



# Managing Swiss Hospitality: How cultural antecedents of innovation and customer-oriented value systems can influence performance in the hotel industry

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## ABSTRACT

Research into innovativeness and customer orientation in the service industry is burgeoning, yet our understanding of the antecedents and consequences of both activities in hospitality management remain unclear. To address this problem we investigate the link between corporate culture, indicators of innovativeness and business performance in the Swiss hotel industry, because the Swiss have a proclivity toward innovation as well as a long established record in hospitality management. Data were generated from 96 businesses in the hotel industry and the results were analysed using structural equation modeling. They suggest that cultural dimensions are positively associated with customer orientation, innovativeness, and company performance. The implications of the findings are discussed along with limitations and future research directions.

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## 1. Introduction

In order to compete in the long-term, companies need an innovative culture and must respond to customer needs, but there has been little research into the relationship between country, culture and performance in the hotel industry (Chen, 2011; Orfila-Sintes and Mattsson, 2009). Despite the fact that we see services dominating the economic landscape of the postindustrial economies of the OECD (Organization for Economic Cooperation and Development), empirical research about hospitality services from a country innovativeness perspective is still quite scarce (Dolfsma, 2004; Hollenstein, 2000; Ottenbacher and Gnoth, 2005). This is an important omission because in the hotel industry, relationships between customers and service providers mean that the delineation between the internal and external company environment is blurred; and an appropriate corporate culture is likely to impact on the ability of a company to innovate and perform successfully. Corporate culture is rooted in deeply held perceptions, norms, values, beliefs, or expectations that are shared by, and are unique to, a particular organization and country (Hofstede et al., 1990; Martinez-Ros and Orfila-Sintes, 2009). However organizations do not exist in a vacuum and it is important to understand how a pervading company culture, that may be affected by country and industry as much as company norms, values and beliefs, can influence the approach toward innovativeness and customer

orientation (Ottenbacher, 2007; Chen, 2011), particularly in the long established hotel industry in Switzerland (Tajeddini, 2011).

Without innovation, companies are unable to survive competition, but there is always a balance between the need for change and the need for efficient processes built upon years of practice (Abernathy, 1978). In the hospitality industry this practice means understanding and addressing customer needs as well as providing a unique 'innovative' experience, as discussed in Chen's (2011) work into the hotel industry in Taiwan. The cultural value systems of 'customer orientation' and 'innovativeness' represent organizations that need to balance an efficient performance and responsiveness to change in today's highly competitive business environment (Ottenbacher, 2007; Yilmaz et al., 2005). *Innovativeness* reflects an organizational culture that encourages the introduction of new processes, products and ideas that underpin strategic orientation in the long-term (Tajeddini and Trueman, 2008; Hult et al., 2003). On the other hand *customer orientation* arises from a set of beliefs that put customer interests first, and ahead of other stakeholders forming part of a broader corporate culture (Chen, 2011; Avlonitis and Gounaris, 1999; Deshpandé et al., 1993).

Consequently, this research provides an insight into the Swiss hospitality industry, using Hofstede's (1980) work on culture, behavior and nationality. In particular three societal-culture factors, 'individualism', 'power distance' and 'long term orientation' are adopted because of their relationship with innovation and customer oriented value systems as well as nationality. *Individualism* refers to a worldview where social behavior is guided by personal goals, and ambitions that may not coincide with group

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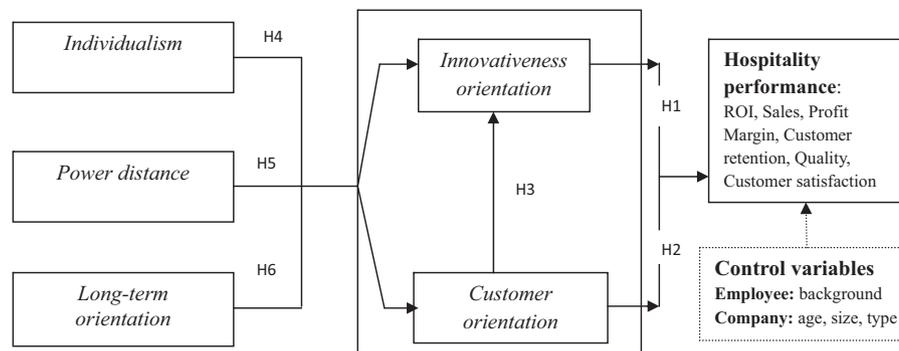


Fig. 1. Cultural dimensions, innovativeness and customer orientation framework.

interests (Newman and Newman, 2009). *Power distance* relates to the degree of asymmetry in power relationships for employees who may not be empowered to make decisions (Hofstede, 1980), and *long-term orientation* considers relationships with target customers by gathering, disseminating and responding to information about the business environment over time (Ho Voon, 2006). Therefore we investigate how these cultural factors relate to customer orientation, innovativeness and company performance in the Swiss hospitality industry.

