficulties in applying product development theories to services (Gallouj, 2002). Growth in western economies since World War II has been characterized by increases in services and declines in the manufacturing sector, yet innovation research in service businesses are still in their infancy. Hospitality and tourism is one of the largest service industries in the world: the World Tourism Organization estimates there will be one billion tourists a year by 2010 (WTO, 2006). Clearly, there is an opportunity to research innovation in this global service industry that is characterized by the intangible, experiential nature of its products and services, yet there have been few recently published academic studies in hospitality innovation. The opportunity to advance the innovation research in the services sector is broad. The research opportunities for academics studying innovation in hospitality are wide open.

In this paper, we offer a model for hospitality innovation research based on a synthesis of new product development literature in manufacturing and the recent contributions of scholars in hospitality innovation. We suggest that in order for the academic community to move forward with an innovation research agenda we must first agree on a method of classifying innovation outputs. We offer a potential starting point for hospitality innovation typology based on interviews and a series of survey iterations conducted with members of a large convention and visitor's bureau in Southern California. We encourage other scholars and industry professionals to provide feedback to the proposed classification scheme.

## **INNOVATION RESEARCH IN MANUFACTURING**

Most definitions of innovation in business contain some basic elements about newness and novelty, although new doesn't always mean new to the world, it might just mean new for the business unit, (Danmanpour, 1996). Drucker defined innovation as an "opportunity" that results in the creation of a new or different product or service (1985). For the purposes of this paper, innovation is defined broadly as an organization's development and implementation of new products and services or new ways of doing things. Much of the previous and current innovation literature focuses on product innovation, the methods used in new product development, and the factors that affect product innovation like leadership and organizational structure. A recent review of the innovation literature submitted a framework of seven categories of research. The categories were inputs, knowledge management, strategy, culture, portfolio management, project management, and market research/testing/sales (Adams, Bessant, & Phelps, 2006).

Many of the published studies examine the drivers of innovation and its correlation to innovation outputs. For example, a study of the firms in Spain with the largest number of registered patents analyzed the effects of top management's vision and work team characteristics on the innovation performance. Innovation performance was defined in terms of the number of new and improved products and the number of patents (Carmen, de laLuz, & Salustiano, 2006). Other studies examine topics that were previously studied individually but not collectively. A recent multi-cluster comparative study attempted to determine if strategic leadership influenced innovation (Elenkov, Judge, & Wright, 2005). The authors also examined the effects of social culture as well as top management team heterogeneity on the innovations. Innovation measurement was gleaned from patent data. Although new product development research has been much advanced in the past 20 years there remain concerns about ambiguity in defining the innovation types (Garcia & Calantone, 2002).

## **INNOVATION RESEARCH IN SERVICES**

The research about innovation in manufacturing could provide a basis for the development of theories on innovation in the services sector, yet innovation research in services is still emerging. The identification, classification, and appropriation of novelty and change in the services sector are still in infancy (Dolfsma, 2004). Some scholars argue that the fuzzy nature of service outputs make it difficult to measure and detect improvement (Gallouj & Weinstein, 1997). Others express concern over distinguishing product and process innovations and wonder if innovation in the services sector can be understood in a similar theoretical framework to manufacturing

(Gallouj, 2002). A study comparing innovation performance in the manufacturing vs. service sectors provided some insight because it compared innovation outcomes against business performance in both the manufacturing and service sectors (Prajogo, 2006). The author indicated the study was driven by the lack of studies on innovation in the service sectors, and he examined the relationships between self-reported innovation outcomes (defined as # of innovations, speed of innovation, level of innovativeness, and level of aggressiveness in adopting changes) and business performance (defined as sales growth, market share and profitability) in Australian manufacturing and service firms. His study indicated that innovation performance in service firms is not significantly different than in manufacturing firms.

