Analyzing Hotel Innovation Behavior in the Balaton Region of Hungary to Identify Best Practices

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Abstract

The goal of the research is to investigate the hotel innovation behavior in one of the most important tourism regions of Hungary. The Lake Balaton Region is a very popular area of the country with quite a short season (from the middle of June to August 20). The region is the second most visited area based on the number of guests and guest nights in Hungary. The topic of innovation plays a growing role in the Hungarian hotel sector as well, because competition is very high and keeping guests and employees can be a great challenge. The study involved both qualitative and quantitative research. The qualitative research aimed to identify the best practices of the Hotel Európa Fit****superior which introduced an “innovation by inspiring” strategy and applies several types of innovation in a highly recommended way. The respondents of the questionnaire included 28 hotel general managers (52% of the 54-person sample). The results showed a strong relationship between the type of the hotel and the number of innovations as well as the type of the hotel and the frequency of innovation.

Key words: innovation behavior, hotel type, best practice, Hungary

1 Introduction

The economic and corporate importance of innovation and continuous improvement has become obvious for all specialists. Tourism is one of the fastest-growing industries today and is significantly contributing to a lot of countries’ GDP data and employment indicators (Gyurácz-Németh, Raffay, & Kovács, 2010). Due to the great competition among hotels, it is becoming more important to create new and special products for consumers to satisfy their expected needs and differentiate themselves from their competitors. The solution for staying competitive and sustainable, therefore, appears to be innovation.
The main aim of the paper is to investigate some characteristics of innovation in the hotel industry in the Balaton Region of Hungary and present best practices that could be exemplary for other hotels. This paper focuses on the type of the hotel; it determines if leisure or conference/business hotels are more innovative (introduce more innovations more frequently) and presents the strength of the relationship between these factors. The results will show how many innovations were implemented in the last five years in the hotel industry in the Lake Balaton region, including how often and what kinds of hotels are more innovative. Then the best practices are used to present an existing and working model that can provide a case study from which other hotels can learn.

The paper asks the following research question: Is there a relationship between the type of the hotel and the innovation behavior of the hotel (as measured by the number of innovations and the frequency of the innovation process)?

2 Literature Review

From the beginning, people have always tried to use newer and newer methods. The term innovation was first used in Italy during the Renaissance in Europe; it became known once again by the Austrian economist Joseph Alois Schumpeter at the beginning of the 20th century (Quadbeck-Seeger, 2003). Schumpeter (1934) said that innovation was a new way of doing things or a better/unique combination of production factors (Ottenbacher, 2008). As Schumpeter wrote, innovation creates new opportunities for added value; it involves not only the typical product/process innovation of manufacturing, but also the market, organizational, and resource input innovations (Martínez-Ros & Orfila-Sintes, 2009).

OECD defined innovation as “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (OECD, 2005, p. 46). One of the most notable changes in the OECD’s definition is that technology was not included, but the product and process innovation remained. This does not mean that technology is no longer important; it opens the definition to lower intensity R&D companies and the service sector (Katona, 2006).

Initially, only production innovation had a big role in theory and practice. Service innovation was not considered an important issue until the beginning of this century (Djellal, Gallouj, & Miles, 2013). Service innovation is very important for a company because it can provide several advantages. Innovation can contribute to the competitiveness of the firm through lower costs and higher quality (Orfila-Sintes & Mattsson, 2009). The advantages of hospitality innovation can be found in Table 2. Innovation can be classified in different categories according to the innovation process, the innovative product or service, the topic it concerns and the source.

Table 1. Different Innovation Classifications

<table>
<thead>
<tr>
<th>Author</th>
<th>Innovation classification</th>
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<tr>
<td>Dewar &amp; Dutton (1986) and Ettlie, Bridges, &amp; O’Keefe (1984)</td>
<td>Radical, incremental</td>
</tr>
<tr>
<td>Lovelock &amp; Wirtz (2007)</td>
<td>Major innovations, new business, a new service serves the market, service line extension, service development, style changes</td>
</tr>
<tr>
<td>Tseng, Kuo, &amp; Chou (2008)</td>
<td>Technological, organizational, human capital innovation</td>
</tr>
<tr>
<td>Gyurácz-Németh et al. (2010)</td>
<td>Sources of innovation: management, not management</td>
</tr>
</tbody>
</table>

Source: Authors’ own compilation

From the classification criteria in Table 1, Tseng, Kuo, and Chou’s (2008) groups have been further analyzed and applied in this case study.

