



## DEVELOPING A CONCEPTUAL MODEL LINKING TRANSFORMATIONAL LEADERSHIP TO HOSPITALITY INNOVATION

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### Abstract

Although larger and multi-national corporations in the hospitality industry are pushing for greater innovation, most hospitality establishments are not inclined towards being creative due to certain characteristics of the hospitality industry. From previous studies, it has been discovered that the drive to innovate in these large establishments is often a result of an individual, usually the head of the organisation, hence leadership is vital in pushing creativity and innovation. This paper attempts to look at different leadership styles and which specific format is the most conducive to inculcate innovate within a hospitality organisation. It also attempts to conceptualise a model that works in tandem with the most appropriate leadership style to bring about successful hospitality innovation, be it product or service innovation. Finally, it also looks at how the benefits, linked to this model shape leadership style, can be tracked and reaped. This is important and critical, as it allows hospitality establishments that have yet to lead their companies in matters of innovation to apply and measure success in their innovation-led endeavours. Lastly, it will highlight the limitations by which innovation can be incorporated within hospitality corporations.

**Keywords:** Innovation, Hospitality, Leadership.

### 1. Introduction

The hospitality industry is one which has always been known to be manual intensive and laid-back in innovative approaches, as compared to other industries, such as the engineering and logistics industries, where change and technology is an integral component (Goffin & Mitchell, 2010). Kuslivan (2003) cited certain characteristics of the hospitality industry which could possibly have resulted in this negativity towards innovation and creativity. He mentioned that the industry is often labour intensive; the skilled nature of the job scope is often low and regimental with fixed routines; workers are often deemed to be of a lower educational status and need to be managed and 'governed'; and there is a high attrition in manpower (Pizam, 1982). Many of the characteristics above are often linked to manpower concerns and how it is managed. Due to the low skills and status of the workers in the hospitality industry, they are often replaceable, especially with a large available pool of workers, from the poorer strata of society. Moreover fuelled by high attrition rates and the easy availability of workers, the ability to innovate or to lead a successful change is often impeded by the transitionary and turn-over issues of staff.

However, despite the above matters, many hospitality companies especially the multi-national corporations have been successful in implementing newer and better offerings to their clientèle. Examples of these organisations are the Marriott Corporation, the Ritz-Carlton, LLC., the Inter-

Continental Hotel Group, the Four Seasons Hotel chain and others (Michelli, 2008). These companies have taken the initiative to change their offerings in terms of their product and service systems so as to accommodate their customers' needs. In doing so, their branding and reputation have increased. Consequently, their performance has also been positively impacted by these innovative practices, resulting in a better organisation culture with fewer turnovers and higher profits. This effect is a cyclic one that encourages the organisation to constantly innovate and improve itself. Many of these organisations are now seen by other establishments as role-models in the industry and have been used as a show-case for creativity, innovation and change-management.

However, the process by which innovation was incepted at these organisations was not organic as innovation is often the result of individual leadership and often initiated by a person of authority within the organisation. This eventually cascades through the formal levels of hierarchy to the individual serving the customer. This authoritative individual as cited by Archilladelis et al, (1971, pp. 14) is one who makes 'a decisive contribution to innovation by actively and enthusiastically promoting its progress through the critical stages'. In order to inspire the entire establishment, this change-driven individual is often the head of the organisation.

## **2. Objective of the Study**

The objective of this study is to conceptualise a leadership model that is the most suitable in the implementation of innovative practices in the hospitality corporation.

## **3. Literature Review**

### **3.1 Themes in Leadership**

Bolden (2004) categorised leadership into four themes, i.e. (1) Situational Leadership, (2) Servant & Team Leadership, (3) Distributed Leadership and (4) Transformational Leadership. (1) Situational Leadership as stated by Fiedler (1967) is such that there is no one way of leading, but is adapted to the current situation at hand. He distinguished between managers who are task or relationship oriented. Task oriented managers focus on the task at hand and tend to do fairly well in situations that have good leader-member relationships. They do extremely well in structured tasks. However, relationship oriented managers do better in all other situations, and exhibit a more participative leadership with their followers. Situational Leadership is seen in the latter case.

(2) For Servant and Team Leadership, it has been noted by Maxwell (1998) that it is generally leaders who obtain the most support from their staff by being able to do the task of their staff themselves and be supportive of their staff's well-being. This in turn inspires the staff to believe in the leader. Katzenbach and Smith (1993) mentioned that staff were more inspired by their leader when he acts as a facilitator rather than a director.