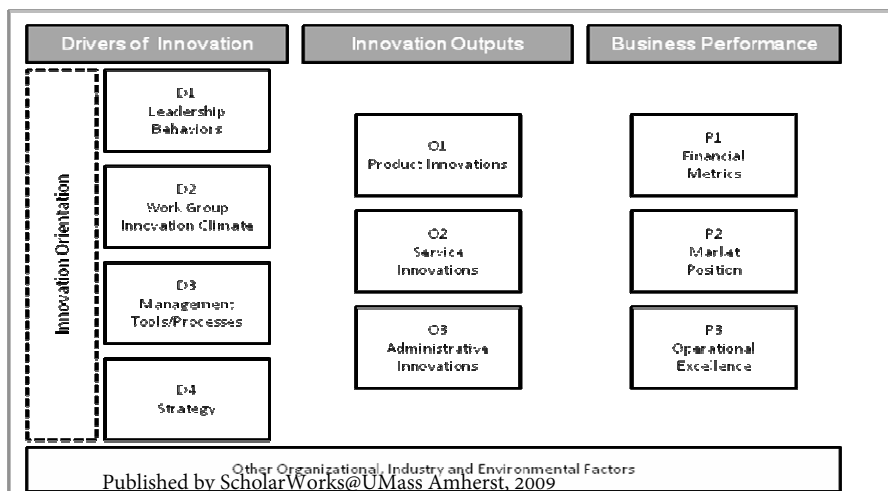
Although the difficulty measuring outputs in service innovations is apparent, there have been several academic studies related to the inputs, or drivers, of innovation in the services sector. A review of research and instruments assessing innovative environments within organizations summarized the work of scholars studying innovative climates in services such as healthcare, banking, social services, consulting, and education (Mathisen & Einarsen, 2004). For example, the team climate inventory (TCI), developed by Anderson and West (1998), has been empirically examined for its factor structure, reliability and validity (Mathisen & Einarsen, 2004) and used by researchers (Loo, 2002; Burch, 2004; Ragazzoni et al, 2002) to assess a climate for innovation in teams. The survey is administered to members of proximal work groups and measures four dimensions – participative safety, support for innovation, vision, and task orientation with a 61 item questionnaire. Anderson and West (1996) also conducted a study within healthcare teams that used a panel of expert and naïve raters to assess the actual innovations implemented by the healthcare teams. The raters’ scores were compared to the team level scores on the TCI. This required the collection of qualitative information about specific innovations that were implemented.

### INNOVATION RESEARCH OPPORTUNITIES IN HOSPITALITY AND TOURISM

The small collection of studies examining innovation in the hospitality and tourism industry acknowledges the vague and inconsistent conceptualizations of what innovation is and how it is operationalized in the services sector. Best practice summaries have typically been anecdotal (Enz & Siguaw, 2003) categorizations of exemplary methods in hospitality. Some case studies examined specific innovations to extract common steps in the innovation process (Jones, 1996). A study of the hotel sector looked for factors that determine the success of new service development (Ottenbacher & Gnoth, 2005). Most recently, authors have called for a more comprehensive approach to studying innovation and submitted a research agenda for exploring innovation orientation (Siguaw, Simpson, & Enz, 2006).

Given the dearth of studies in hospitality and tourism innovation and the issues that have surfaced in the service innovation literature, we submit an overview of research opportunities. The framework presented in table 1 draws upon the large variety of previous and current research studying innovation in manufacturing and represents those areas most applicable to the hospitality and tourism marketplace.

**Table 1**  
**Framework for Innovation Research in the Hospitality and Tourism Marketplace**



Our purpose was to conceptualize a framework for research that would assist the hospitality and tourism marketplace in improving its businesses. Therefore, our model links the drivers of innovation, innovation outputs, and measures of business performance. Ideally, a comprehensive approach to studying innovation in the industry would provide evidence that innovation outputs correlate with increases in financial metrics and other measures of business performance. Then, studies would examine the drivers of those innovation outputs. The model is consistent with the definition of innovation orientation proposed by Sigauw, Simpson, and Enz:

A multidimensional knowledge structure composed of a learning philosophy, strategic direction, and transfunctional beliefs that, in turn, guide and direct all organizational strategies and actions, including those embedded in the formal and informal systems, behaviors, competencies, and processes of the firm to promote innovative thinking and facilitate successful development, evolution, and execution of innovations (2006, p. 560).

