Role of Innovation Orientation in Building a Competitive Advantage in the Egyptian Hotels

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ARTICLE INFO  ABSTRACT

Keywords: Innovative orientation, Types of Innovation, competitive advantage.

Innovative orientation is one of the most important catalysts for the marketing and production development of the hotel establishment by increasing sales and market shares and raising levels of customer satisfaction and perceived quality from the customer's point of view. The research aims to identify the most critical challenges of achieving the innovative vision. The diversity of innovative orientation between "marketing, organizational, technological, operations, products and services" and its determinants were represented in the financing, human capital, organizational cooperation, degree of competition, and characteristics of the organization. The dimensions of the competitive advantage were the cost of the product, the level of quality, flexibility, and time. The field research was conducted by means of questionnaires distributed to the employees of the rooms, food, and beverage sectors in some five-star hotels in Sharm El-Sheikh, and the data were analyzed using the SPSS program.

The study found a set of results, the most important of which is that fear of risks, poor funding, the inefficiency of human resources. The study recommends that the hotel management recommends allocating an annual financial budget to promote innovation in accordance with changing customer requirements. And support the innovative trend by developing policies and strategies to encourage innovation.

Introduction

In today’s competitive economic conditions, which demand orientation toward innovation, individuals cannot consider only the idea that innovative processes come exclusively from talented people, or that innovation is an intellectual accident of inspiration and not the result of hard and focused work (Drucker, 2002). Innovation is not only the act of introducing something new but also becoming widely adopted.
One of the first definitions of innovation was featured by Schumpeter (1939) who analyzed the economic importance of innovation.

An innovation orientation provides the organization with the capability of developing and implementing innovations. The earliest Innovation orientation article is from Manu (1992), which explains the innovation orientation as encompassing “the total innovation programs of the organization and is strategic in nature as a result of it provides direction in managing market (Norris and Ciesielska 2019). The innovation orientation is a way of thinking and leading that stimulates continuous innovation, thus ensuring the survival of the organization in the long term because it allows its adaptation to a highly changing environment. Thus, the orientation towards innovation has an important role for organizations in the hotel sector because it is a very dynamic sector that requires constant innovations that respond effectively (Collins and Reutzel 2017).

**Review of Literature**

The early 1900-s witnessed the birth of the first theories of innovations. Since the second half of the 20th century, the concept of innovation started to spread over the different fields of science. The time span between the 1960-s and 1990-s can rightly be called the golden age in the study of innovation. However, in the last ten years, the concept of innovation began to gradually shift from strong scientific definitions to management concepts, slogans, and buzzwords during the last thirty years, innovation has evolved as the synonym for the development of nations, technological progress, and driver of business success (Kallmuenzer, 2018).

Hurley and Hult (1998) state that innovation orientation refers to an organization’s openness to new ideas and propensity to change through adopting new technologies, resources, skills, and administrative systems. Innovation orientation is a sub-construct positioned within the wider field of innovation and relates to an innovation-based strategic orientation, where orientation is used to describe the overall dominant approach that represents an organization’s competitive posture and strategic focus (Jalilvand , 2017). However, Innovation orientation has garnered much research interest in the last years, with a large volume of work on the role of innovation orientation as a strategic orientation that can impact business performance (Doris and Gomezelj, 2017), and organizational learning, innovation, (Chen et al., 2017) marketing, and strategic management (Nagy and Babaita 2016).

**Elements and characteristics of the innovation orientation**

Nagy and Babaita (2016 ), identified three main approaches to innovation orientation: innovativeness; the organization’s potential to have new ideas in order to develop new products, the management’s implication in innovation the way the organization’s management approaches innovation, and employee involvement that can be viewed from two different points of view: the employees' involvement in the decision-making process and the finding of new ideas that lead to new product and service development (Nuryakin, 2018).
Determinants of Innovation in the Hotels

Up to the present time, most of the studies about the innovation-decision have been based on Schumpeter’s seminal works (Schumpeter 1985) and have concentrated on explaining the innovative activity of organizations in terms of two determinants: organization characteristics (size) and market characteristics (degree of competition) (Ribeiro and Navarro 2017).