(3) As for Distributed Leadership, this form of leadership is often referred to as 'informal' or 'dispersed', where there is a less formalised format of leadership. Individuals at all levels of the organisation can exert leadership over their peers. This concept also concentrates on the effect of leadership, rather than on the leader, hence the attention is look from the point of view of the outcomes of effective leadership rather than the necessary precursors or behaviours.

(4) Transformational Leadership, as purported by Burns (1978, pp. 75) is the 'relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into agents (followers)'. This leadership style occurs when one or more people engage with others in such a way that leaders and followers raise one another to higher levels of motivation and creativity. This approach has been embraced by all forms of companies and industries in transcending organisational and human limitations and dealing with change.

The one leadership style that has been researched most to create staff to be more innovative, would be that of 'Transformational Leadership' (Gracia-Morales et al, 2008; Gumusluoglu and Ilsev, 2009; Jung et al, 2003; Jung et al, 2008).

### **3.2 Transformational Leadership**

According to Bass and Avolio (1994) transformational leadership is characterised by four unique behavioural components, i.e. (1) inspirational motivation, (2) intellectual stimulation, (3) idealized influence and (4) individualized consideration. Inspirational motivation implies having the vision, purpose or direction for the organisation and for the followers; Intellectual stimulation refers the promoting of learning and gaining more knowledge, so that followers can be more innovative; Idealized influences implies having the charisma to lead followers; Individualized consideration means that the leader is able to look to the needs of each of his followers (Gracia-Morales et al, 2008).

Linking this style to innovation, transformational leadership behaviours closely matches the determinant of innovation and creativity in the workplace, some of which are vision, support for innovation, autonomy, encouragement, recognition and challenge (Elkins & Keller, 2003). There are several reasons why this is so. Firstly, transformational leaders go beyond exchanging contractual agreements for desired performance by proactively engaging in followers' personal values and moral systems (Bass, 1985; Shamir et al, 1993). They provide ideological explanations to link individual identities to the collectives' values, increasing the followers' intrinsic motivation. This also encourages individuals to 'transcend' their own individual self-interest for the whole group (Bennis & Nanus, 1985; House et al, 1991). The second reason is that by providing intellectual stimulation, leaders encourage followers to think 'out of the box' and to take on more exploratory thinking (Sosik et al, 1997). This encourages followers to re-look at their old processes, and challenge their own values and beliefs (Hater & Bass, 1988). In this way, followers' confidence, expectations and commitment to long –terms goals are reinforced and developed. Finally, due to the values of the leader, they also serve as a role-model for their followers to emulate and aspire to.

Moreover, various studies have linked transformational leadership to positive organisational performance through intermediate constructs such as organisational culture (Ogbonna & Harris, 2000), entrepreneurship (Garcia-Morales et al, 2006), knowledge management (Gowen et al, 2009), flexibility (Rodriguez-Ponce, 2007), human-capital enhancing human resources management (Zhu et al, 2005) and absorptive capacity (Garcia-Morales et al, 2008).

### **3.3 Innovation in The Hospitality Industry**

Innovation in the hospitality industry has always been based on heuristics. According to Ottenbacher and Gnoth (2005), managers have often relied on gut-feeling, speculation and their own personal feelings and experiences in managing innovations. Due to the limitations of handling innovation which there is no set system of implementation, most innovations often fail. As cited by Griffin (1997), an average of four out of ten new innovation ventures fail and this includes those in the hospitality industry. It is believed by Kotler et al, (2006) that failure rate in the hospitality line is even higher, as a high number of hotels and restaurants concepts fail annually.

According to Cooper and de-Brentani (1991) and Ottenbacher (2007), most innovations in hospitality organisation were centred on two basic offering, i.e. new service development (NSD) and new product development (NPD). Although in many organisations and industries, where production innovation is of still of the higher priority, in the hospitality trade, the perceived services through the enthusiasm of the front line staff is more important and has greater impact on the organisations performance (Hartline et al, 2000).