## INDUSTRY FEEDBACK ON RESEARCH FRAMEWORK

Given the lack of definition and literature regarding innovation specifically in the hospitality industry, a round of interviews was conducted with 19 influential executives of the hospitality and tourism marketplace in San Diego. The hospitality and tourism marketplace (HTM) comprises companies and organizations that rely on the visitor industry to improve their business performance. This marketplace is made up of companies in transportation, lodging, attractions, conventions and meetings, dining, and other professional services. Industry leaders were presented the framework and interviewed about:

- 1) Perceptions of the innovativeness of the HTM in San Diego
- 2) Perceptions of the overall innovativeness of their companies
- 3) How overall innovation should be measured
- 4) Specific innovations in their companies
- 5) Innovative practices in their companies

Responses from the interviews revealed four themes:

*Innovation at All Levels* – Respondents suggested that new ideas and a willingness to adapt to change is important at all levels of the organization. Several interviewees conveyed anecdotes about innovations that were initiated by line level employees. The collection of responses related to this concept exemplified that innovation in the hospitality and tourism marketplace will not be the purview of research and development specialists. The theme may indicate that industry leaders are supportive of the concept of an innovation orientation.

*Ambiguity about Innovation Outputs* – Industry professionals admitted confusion about what constituted real innovation. They were unfamiliar with the academic terms classifying types of innovations and varied in what they believed to be innovative practices and outputs. Some respondents did not distinguish between process improvement and innovative practices while others only considered something that had never been done in the industry as innovation. Some of those interviews were proud to discuss practices they considered innovative because they were new to their company. Others were hesitant to discuss specific innovations because they did not want to “brag” about new services that others might disregard as ordinary.

*Desire for Definitions* – Many respondents suggested the need for a set of common definitions the industry shared regarding innovation categories and the level of innovativeness. Some offered suggestions. Some professionals insisted the definitions in hospitality needed to be different than those used in manufacturing because of the intangible nature of the products. It was clear that any future research seeking responses from a large number of leaders in the industry would require a clear set of definitions for the data to be meaningful.

*Networking to Innovate the Marketplace* – There was little concern about sharing innovative ideas or specific innovations with the competition. In contrast, those interviews expressed a desire to network within the marketplace to innovate the region as a whole. They indicated that continuous refreshing of the offerings was necessary just to retain market share to the destination, and suggested that the various segments needed to work together to provide innovative offerings collectively.

## PILOT SURVEYS – DEFINING INNOVATION OUTPUTS

Sipe and Testa: Innovation Typology in Hospitality

The interview findings, coupled with the inherent issues of measuring innovation in the service industry and the suggestion that ambiguity still exists around the typologies in manufacturing discussed earlier in this paper, led us to conclude that any research initiative would have to start by defining the outputs column of the framework as depicted in Table 1. In order to reach companies and organizations with an interest in innovating the San Diego hospitality and tourism marketplace, the city’s convention and visitor’s bureau was selected as the population for an initial pilot survey on innovation perceptions. Convention and visitor bureaus (CVBs) are not for profit organizations charged with representing a specific destination and helping the long-term development of communities through a travel and tourism strategy. As tourism is the 3<sup>rd</sup> largest industry in San Diego County, the San Diego CVB’s website states that its members are businesses that are “interested in promoting the health of San Diego’s economy.”

