

## Leadership style and culture for innovation in hotel industry

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*Abstract:* The aim of this research is to analyze the climate for innovation as an indicator of the hotels ability to become innovative. Furthermore, it also analyzes the manager-employee relationship and how it is perceived by the employees. In hospitality industry, leadership and innovation play an important role. In comparison with other industries, this one must pay double attention in implementing innovations. Leaders in this industry must be always very close to their employees and they really must encourage affirmation in the organization. In Romanian field literature there aren't too many studies regarding the effects of leadership style and climate for innovation in hotels. So, we started this research by analyzing hotel market from Timișoara city in a pilot study. It was developed in May-July 2010 in hotel industry from Timișoara city, Romania. There were approached 29 three and four star hotels, which represent 60% of the existing hotels on Timisoara's hotel market.

*Key-Words:* innovation, leadership style, leader, hotel industry, transformational leadership, service quality

### 1 Introduction on leadership style and innovation

Leaders of successful, high-growth companies understand that innovation is what drives growth, and innovation is achieved by awesome people with a shared relentless growth attitude and shared passion for problem solving and for turning ideas into realities. [...] Innovation is founded on your enterprise's ability to recognize market opportunities, your internal capabilities to respond innovatively, and your knowledge base. So, the best thing to do to guarantee growth is to build a sustainable innovation organization. [1]

Because is not easy to be a leader, other authors [2] focused on the importance of being an efficient leader. They proved that there are three main characteristics an efficient leader must have. First of all, he must give proof of integrity. Second, he must form an organizational culture based on partnership and third, he must encourage his co-workers by showing them how important their work really is. In other word, this third characteristic refers to employees' affirmation.

Băcanu [3] tried to find the best innovations leader (or the leader that supports' best the innovation) characteristics and he come up with a list of five abilities such as the abilities of: toleration for ambiguity, evaluation and accommodation with risk, finding a balance between passion and objectivity, the abilities to change and to impose respect.

In hospitality industry, leadership and innovation play an important role. In comparison with other industries, this one must pay double attention in implementing innovation. First of all because the innovations are most of the time regarding the product and second, because the product does not have tangible characteristics. Leaders in this industry must be always very close to their employees and they really must encourage affirmation in the organization.

### 2 Aspects regarding innovation and leadership style in hotel industry

#### 2.1 The importance of innovation

Lately, various authors have shown interest in the innovation issue, but in the field literature a major importance was given to the studies developed by Joseph Alois Schumpeter, who is considered the pioneer of innovation and Peter Drucker, whose studies revealed the importance of innovation in business.

Schumpeter was one of the first to develop a theory of innovation. He defines innovations as "new ways of doing things, or [as] better, unique combinations of the factors of production" and identifies them as the core of an entrepreneur's work. [4]

Heilbroner [5] said that "the person that introduces changes in economic life is an ambassador of another class or, more properly, of another group, because

innovators are not necessarily recruited from a certain social class.”

According to Drucker [4] [6], innovation should be viewed and implemented as an opportunity that results in the creation of a new or different product or service. Furthermore, an innovation can be an idea, practice, process, or product that transforms a new problem-solving idea into an application and is perceived as new by an individual. [4]

Innovation can take many forms. Thus, we can speak of product innovation (that regards the improvement of an old product or the development of a new one) and process innovation (that consist in replacing an old technology with a new one).

We can also speak about incremental innovation – adding new characteristics to the products’ existing elements in order to increase their efficiency with the impact on prices, and radical innovation – the effect of an idea materialized in an invention or in an unexpected model being developed on wide scale in a stimulating environment through the lack of imitation reactions. [3]