### 3.4 Innovation Success and Strategies in a Hospitality Establishment

There are many ways by which success is defined from how innovation is handled. According to Storey and Easingwood (1998), success is not measured from one perspective but by many means. Examples cited by Griffin and Page (1996), Montoya-Weiss and Calantone (1994) and Storey and Easingwood (1999), successes can range from better sales revenue, higher profitability, greater market share, better image and enhance brand loyalty from guest etc. However, it was noted by Storey and Easingwood (1998), that a success in one area does not imply success in other areas. Therefore, there could be lost opportunities and areas where one reaps better gains. It was also highlighted that most companies prefer to base their success performance on revenue making, production figures or other quantifiable measurable, over that of subjective values, such as customer satisfaction, employee well-being (Griffin and Page, 1996; Montoya-Weiss & Calantone, 1994).

### 4. Developing the Transformational Leadership-Innovation Model

Therefore, from the above literature, Figure 1 depicts the model linking transformational leadership to innovation.

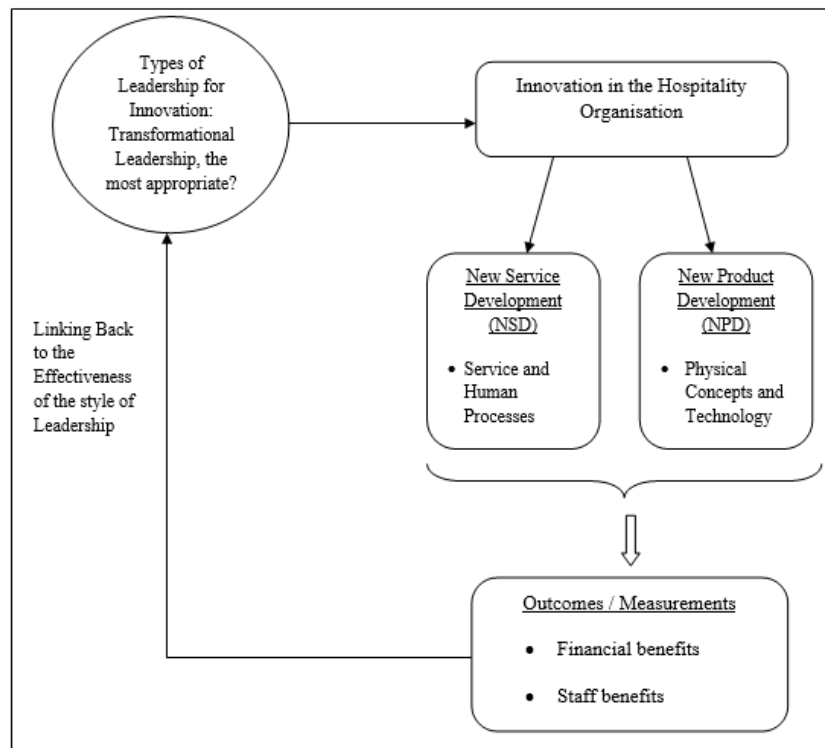


Figure 1: Conceptual Model linking Transformational Leadership to Innovation

### 5. Hypotheses of The Model

As mentioned, transformational leadership has a profound and significant effect on these organisations' success. The first hypothesis is as follows:

H1: *Hospitality leaders will adopt transformational leadership styles in order to create innovative practices for their followers.*

Innovations in the hospitality comes in the form of either a NSD or NPD, or both. However, due to the nature of the hospitality trade, hospitality manager's transformational leadership style

might be more centred on people and services (NSD) rather than on the product innovation (NPD).

*H2: Hospitality leaders tend to lead innovations in services rather than in products.*

Unlike the manufacturing industry where the emphasis on a physical product, the hospitality industry is one that sells both a product (e.g. rooms) and a service element. As products are more commoditised, most hotels are leveraging on their service element. Innovations that have sprung up with the last decade would be the service innovations such as Ritz Carlton's service credo or Four Seasons' Philosophy in Service. Therefore, another hypothesis of this study would be as follows:

*H3: The transformational leadership style of the leaders will enhance performance in terms of financial gains, staff well-being and motivation.*

Leaders are often faced with challenges when implementing change and innovation programs. There are often resistance from staff who are not keen to embrace changes (Pfeffer, 1994). However, transformational leadership with its ability to engage staff often negate the negative aspects of innovation to bring about financial gains for the organisation and increase followers' well-being and morale.

## **6. Methodology**

In order to apply the said model, a multi-prong mixed method of data collection (qualitative and quantitative) can be used.