Organization size: Some researchers propose that large organizations are more innovative because they have more financial resources, diverse facilities, professional and skilled workers, higher technical potential and knowledge, and better scale economies for raising capital. Hospitality research has so far supported the idea that large hospitality organizations tend to innovate more than small hospitality organizations do (Camison, and Villar-Lopez 2014). A study by Gomezelj, (2016), argued that belonging to a chain allows hospitality organizations to accumulate management know-how, maximize information flows, and build intangible assets such as a brand image and prestige.

To summarize, collaboration, human capital, information technology, and funding are often cited as key determinants of innovation in hospitality and tourism. Moreover, the literature suggests several institutional factors associated with the decision of hospitality organizations to adopt innovations (Ribeiro and Navarro 2017). These include organization size, ownership patterns, the degree of competition, and the environment (Backman, et al., 2017). Furthermore, the nature of an industry may also influence the propensity to innovate. Along with the institutional factors, which we treat as controlled variables influencing decisions to innovate (Kimberly and Evanisko, 2017).

Types of innovation orientation

Multiple studies mentioned the dimensions of innovation such as the OECD -Oslo Manual 2005; Nieves & Segarra-Ciprés, 2015; Kalay and Lynn 2015; Gomezelj, 2016; Chen et al., 2017; Alharbi, et al., (2019), mentioned that innovation can be classified in four types (product innovations, process innovations, organizational innovations, and marketing innovations) plus various combinations of these four types as clarified by Martin-Rios and Pasamar (2018). In addition to Olusola, et al., (2019) described that the innovation orientation variables has five dimensions: Product innovation, Process innovation, organizational innovation, Market innovation, and Technological innovation.

Product Innovation

Service innovation in hotels and the service sector at large employs new knowledge and technologies, or new combinations of existing knowledge and technologies. These innovations are expected to provide service hotels with a competitive advantage via the technological novelty of the service (Asikainen, 2015).

Processes innovation

Process innovation is a tool to improve organizational efficiency. An organization may adopt new technologies, improved ways for the creation and provision of services and the development of new techniques for managing projects in tourism organizations (Jalilvand, 2017).
Marketing Innovation Orientation
Marketing innovation is “the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing (Oslo Manual, 2005).

Market orientation is considered both a marketing concept and a management strategy. According to various scholars, practitioners, and researchers, market orientation assists in developing marketing knowledge, superior performance, and competitive advantage (Tajeddinia, 2020).

Organizational Innovation Orientation
An organizational innovation expands the capabilities and vision of the organization, improves employee satisfaction, and leads to organizational transformation. Oslo Manual (OECD, 2005) defined an organizational innovation as “the implementation of a new organizational method in the organizations business practices, workplace organization or external relations.”.

Technological Innovation Orientation
Technological innovation is defined as an organization’s inclination to introduce or use new technologies, products, or innovations. It suggests that customer value and the long-term success of the organization depend on new innovations, technological solutions, products, services, or processes (Damanpour et al., 2018).

Factors Influence Innovation Orientation
In the hospitality sector, many studies concerning the factors that influence innovation. A study by Camisón, and López (2011), identified leadership behaviors, workgroup innovation climate, management tools/processes, and strategy. In addition, other authors analyzed the influence on the innovation of hotel size of chain structure, or the high cost of innovation. An additional factor that influences innovation, many authors’ stated that it is the hotel’s category (Grissemann et al., 2013), Besides, several studies investigated the effect of leadership styles or the effect of the manager-employee relationship on innovation (Nagy and Babaita, 2016).

Advantages of applying innovation in the Hospitality Industry
As specified by Sharma, (2017) that technology has brought a sea change in the way hotels market themselves, and innovation in technology has provided a myriad of choices about how to select a place to stay. For this reason, irrespective of category, allow the hotels accepted that they use allow the major online distribution channels and websites, such as Expedia (Campo et al., 2014). Hotels use various distribution channels because their potential guests are using them. It has been observed that this technology has existed for several years but has started gaining more prominence recently because of the high rates of implementation (Asikainen, 2015).