Hospitality Innovation

This study analyses innovation in the hotel sector, so it is essential to determine the importance of innovation in the hotel industry. Innovation is not so popular in this industry because of the conservative and capital intensive nature, which promises returns for more than 25 years (Gyurácz-Németh et al., 2010).

Allegro and de Graaf (2008) found that the hotel industry’s most innovative ideas come from those who have an outsider’s perspective looking at the operation and who are not impeded by the existing paradigms. In hospitality innovation studies, the role of employees (Chen, 2011; Nagy, 2014; Nieves & Segarra-Ciprés, 2015) and customer orientation (Grissemann, Plank, & Brunner-Sperdin, 2013) cannot be neglected. The advantages and disadvantages are summarized in Table 2.
The most important advantage of innovation is competitiveness, which is derived from the continuous improvement of the services of the hotel (Ottenbacher & Gnoth, 2005). The intangible factors include business reputation and guest loyalty. Innovation has a correlation with the sales activity and stock exchange return of the hotels as well (Nicolaou & Santa-Maria, 2013). The most dangerous disadvantage of innovation is that most of the innovations do not reach the original goals, making improvements very risky (Griffin, 1997). Even if the innovation is successful, it can still be very expensive (Ottenbacher, 2008).

Innovation behavior is defined differently by the researchers. Orfila-Sintes and Mattsson (2009) measured the innovation behavior of the hotel industry in the Balearic Islands using four types of innovation as determinants: management, external communication, service scope, and back-office. The authors determined innovation behavior differently—namely, using the number of innovations introduced in the last five years (as it is logical to assume that those hotels introducing more innovations are more innovative than those with only a few innovations) and the frequency of the innovation process (those hotels supposed to be more innovative introduce innovations more often than those that rarely implement innovations). With these factors, the innovation outcome and the process can be measured as well, which are usually separated in the literature (Witell, Snyder, Gustafsson, Fombelle, & Kristensson, 2016).

One of the most important characteristics of hotels is the type of the hotel. The type will determine the target groups mainly business and leisure guests. The type is one of the first decisions made by the hotel’s owner. In the authors’ opinion, the different target groups and the different ways of thinking can result in differences in innovation behavior.

3 Methodology

Qualitative and quantitative research methods have been used in this current survey. It was necessary to find which hotels’ innovation process can be an example for the other, which could be identified by a deeper qualitative research. Thus, almost 40% of the questionnaires were administered by the authors personally. These opportunities made it possible to get to know the hotels and the thinking of the general managers. The questionnaire was administered as a structured interview but completed by follow-up questions concentrating more on the reasons behind the innovations and the way of thinking. The best practice selection was based on the following criteria:

- Number of innovations in the last five years
- Types of innovation (according to the classification of Tseng et al., 2008)
- Spending on innovation (percentage of the annual revenue)
- Frequency of innovation
- Innovative thinking of the general manager

After the best practice hotel was selected, an in-depth interview was also carried out on site with the hotel’s general manager.

A questionnaire was used to collect data for the analysis. The research presented in this paper is part of a bigger examination of the Hungarian hotel market. The survey contained 20 innovation questions (for example, types of innovation, frequency of innovations) and 16 general questions about the characteristics of the hotel (for example, hotel type, number of rooms, star rating). The participants had to list the innovation they introduced in the last five years and those they are planning for the next three years. These were open questions, but some questions used a Likert scale (for example, expectations of the hotel general managers) or had only one choice possible (for example, hotel type). A pilot test was conducted before the questionnaire was administered to test its reliability and validity and look for errors. Twenty-two general managers nationwide were asked to check the comprehensibility and professional content of the questionnaire. They suggested that the word innovation be defined in the questionnaire and, instead of innovation, use its Hungarian version to make it more understandable. After the pilot test, the link to the questionnaire was sent to the hotels in the sample.