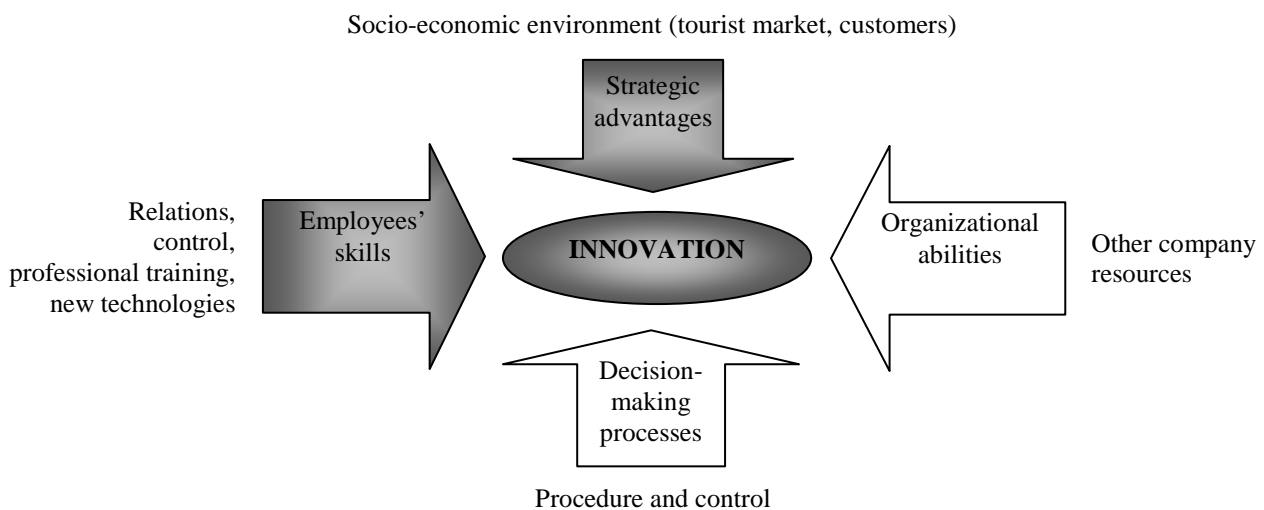
Innovation can be met in every field. Therefore, in addition to traditional technological innovation, there is innovation through new business models, new ways of organizing work, and innovation in design or marketing. Managing and exploiting to best effect all these different

kinds of innovation represents a major challenge to businesses today. [7]

Because it is not enough for companies just to innovate, not knowing if what they are doing is right or demanded on the market, it is necessary to analyze the variables that influence the phenomenon at company level in order to take them in account in the innovational process.

The variables influencing innovation are presented in Figure 1. It can be observed that these are narrowed down to four, most important of which are the strategic advantages (market opportunities) and the employees’ skills (connected with new technologies, professional training, control and relations). Decision-making processes and organizational abilities among other resources of the company have a less important influence on innovation. [8]

All these variables play a significant role in the development and implementation of innovations in organizations but one must take into account the control the company can have on them. It can be observed that one part of these variables belong to the organization’s internal environment (organizational abilities and decision-making processes) and another part (known as external environment) influences the company from outside, and without depending on it directly (strategic advantages – connected with the reference market, and employees’ skills). The control the company can exert on the latter variables is lower.



(Source: adapted after Julien P.A., 2003)

**Figure 1** – The main variables that influence innovation

## 2.2. Leadership style

Until now many researches studied leadership phenomena and culture for innovation in organization but few of them studied it in hotels industry. As it’s known one of the most important leadership characteristic is the change function. “Only through

leadership can truly develop climate and a culture that is adaptive to change in organizations”. [9] Researchers states that transformational leadership and organizational innovation are related and lead to organization performance.

Given the complexity of the leadership phenomenon, over the time appeared many styles of leadership. The

literature number is impressive typology of leadership styles has gone almost every author tried to classify them. The most common type is proposed by Kurt Lewin, 1939: style authoritarian, democratic, laissez faire. Starting from them or other leadership styles stressed intermediate [10]. There others leadership style as participative (drawn primarily from pathgoal theory), empowering style which is drawn primarily from transformational theory and transformational style. [11] Transformational leadership style is one of the most wanted style in a relationship between manager and employees.

That's why in defining transformational leadership many researchers said that it refers to behaviors of leaders who motivate followers to perform and identify with organizational goals and interests and who have the capacity to motivate employees beyond expected levels of work performance. As a result, employees feel engaged and personally rewarded through work, and work outcomes such as satisfaction and extra effort are enhanced [12] [13].

Ogbonna and Harris in one of their research stated that they found out a bound between participative leadership and innovative culture as a promoter for organizational performance. [9] Many researches didn't like his approach, results saying that the transformational is the required one being the appropriate style.

In our opinion all the types of leadership style can be the key for making a change, innovation in an organization, hotel to grow and perform.

Thinking that the climate for innovation is a direct result of top managers' "personal and positional characteristics" [9] in not enough. We must see beyond this state and for sure in hotel industry and hospitality industry overall, changes can come also from frontline employees.