In addition, innovation has a direct impact on marketing performance, this contributes to greater economic and financial performance the explanation lies in the fact that, in the short term, innovation allows a company to reach higher levels of customer satisfaction, loyalty, and perceived quality; consequently, it obtains better economic results through increased sales, market shares, etc. In the long-term, innovation has a direct effect on financial results, by improving economic and marketing results (Tavassoli, and Karlsson, 2016).
Organizational innovation helps hotels to achieve a better competitive position through the implementation in the form of elements such as teamwork, decentralization of planning, enrichment and expansion of jobs, and continuous improvement among others (Kimberly and Evanisko 2017).

Research Methodology

This study is a descriptive study that includes collecting and analyzing data in order to investigate the role of innovation orientation in building the competitive advantage in five stars’ hotels in Egypt. In order to accomplish this study, exploratory descriptive research was used to determine hotel managers’ perceptions of the role of innovation orientation in building a competitive advantage in Egyptian hotels. This was important due to the paucity of studies and literature on the topic of innovation orientation in Egyptian hotels.

The study uses the quantitative method. The quantitative research method is in the form of a structured questionnaire directed to the hotel managers and departmental managers in investigated hotels in order to determine the role of innovation orientation in building the competitive advantage in the investigated five-star hotels in Egypt.

A framework of the study was developed to cover all steps taken to achieve the objectives of the study and answer research questions. The framework divides into two main parts, theoretical context, and research methodology.

The population of the study includes all managers (departmental, divisional, and general managers) in five-star hotels in Egypt. Since the difficulty of targeting all five-star hotels in Egypt, and out of the scope in one study. It was fundamental to choose a representative sample that help to generalize the findings of the study.

The sample of the study selects randomly to assure that every element in the population of the study has an equal chance to participate in the study, and selecting one element will not impact the selection of another element. Two stages are considered in identifying the sample of the study. Firstly, determining the place limitation, and secondly, determining the subject limitation.

Sharm El-Sheikh city has been chosen to be the society of the current study, A sample of five stars Hotels was targeted and represented 43 of the population of the study.

Data Collection Tool

Data have been collected through structured questionnaires directed to departmental managers in investigated hotels directed by divisional and general managers in order to determine the status of innovation orientation in Egyptian hotels.

Structure of Questionnaire

The theoretical and empirical literature on the topic of innovation orientation and competitive advantage was used to develop questions for the questionnaire. For instance, the section on innovation culture is based on the work of Calik (2017) as a validated scale. Some statements were developed during questionnaire reviewing with supervisors such as the statement “The hotel adapts to different service processes to meet customers’ needs”. “The hotel adapts to different service processes to meet customers’ needs”.

Table (1): Measurement Scale of the research factors
The questionnaire was divided into two main sections. The first section is personal data and includes gender, age, level of education, and years of experience of the respondents and hotel management and the type of management, the second section is objective statements and includes seven dimensions (six independent variables and one dependent variable). These questions were developed to cover the following points:

A. **Independent Variables**


B. **Dependent Variable**  Competitive Advantage.

**Data Analysis:**

The Statistical Package for the Social Sciences (SPSS) version 26.0 for Windows was used to analyze the valid forms. Among its many modules for statistical data analysis, including descriptive statistics such as frequencies, charts, and categorical data analysis. Frequency counts percentage distributions. The analysis included the following statistical methods:

A. Alpha Cronbach's test: to know the reliability of the study tool.

B. Kolmogorov-Smirnov and Shapiro-Wilk tests: to know the normality of the distribution.

C. Descriptive analysis: Frequencies, percentages, means, standard deviations, and ranking based on the most homogeneity values to describe the characteristics of the sample of the study. And to identify the response to the study dimensions.