Twenty-eight hotels completed the questionnaire, which is 52% of the population (54). Only three-, four- and five-star hotels were asked. The general managers were asked to be participants in the research because innovation is a company-wide process in which more hotel departments need to
take part. Since general managers have to coordinate departments, they have to decide on strategic issues concerning the whole hotel. This paper explores two important themes from the quantitative research. In the first issue, the relationship between the type of the hotel and the number of innovations is investigated. The other question asks whether any connection exists between the type of the hotel and the frequency of innovation.

To analyze the results, cross-tabulation analyses were used as the variables are on a nominal scale. This method shows the relationship between the variables and determines its strength as well.

4 Results

The results of the quantitative research will be presented to answer the research question: Does a relationship exist between the type of the hotel and the innovation behavior of the hotel? Innovation behavior was separated into two parts: number of innovations and the frequency of innovation. The results are shown in this order.

Participating hotels were asked to describe what type of hotel they are. The answers were given according to the Hungarian regulations (239/2009 law about the operation and types of accommodation). Hotel types were grouped into two categories: conference/business hotels and leisure hotels.

4.1 Relationship between Hotel Type and Number of Innovations

The hotels were asked to mention any innovations introduced in the hotel in the past five years. Then the number of innovations was counted. The aim was to find a relationship between the hotel type and the number of innovations to determine if business or leisure hotels were more innovative.

Table 3 shows the output of the cross-tabulation analysis of hotel type and number of innovations. The results suggest a strong correlation between the factors as the significance level is under 0.05 and the value is above 0.7.

<table>
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<tr>
<th>Symmetric Measures</th>
<th>Value</th>
<th>Approx. Sig.</th>
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<tr>
<td>Nominal by Nominal</td>
<td>Cramer’s V</td>
<td>.717</td>
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Source: Authors’ own compilation

In the examined period of time (five years), participating hotels introduced 105 innovations. Of these, 60 were implemented by conference/business hotels and 45 were carried out in leisure hotels. Figure 1 shows that conference hotels are more active in introducing innovations than leisure hotels.

4.2 Relationship between Hotel Type and Frequency of Innovation

One of the most important issues concerning innovation is the frequency of the activity. It shows the company’s commitment to continuous improvement and the managers’ understanding of the word innovation. Table 4, which shows the results of the analyses, indicates a significant but weak relationship between the hotel type and the frequency of innovation.

<table>
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<tr>
<th>Symmetric Measures</th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
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<tr>
<td>Nominal by Nominal</td>
<td>Cramer’s V</td>
<td>.388</td>
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</tbody>
</table>

Source: Authors’ own compilation

According to the general results, hotels think that innovation should be introduced annually, and they try to do that; only half of the answers indicated continuous improvement. The frequency data were narrowed down and grouped into two categories: often (i.e., continuously, every half year, annually) and rarely (i.e. every three, every five, every
20 years or less often). In this category, leisure hotels came first because most of them often implement innovations. Although there is no big difference between hotel types in case of the innovation happening often, there is in the case of rare innovations.

4.3 Best Practice: The case of the Hotel Európa Fit****superior

After analyzing all the quantitative research results, it became possible to identify the best practices from the hotels of the Balaton Region of Hungary. The chosen hotel is the Hotel Európa Fit****superior in the town of Hévíz (northwest side of the lake). The choice was supported by the fact that the exact questionnaire (for quantitative research) was personally administered and a longer interview was conducted with the general manager of the hotel on March 25, 2014. The aim of this interview was to get more detailed information about the organizational aspects of innovation in the best practice. This interview made it possible to get more information about the hotel operation and the way of thinking behind the number of innovations and the frequency of the innovation process.

About the Hotel

One of the most famous thermal baths in Europe can be found in Hévíz, on the edge of Lake Balaton. This medicinal lake—unique throughout the world—is found amongst exquisite green surroundings. The Hotel Európa Fit****superior is a four-star spa and wellness hotel located in the heart of a peaceful oasis. Its staff and the variety of wellness and beauty services give the guests the feeling of being really cared for. The hotel offers 234 rooms for different needs, each with a balcony/terrace and equipped with modern and necessary equipment. The whole hotel is air-conditioned.