## 2. Research approach

This research argues that employees in the hotel industry are more likely to be innovative and customer orientated if they are empowered to make decisions and hold appropriate societal-culture factors. In this way we aim to make two important contributions: (1) by adding to scant empirical research on the management of hospitality industry from employee behavior and company performance perspectives, and (2) by highlighting the effects of these societal-culture factors on the emergence of innovation and customer oriented value systems in Switzerland, a country that represents a benchmark in tourism management and where many hotels are owned, managed and staffed by Swiss nationals. Consequently data were collected from managers and employees of 96 Swiss hotels, to reflect ethnic and geographical relationships and subcultures in this country, in line with Yilmaz et al. (2005) research into the culture of Turkish manufacturing companies. Each respondent was asked questions about their orientation toward customers and innovativeness as well as individualism (as opposed to teamwork), power-distance (in terms of responsibility and empowerment), and long-term goals (as opposed to short term gain). These data were set against a record of company financial, operational and perceptual performance measures.

This paper is organized as follows. First, the theoretical framework and definitions of innovativeness, customer orientation and culture are discussed in relation to the literature. Next, nine research hypotheses are developed and company performance measures are introduced, followed by an outline of research methodology, an examination of the data and analysis of the findings. Finally the implications and study limitations are discussed as well as the potential for future research.

## 3. Theoretical framework and hypothesis development

Fig. 1 provides the conceptual model for this work and shows the empirical links between well-established work-related values (individualism, power distance and long term orientation) and organizational culture (customer orientation and innovativeness) in the hospitality industry. This model uses Deshpandé et al. (1993,

p. 31) constructs of customer orientation and innovativeness as determinants of successful business performance, and considers that a culture of customer orientation and innovation are the *raison d'être* of any business. In this context, our research examines how cultural dimensions of country and company affect employee receptivity to new ideas and willingness to change, as well an ability to put customers at the center of company proceedings. The conceptual framework uses the control variables of business size, age, type, and respondent background as well as company performance in terms of profit margin, sales growth, return on investment (ROI), customer retention and perceptual measures such as service quality and customer satisfaction (Fig. 1).

### 3.1. Innovativeness and performance in the hospitality industry

Damanpour and Wischnevsky (2006) have defined innovation as the development and use of new ideas (new product or service or method of operation, etc.) or behaviors in organizations. More specifically an approach that favors innovativeness implies an ability to adopt new ideas for the company, even though these ideas may have been developed elsewhere (Damanpour and Evan, 1984; Angle and Van de Ven, 2000). It is perhaps usual that innovativeness, at the organizational level, is discussed and viewed in terms of 'a culture that adopts new ideas', representing an "openness to innovation" (Zaltman et al., 1973, p. 64). In other words, are organizational members "willing to consider innovation," and do they feel that "innovation will improve how the organization carries out its function"? Or are they are skeptical about innovation? (Zaltman et al., 1973, p. 64). These sentiments are echoed by Hult et al. (2003) who note that some organizational cultures are resistant to innovation, whereas Van de Ven (1986) sees a need to manage an organization's culture if employees are to recognize the value of new ideas and action within the company. In this respect, Hurley and Hult (1998) and Hult et al. (2003) suggest that innovativeness is the first construct of innovation (the initiation process), where the notion of openness to new ideas as an important aspect of a firm's culture (values and beliefs). In fact innovativeness is considered to be one of the most important strategic orientations (precursor) for firms to achieve long-term success (Martinez-Sanchez et al., 2009; Noble et al., 2002), as well as growth (Brännback, 1999).

But although previous research found that innovativeness has a positive effect on venture performance in the hotel industry, it has not examined a link with country or organizational culture (Tajeddini, 2010). From another perspective Martinez-Ros and Orfila-Sintes (2009) find that non owner hotel managers in the Balearic Islands are more likely to innovate than owner managers, and that suppliers have the strongest influence on innovative behavior. On the other hand, in a study of the hospitality industry in Germany, Ottenbacher (2007) found that successful innovation is customer driven, and more likely to succeed if the company has

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