Three iterations of a short, online survey were piloted with members of the bureau. The purpose of the online surveys were to categorize specific innovations implemented in the past five years and to initiate relationships with HTM leaders willing to participate in further research studies related to innovation. We piloted the online survey with ten different bureau executives each time. The members agreed in advance to take the survey and to provide input by phone to the researcher after each pilot. These short pilot surveys were not expected to yield complex results, but instead, serve as a starting point to shape more comprehensive studies with the same population in the coming years. The different pilots allowed us to determine the best names for the categories of innovation outputs and revise the definitions of innovations based on the telephone feedback from the respondents. The final version of the online survey instrument is available at [http://www.surveymonkey.com/s.aspx?sm=vW\\_2ft\\_2fynduwRGPJe2jdvQrA\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=vW_2ft_2fynduwRGPJe2jdvQrA_3d_3d). The final survey asks respondents about overall innovation performance, product innovation, service innovation, and administrative innovation. Table 2 depicts the service innovation question with its definition and example.

**Table 2**  
**HTM Online Survey – Sample Question**

**Service innovation** is the ability to bring new or improved services to the hospitality and tourism marketplace.

Example: Curbside service introduced by Chilis that allows customers to phone in orders and pick them up from a restaurant employee at designated parking spaces outside the restaurant.

Indicate your perception of your organization’s **service innovation** against similar organizations in your industry segment during the past 5 years:

	Much less innovative	Somewhat less innovative	About the same level of innovation	Somewhat more innovative	Much more innovative					
<b>Service innovation</b> in my organization	1	2	3	4	5	6	7	8	9	10

Please provide an example of a **service innovation** in your organization implemented in the past 5 years

Interview and pilot survey feedback encouraged the researchers to limit the categories of innovation to product, service and administrative. Other iterations of the pilot survey included market, process, and technology innovations. Respondents strongly recommended including examples of each category of innovation in survey research. In addition, respondents suggested self-ratings about innovations were most clear when asked to compare their performance to similar organizations in their industry segment. We arrived at the following categories, definitions, and examples based on feedback from the interviews and pilot surveys.

**Overall Innovation Performance** – *successful development and implementation of novel ideas, products, and services*

**Product Innovation** – *ability to bring new or improved products to the marketplace*

**Example:** The Fun Card introduced by SeaWorld that allows customers to purchase a Fun Card for the price of one day's full admission and visit free the rest of the year.

**Service Innovation** – *ability to bring new or improved services to the marketplace*

**Example:** Curbside service introduced by Chilis that allows customers to phone in orders and pick them up from a restaurant.

**Administrative Innovation** – *ability to implement new or improved business processes and practices within the firm*

**Example:** The system-wide leadership development program at Marriott that makes it possible for managers to focus their development in personalized ways.

## INNOVATION TYPOLOGY FOR THE HOSPITALITY AND TOURISM MARKETPLACE

Reaching consensus among scholars and practitioners regarding the categories and definitions of the types of innovation outputs is just the first step toward a classification that will allow us to converse with a common understanding. We suggest a complete classification for hospitality and tourism include the degree of innovativeness and the level of analysis in addition to the type of innovation output. Much work has been done in this regard in the product development and technology fields. Innovations have been defined as radical, meaning they redefine the market or incremental, defined as minor improvements (Lawless & Anderson, 1996). Other studies have used the terms breakthrough and reformulated (Yoon & Lilien, 1985) when classifying new products. Sometimes degree of innovativeness has been assessed on a continuum and other times high/medium/low distinctions have been used (Garcia & Calantone, 2002). Reviews of the new product development literature indicate that ambiguities in the classification scheme makes difficult to compare research studies and build new knowledge (Garcia & Calantone, 2002). Given the infancy of research into hospitality and tourism innovations, we have an opportunity to reach consensus on a typology that avoids the pitfalls of ambiguity while providing a classification scheme useful to both researchers and practitioners.