According to the hotel’s website (http://www.europafit.hu/en/hotel/introduction), the following services are provided by the hotel:

- Medical wellness cures in a new environment, modern and pampering treatments, alternative medicine and dental services
- Massages: refreshing, sport and traditional Far Eastern massages
- Treatments: electrotherapy, pelotherapy, hydrotherapy, oxygen therapy, magnet therapy, inhalation, special packs, remedial gymnastic, medical examination, counselling, general medical check-up, dietary consultation, California bath, Hévíz mud-bath, Humino treatment, and cryosauna
- Pools: more than 700 m² of water surface, wellness pool, medicinal pool, experience bath, indoor and outdoor swimming pools, Acapulco pool for families, whirlpool, and Kneipp pool
- Saunas: Finnish saunas, infrasauna, steam bath, herbarium and a frigidarium
- Vitalium beauty: relaxing atmosphere, face and body treatments, massages, thalassotherapy, mesotherapy, cosmetics, hairstyling, manicure, pedicure, cosmetician’s consultation, and solarium

Innovation

Although several hotel general managers misinterpreted innovation (e.g., identifying it as maintenance or hygienic renovations), Hotel Europa Fit concentrates on service development in the definition. The general manager uses vision in the service development tasks, which are discussed in the annual meetings from a strategic and financial perspective.

The organizational structure of the hotel was created according to the need to innovate the operational issues (e.g., ensuring the room’s average daily rate [ADR]), while other kinds of performance indicators have only secondary importance. Every development in the hotel starts with a kick-off meeting at the beginning of the year. They realized that there should be a deadline for every task, as this will make sure that effort is made and a new or altered service is created. So after the kick-off meeting, there is a discussion every month to check the progress of the innovations and other relevant issues. The most important thing is to separate the meetings and tasks considering operational/everyday issues and strategic/long-term issues containing innovation, because if a hotel only concentrates on everyday operations, innovation...
can only be a secondary issue; consequently, it is always postponed and never realized.

For example, at one meeting, the most essential topic of the meeting was to deal with TripAdvisor comments. This discussion happened in a very different environment—in the Oxygen Adrenalin Park—where team-building exercises helped the process. The event was successful, and a new strategy was developed to ensure guest satisfaction. They will encourage their guests to write as many comments on the site as possible to share the real image of the hotel and make sure that new guests will see the real picture instead of the negative comments more likely to be on TripAdvisor. These team-building programs have been organized in the hotel since 2009.

This year, the hotel initiated an energy optimization program to reduce the energy costs of the hotel and make operations more efficient. This is one of the reasons why it is essential for hotel staff to have the chance to come forward and visit the general manager to suggest new, innovative ideas.

Service Development Teams

The hotel uses service development teams, which are perceived to be the most essential according to the general manager. The teams contain employees from every department. The aim is to involve the opinion leaders willing to share their thoughts with the group. Currently 10 people are on the team; they are not necessarily department leaders, but are creative and willing to challenge the service quality of the hotel with new ideas. The middle managers of the different departments also need to understand that their employees can have very good ideas, and sometimes they will be project managers. This team has meetings at least once every three months without the general manager to make sure that they do not keep their ideas to themselves and even dare to criticize and create new things.

Innovation by Inspiration

Hotel Európa Fit****superior has a very good philosophy called “innovation by inspiration,” where the two concepts are connected. Setting aside any notion of the autocratic management style, the general manager was able to motivate managers to share their opinions and suggestions. The colleagues have to prove the relevance and value of their ideas and describe the processes of implementation. There is always a discussion among the managers to find the strengths and weaknesses of the recommended solutions. The final decision is made by the general manager as he is the one responsible for all actions in the hotel. The general manager believes that only that strategy can work where everybody can share their opinion and he is only the “first among equals.” However the owners cannot be forgotten. They need to support the new ideas because they risk their financial resources to accomplish the dreams of the managers and the staff.

The general manager also mentioned that the revolutionary thoughts and innovations come not only from inside the company, but also from other sources (e.g., journals, magazines, and other secondary sources). These suggestions can be applied in practice. For example, the general manager read a paper about Marriott hotels that sparked the idea to rethink the hotel’s minibar service, which saved a lot of costs. However, he also asserted that it is not always a good idea to copy the innovation of other hotels because the circumstances, target groups, and even financial opportunities can be quite different.