The Five Likert scale: Is used in determining the response of the other dimensions as shown in table (1):
Table (2): Questions Answer Three Scale.

<table>
<thead>
<tr>
<th>Category</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Rang</td>
<td>1 – 1.80</td>
<td>1.81 – 2.60</td>
<td>2.61 – 3.40</td>
<td>3.41 – 4.20</td>
<td>4.21 – 5</td>
</tr>
</tbody>
</table>

*Rang = (5 – 1 / 5) = 0.80

4. Spearman correlation coefficients: to test the correlation among the study variables and the validity of the hypothesis. It is used in the case of non-parametric tests and in the case of ordinal data.

5. Kruskal-Wallis test: to examine the differences among sample responses in more than two groups, one of the test's nonparametric.

**Conclusion and Recommendations**

In order to attain the objectives of the study, a questionnaire form was developed and distributed to a random sample of the general managers and heads of departments in all investigated hotels. A number of 400 forms were distributed and only 386 forms (96.5%) were valid for analysis.

It is noticed that the values of the Parameters of Regression are less than 0.05. Therefore, hypothesis zero could be rejected and it would accept the alternative hypothesis (H1) that there is a significant impact on 0.05 degree between applying the innovation orientation and competitive advantage. This result indicates that applying the innovation orientation contributes to making a competitive advantage. Factors ranked as follows: 1) Innovation Culture 2) Organizational Innovation Orientation 3) Product Innovation 4) Process Innovation 5) Marketing Innovation Orientation 6) Technological Innovation Orientation.

Statistical data from hotel managers questionnaire analysis and this thesis has indicated the following relevant conclusions:

- The results refer to that majority of employees in investigated hotels were male. This result may back to the desire of hotel management in hiring male managers due to the nature of the hotel industry. According to age group, among the 386 respondents, 52.3% fell into the age group 30-40 years; this was followed by age group by 41-50 years 38.1%, then more than 50 years' age group (7.5%).

- With respect to the educational level variable, a high proportion of the tested sample (49.2%) have a university degree, and 26.7% had a postgraduate degree, this is followed by an institutional educational degree with 14.8%. Investigated hotel managers with vocational/average degree were the smallest group and presented by (9.3%).

- According to the extent of existence of innovation culture in order to build competitive advantage, the statement of "The hotel sees the presenting of new ideas and methods to improve business processes are critical to the company's success " has got the highest percentage of agreement from the respondents at (Mean=4.40). Meanwhile, the statement of “The hotel management seeks to apply new ideas and methods to innovatively overcome customer complaints” has got the lowest percentage of agreement from the respondents at (Mean=2.13).
According to the extent of applying product innovation in order to build competitive advantage, the statement of "New products and services in our hotel often take us up against new competitors" has got the highest percentage of agreement from the respondents at (Mean=4.63). Meanwhile, the statement “has got the lowest percentage of agreement from the respondents at (Mean=1.87).

According to the extent of applying process innovation in order to build competitive advantage, the statement of "Training courses contribute to improving staff skills" has got the highest percentage from the respondents at (Mean=3.35). Meanwhile, the statement “The hotel is constantly developing its operational processes” has got the lowest percentage of agreement from the respondents at (Mean=2.46).

According to the extent of applying organizational innovation orientation in order to build competitive advantage, the statement of "Demonstrate an innovation orientation in their behavior" has got the highest percentage of agreement from the respondents at (Mean=3.99). Meanwhile, the statement “Set the managers’ objectives in order to promote a high innovation orientation” has got the lowest percentage of agreement from the respondents at (Mean=1.96).

According to the extent of applying marketing innovation orientation in order to build competitive advantage, the statement of "The hotel is quick in grasping and utilizing market trends " has got the highest percentage of agreement from the respondents at (Mean=4.58). Meanwhile, the statement of “We are always able to secure first-mover advantages when it comes to market development” has got the lowest percentage of agreement from the respondents at (Mean=1.66).