Hotel industry is very much related with many cultures, different type of people, it is people oriented and industry of intangible "products". It is also an service industry where the work environment, employees behavior must be in a continuously change and innovation. This mostly because the needs, the expectations of tourists, clients are changing. So, leadership for innovation or innovative leadership it's a must in this industry. Like Ahmed 1998 stated "innovation is the engine of change". [9]

### 3 The pilot study results

In the Romanian field literature there aren't too many studies regarding the effects of leadership style and climate for innovation in hotels. So, we started to do this research analyzing hotel market from Timisoara city. In

the future we want to extend the research at regional level and then at national level.

Our research can be considered an extension of existing studies, most of which were published in the international field literature, but in the meantime, it has a particularity because it is done in Romanian hotel industry.

#### 3.1. Research method

This pilot study was developed in May-July 2010 in hotel industry from Timișoara city, Romania. There were approached 29 three and four star hotels, which represent 60% of the existing hotels on Timisoara's hotel market. They were asked to fill up a questionnaire and the response rate was 51,72%, because only 15 hotels accepted to respond. 168 employees answered, 35 of which working in four star hotels and 133 in three star hotels.

#### 3.2. Respondents' profile

The majority of employees that participated to the study have 18-35 years (66,07%), and the rest have between 36-60 years (33,93%). 57% of employees interviewed are males and 43% are females. They have been working in the hotels from under a year to more than 10 and many of them finished a high school or a faculty.

Because not all employees had studies in tourism, they had to take up professional courses related to their responsibilities. Among the responsibilities mentioned one can identify: receptionist, communication, management – free course financed from non-refundable European funds, bartender – waiter and specializations in gastronomy and recipe making. In some hotels these courses are often organized – in general twice a year, usually in four star hotels, but in the others they do not have a specific frequency. In conclusion, it can be noticed that all these courses originate in tourism service quality improvement.

#### 3.3. Research goal

The main goal of this research is to analyze the climate for innovation as an indicator of the hotels ability to become innovative. Furthermore, we also want to analyze the manager-employee relationship and how it is perceived by the employees. In order to do this, first we must seek the answer to the following question: What is the most used leadership style perceived by the employees?

#### 3.4. Studied hypothesis:

**H1. Is the employees work oriented for innovation? Does the manager offers a climate for innovation?**

Employees consider that the activities they do at work are routine activities (51,79%) but they also agree that they have been offered the possibility of being creative

and taking initiative (48,21%).

It can be observed that managers, through the leadership style they adopt, try to offer an appropriate climate for innovation and development. But that is not enough. They should try more. Thus, employees admit working in teams is pleasant (69%) and motivates them to be part of this industry. However, only 30% admit that their tasks are well individualized. This result can be analyzed in two ways:

- first, is not necessarily alarming because it re -confirms employees' involvement in hotel activities and jobs' empowerment for innovation and creativity.

- second, it can reflect a lack of job clarity, aspect that can become a stress factor or it can offer less self-satisfaction for employees in uncertain situations.

Which approach can be more efficient? It depends on the employee-employee and manager-employee relationships. Also, it can depend on the leadership style adopted by the manager.

## **H2. Managers consult their employees for problems identification?**

In order to see if managers consult their employees in problems identification there were monitored the following aspects: organizing regular meetings to identify the problems in order to improve the tourist product and the frequency with which employees are consulted in the decision-making process. The employees also had to mention why they think they are or aren't consulted in decision-making process.

50% of employees said that in their hotel are being organized periodic meetings for problem identification in order to improve the products and hotel services. These employees also had to mention the frequency with which they are consulted in decision-making process to improve the services: 46,43% said that they are consulted every time is needed, 21,43% once a month and 17,86% are consulted weekly. The rest of 14,28% are consulted twice a year (7,14%) or never (7,14%). The employees that are consulted in decision-making process think this is because: they have enough experience and competence, they are innovative and creative, they are customer-oriented or skilled persons and interested in the hotels well-being.

On the other hand, 50% are saying that in their hotel aren't organized these periodic meetings.

The reasons for which employees think they are not consulted in decision-making process are: the lack of experience and of not knowing the services, the fact that these decision are taken by the managers and that they don't have an influent job position or because they think they are "hired to work, not to think".