If we choose to accept a comprehensive approach of innovation at all levels, our classification scheme should include various levels of innovativeness. The Seven Levels of Change Model (Smith, 2007) may have something to offer the hospitality and tourism marketplace in this regard. Smith's model considers looking at change at seven increasing levels of difficulty, from easy to almost impossible. Levels 1 and 2 primarily involve change at a personal level. Level 1 is doing things right and level 2 is doing the right things. Level 3 is cutting – doing away with things – and emphasizes eliminating waste. At levels 4-7, we begin to recognize similarities with the constructs of incremental and breakthrough innovation described in the product development literature. Dr. Smith labels level 4 enhancing. Level 4 changes make things more effective, more efficient, more productive, or more valuable. Level 5 change is copying – doing things other people are doing. Benchmarking and adapting bring about level 5 changes in organizations. Level 6 is doing things no one else is doing, and level 7 is doing the impossible – doing what can't be done. Smith's terminology is common in the hospitality and tourism industry, and it is consistent with building a systemic innovation orientation. It may be helpful to those of us who study and work in the hospitality and tourism marketplace to classify innovation outputs in these terms.

A final component of the outputs column in our research framework would be to identify the level of analysis when describing innovations. Hence, an innovation output would be classified by its type, degree of innovativeness, and level of implementation. So, we could describe an innovation as being implemented at the

industry, segment, company, or department/work group level. For example, curbside service, as described in our pilot survey as a service innovation, could be classified as an innovation in the dining segment or as a company level innovation. It would likely be classified as a level 5 innovation if we use Smith's change model.

To summarize a potential typology for the hospitality and tourism marketplace we can examine three innovation outputs. For each of the following innovations, we provide a brief description and a classification based on type, degree, and unit level.

**Table 3**  
**Sample Innovation Outputs/HTM**

Description of the Innovation Output	Type of Innovation	Degree of Innovativeness	Unit of Implementation
Virgin Galactic is a space tourism venture aimed at the affluent traveler. It was founded by British Airline and entertainment magnate Richard Branson.	Service	Level 7 – Impossible Doing what can't be done	Segment
The term eco-innovation is emerging, and the environmental community is motivating tourism value chain stakeholders toward more innovative behavior by showing sustainability success cases in the hospitality and tourism industry.	Administrative	Level 5 – Copying Doing things others are doing	Industry
The Ice House Hotel offers a unique opportunity for guests to spend the night in an individually designed room in polar sleeping bags, on deer pelts on an ice mattress.	Product	Level 6 – Different Doing things no one else is doing	Company

A classification scheme facilitates conversation because it provides a common vocabulary to discuss the elusive concept of innovation. It may encourage a more comprehensive approach to innovation because it allows for change at all levels of the organization. It assists researchers because it provides the link between the potential drivers of innovation and business performance measures. Degree of innovativeness can move beyond self-reported data because a well-defined scheme allows for third party raters. Consensus at the early stages of the research agenda allows scholars to avoid the pitfalls of ambiguity experienced in manufacturing.

### CONTRIBUTIONS AND NEXT STEPS

A literature review suggests the theory related to innovation in product development is vast, although there are concerns about the ambiguity of terminology and measurement. As the services sector continues to grow relative to the manufacturing sector, research that can be applied to innovate services becomes increasingly valuable. There are many opportunities for academic research in the hospitality and tourism marketplace regarding innovation because the extant literature is scarce.

In this paper, we offer a comprehensive framework for researching innovation in hospitality that comprises drivers of innovation, innovation outputs, and their connections with business performance. The framework synthesizes the research in the manufacturing sector and draws upon the most recent literature in hospitality innovation. We provide definitions of innovation outputs based on preliminary research from interviews and pilot surveys. We submit a typology that may serve as a starting point for academic and practitioner dialogue and argue that reaching consensus on the typology is critical to advancing new knowledge in a comprehensive manner. A short online survey instrument is provided that can be easily administered to members of convention and visitors bureaus and tourism councils so that the industry can begin to classify product, service, and administrative innovations and advance efforts to innovate the hospitality and tourism marketplace.



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