According to the extent of applying technological innovation orientation in order to build competitive advantage in investigated hotels, the statement " A formal innovation framework is adopted for the development of new products/services/processes" has got the highest percentage of agreement from the respondents at (Mean=3.72). Meanwhile, the statement of “Effect of change in the environment due to new technology is periodically reviewed” has got the lowest percentage of agreement from the respondents at (Mean=2.20).

According to the extent of the interest in building a competitive advantage in the investigated hotels, the statement " Better cash flow " has got the highest percentage of agreement from the respondents at (Mean=4.53). Meanwhile, the statement of “Increase managers & customer's satisfaction” has got the lowest percentage of agreement from the respondents at (Mean= 3.38).

Recommendations
A. The study recommends that all entrepreneurs and hotel management should adopt innovation-based entrepreneurship that can bring about the performance of high return on sales and profit.
B. It is highly recommended that hotel management put an orientation towards innovation in their strategy, operations, methods, and marketing strategies in order to gain competitive advantages.
C. Hotel management should stimulate the creativity of employees by enabling the contribution of new ideas and suggestions for problems raised or for daily work activities, and frequent communication between leaders and employees.
D. Hotel Management must study the design of the physical workspace to create opportunities for interaction among employees and facilitate the flow of information among team members.
E. Furthermore, hotels should create an annual financial budget-oriented to foster innovation in accordance with changing customer requirements.
F. The CEO and senior executives in hotels must believe that innovation is important and consistently reinforce the need for innovation by sponsoring new ideas and pushing for more innovation at the strategic level and throughout the business.

Recommendations for Further Research
The results are in line with theoretical and conceptual reasoning and show a better method through which hospitality organizations can fully benefit from their innovations. It is recommended that future research in this area consider longitudinal or experimental designs. Another potential limitation of this study is that innovation was measured in terms of capability and not output. This may not show clearly how well a hospitality organization’s innovation output may be compared to an approach where a specific number of product and process innovations had been measured over a long period.

References:


دور التوجه الإبتكاري في بناء الميزة التنافسية في الفنادق المصرية

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المستحث

بعد التوجه الإبتكاري أحد أهم محفزات التنمية التسويقية والإنتاجية للمنشأة الفندقية من خلال زيادة المبيعات وحصص السوق ورفع مستوى رضا العملاء والجودة المتوافقة من وجهة نظر العميل. يهدف البحث إلى التعرف على أهم تحديات تحقيق الرؤية الإبتكارية. تنوع التوجه الإبتكاري بين "التسويقي، التنظيمي، التكنولوجي، العمليات، المنتجات والخدمات" وتمثلت محدداته في التمويل، رأس المال البشري، التعاون التنظيمي، درجة التنافسية، وخصائص المنظمة. وتمثلت أبعاد الميزة التنافسية في تكلفة المنتج، مستوى الجودة، المرونة والوقت، تم إجراء البحث الميداني عن طريق استمارات الاستبيان الموزعة على موظفي قطاعي الغرف والأغذية والمشربات ببعض فنادق الخمس نجوم بمدينة شرم الشيخ، وتم تحليل البيانات باستخدام برنامج SPSS.

وقد توصلت الدراسة إلى مجموعة من النتائج أهمها أن الخوف من الخسائر، ضعف التمويل، عدم كفاءة الموارد البشرية وضعف استراتيجيات الإدارية والمهارات القيادية تعد من أكبر تحديات تحقيق الرؤية الإبتكارية، كما أن رأس المال البشري يعد أكثر أبعاد التوجه الإبتكاري تأثيرا في تحقيق الميزة التنافسية، في حين أن مستوى الجودة يعد أقوى أبعاد الميزة التنافسية أهمية.

توصي الدراسة فيما توصي الإدارة الفندقية بتخصيص ميزانية سنوية لتعزيز الإبتكار وفقا لمتطلبات العملاء المتغيرة. ودعم التوجه الإبتكاري من خلال وضع سياسات واستراتيجيات تشجع الإبتكار.

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