Innovation Success and Failure

It is very hard to measure the success of innovation as it can be quite subjective. The aim of the innovation behavior in the case of Hotel Európa Fit is to make the hotel more competitive and reach the proper operational performance expected in the annual plans. This thinking will lead to guest satisfaction as well, which is an essential indicator in the case of a hotel. Although customer satisfaction is a crucial input, employee satisfaction cannot be forgotten. An exhausted, overwhelmed, underpaid staff cannot satisfy the guests and improve or maintain the image of the hotel. This will not lead to competitiveness or a better image.

5 Discussion

A contradiction emerged in the most innovative hotel type result because there are more innovations introduced in conference hotels, but in leisure hotels innovations are happening more often (i.e., at least annually). These results helped but did not entirely determine which hotel can be named best practice; they were still open. As mentioned earlier, the personal surveys contributed highly to the decision-making process.

The best practice case study contains the most important information about the innovation behavior of the hotel. As a summary, it has to be noted that the general manager of the Hotel Európa Fit is very competent in the topics of hotel and innovation management. The most mentioned innovations were organizational (service development teams, brainstorming meetings) and human resource innovations (training), although he emphasized the role of technological
innovations as well. In the authors’ opinion, the organizational innovations are the basis of all developments in the hotel.

According to the general manager, there is no good example in Hungary from which they could learn and Hungarian hotels are not open for new innovations. Although a contradiction exists because their competitor Hotel Carbona**** (according to the authors) introduced a new service (cryotherapy) at the same time as Hotel Európa Fit****superior did, other hotels can be innovative as well.

Innovation can come from different sources, which are known to the general manager, including cooperation among others. That is why he set up a meeting with other hotel general managers in Hévíz every month. During these discussions, participants discuss the development opportunities and problems as well. The extension of this cooperation is suggested.

One of the most important messages is the involvement and empowerment of employees to take part in the innovation processes of the hotel. To encourage the staff, the general manager needs to be understanding, open, and inspiring. Two-way communication is necessary with the guests, managers, and the employees.

6 Conclusion

The need for innovation from hotels’ and guests’ side is very high in today’s competitive environment. The ability to innovate can be the key to companies’ survival. New innovations have the opportunity to satisfy guests, owners, and employees and produce the right performance indicators. The current research aimed to map the innovation behavior in the Lake Balaton Region in Hungary according to one of the most important hotel characteristics, hotel type, and find the best practice hotel concerning innovation behavior and attitude.

This research put the hotel type into the center of the investigation and was able to find the relationship between the hotel types and innovation behavior. It also determined innovation behavior in an easily measurable and determined way using two important indicators: number of innovations and the frequency of the innovation process. The results of the analysis showed a positive and strong relationship between the hotel type and number of innovations, and there is a weak relationship between the type of the hotel and frequency of innovation. Although it is important to add that conference hotels were better at the number of innovations, leisure hotels innovate more frequently.

After the initial analysis, the best practice hotel was identified. The most important type of innovation used in the hotel is organizational innovation, which is the basis of all others applied in the example hotel. The key to success lies with the philosophy of the general manager, called “innovation by inspiration.” The other significant innovative practice is to get innovation ideas from different sources.

The authors believe that innovation has to be a strategic decision instead of an operative one and can come from different levels of the organization or outside of the hotel. The most important thing for general managers is to always be open, try to find opportunities all the time, and not be satisfied with the current situation of the hotel, as mentioned by the best practice hotel’s general manager.

Although there was much relevant information gathered during the interview, some limitations have to be mentioned. The research only concentrated on the Balaton Region, not the whole country. There was no foreign comparison, and only the three-, four-, and five-star hotels were analyzed.

Further research should consider other parts of the country and try to involve more hotels in order to ensure a representative sample. A foreign best practice example should be researched and compared to the Hungarian best innovative hotel.

References


25. Interview with László Könnyid, General manager of the Hotel Európa Fıt***superior (25th March 2014)

Authors

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Analiziranje inovativnega vedenja hotelov ob Blatnem jezeru na Madžarskem z namenom, prepoznati najboljšo prakso

Izvleček


Ključne besede: inovativno vedenje, tip hotela, najboljša praksa, Madžarska