## **H3. What employees consider to be important in their hotel?**

Employees consider important that the manager gives them the opportunity to make suggestions regarding service innovation and tourist product development. However, even if the manager appreciates their ideas, employees observe that these are not always implemented.

## **H4. How the employees perceive the leadership style of their manager?**

The attributes taken into account regarding the relationship with the manager were the following: interaction and communication, performances reward, trainings, mistake tolerance and personal implication.

Based on employees answer there was estimated a separate score for each attribute. The score was calculated based on the weighted average by according each appreciation a certain value such as: 5 if the appreciation was considered very important, 4 if it was important, 3 if indifferent, 2 if less important and 1 if it was considered being without importance.

The most important attribute in the relationship with manager was interaction and communication that obtained 4,39 points. It is followed by performances reward and personal implication, attributes that are important enough for many employees and that obtained 4,32 and 4,14. Employees don't give too much importance for mistakes tolerance and trainings, almost 11% of them considering these aspects to be indifferent. However, there are employees that consider them important or very important.

Based on these scores, it was estimated the average or the final score, 4,214 points. From this analysis it can be observed that the most important attribute in manager-employee relationship is interaction and communication. Most of employees would want this from their managers. They also would want their performance to be rewarded, but this is a financial aspect and it won't be given too much attention in this study.

The frequently practiced leadership styles were another important aspect the study aim at. In order to answer this question employees could choose between the following leadership styles: autocratic, participative, consultative and permissive. 37,5% think their boss is consultative and 50% that it was either autocratic (25%) or participative (25%). The rest of the employees, 12,5% said their boss was permissive. It can be observed that the results don't stand away from each other which could mean that the same leaders' style is perceived in a different way by each employee. Adopting only one of these styles it is not recommended. A good leader knows that these elements should be combined in order to be efficient.

### H5. What motivates the employees in hotel industry?

The attributes taken into account regarding employees' motivation were the following: salary, possibility of professional development, tourist unit prestige and possibility of acquiring new skills.

The method used is the same as the one at H4. After analyzing the obtained scores, it can be observed that the most important motivator is the salary with 4,55 points. 67,86% of the employees considered it as being very important. This factor is followed by tourist units' prestige with a score of 4,30. 51,79% considered it as being very important and 33,93% as important. Therefore, this factor is considered to be more than important for most of the interviewed employees. Tourist units' prestige is closely followed by the possibility of professional development that obtained 4,29 points, which means that this motivator is important for employees. The lowest score, 4,25 points was given to the possibility of acquiring new skills.

Based on these scores, it was estimated the average or the final score, 4,347 points. This score reflects the fact that the employees consider these motivators more than important their well being and for their career.

In conclusion, the study on employees motivation came out with not such an unexpected result: the most important motivator is the salary. This fact is not that surprising according to the actual economic instability the country confronts with.

### 3.5. Research limits

One of the limits was the period the study was developed, because the employees started to go on holidays. This is because in Timisoara the most developed tourist type is business tourism.

Another limit it was employees' refuse to answer the questionnaire. This attitudes' main causes can be the lack of trust in the research importance and the fear that their manager would find out their answers.

The fact that it was a pilot study can be another limit. It's importance perhaps was not perceived properly by the hotels managers that could have wanted that their hotels get promoted by this study, therefore this could be a good reason for the low response rate from hotels (51,72%).

## 4 Conclusion

Adopting only one of the leadership styles studied (autocratic, consultative, participative and permissive) it is not recommended. Even if many of the employees said their manager is consultative, a good leader should know that these elements should be combined in order to be efficient. Managers should adapt their leadership

style to the situations they confront with and they must be always aware of their predominant leadership style.

In order to encourage service innovation and product development (H3), managers must implement employees' innovative ideas or suggestions, this being a certain way to gain their respect and making them to follow the three "secret ingredients" (according to Blanchard & Muchnick [2]) of being an efficient leader: integrity, partnership and affirmation.

We can recommend managers to lead the employees to improve service quality, to be client oriented and not to give too much importance to financial rewards and orient them to appreciate other rewards, such as diplomas (e.g. employee of the month/year, the most skilled employee) coupons, free holidays or free trainings. They could also organize team-buildings in order to consolidate the employee-employee and manager-employee relationships.

In future this study will be extended at regional and if possible, national level in order to have an over-view on leadership and innovation phenomenon in Romanian hotel industry (three and four stars hotels).

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