### **6.1 Hospitality leaders using transformational leadership styles and preferring service innovation over product innovation**

Our hypotheses state that hospitality leaders will adopt a transformational leadership style similar to what other leaders in different industries have done. Furthermore, they will be more inclined to lead through service innovation rather than product innovation. In order to ascertain these hypotheses, a survey can be conducted on the heads of hospitality organisations, i.e. resident managers, hotel managers, executive assistant managers and general managers. The reason for the selecting personnel holding such appointment is because this group of hotel executives are in the upper echelon of the hospitality corporation and are usually innovation champions for their respective hotel properties.

### **6.2 Transformational Leadership Styles affecting Performance in terms of Financial Gains and Staff Well-being**

In order to validate that successful transformational leadership correlates to an increase in new concepts, better financial performance and staff well-being within the organisation, one would need to take a multi-approach to obtain the appropriate verbatim. For financial performance, research must be conducted on the increased number of innovative concepts and projects undertaken. Through financial statements of the organisation, secondary data can be collected to validate how well these new projects are performing. Indicators to determine the profitability of these innovative projects would be the financial amount earned and time needed for Return on Investment (ROI). Another determinant could be the amount of profit generated. As there is no comparison to previous historical data, the researchers would need to be prudent in justifying its financial returns.

As for the measurement of staff well-being, it has been noted by Amabile (1998), that innovation has a direct impact on three factors within an individual, i.e. expertise, creativity and motivation. Based on these three factors, a qualitative study can be conducted on staff who have been involved in newly conceptualised innovative projects within the organisation, to ascertain whether they have seen an increased in these areas.

Through this form of qualitative approach, the staff will be give more personalized views on whether the transformational leadership style of their superior's have on the above three aspects. The focus groups can be used to allow opinions and views to be generated as opposed to having a systematic approach. Some of the matters raised at these focus groups will be issues concerning effectiveness of work flows and systems, employee empowerment and transparency and open-ness of management and support for feedback. These rubrics for measurement are similar to a study conducted by Jung et al, (2003) linking innovation to leadership. This method would be most appropriate because leadership itself is subjective in nature and has no quantitative methodologies of measurement. Figure 2 highlights the methodologies undertaken in this research.

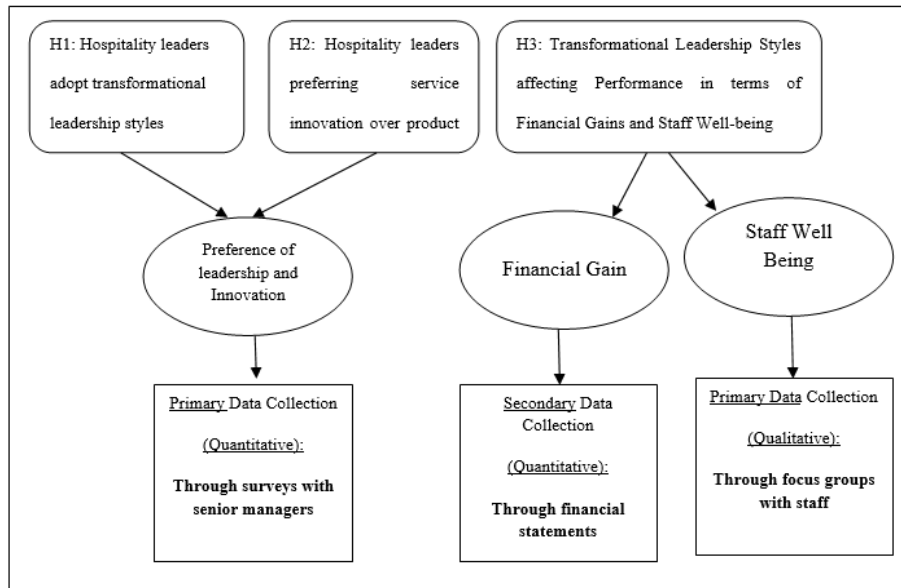


Figure 2: Methodologies used to obtain verbatim for the respective hypotheses

## 7. Limitations

There are however certain limitations on the impact of leadership in innovation. Although much literature purports that leadership does play an important role for an organisation to innovate, there are also other factors that can also contribute to the innovation and creativity. These factors include the organisation's overall culture, the country / nationalities' (individual) culture, the competitiveness of the industry etc., which is does not directly correlate leadership to innovation.

On this note, Conger and Kanugo (1988) also mentioned that transformational leadership is not about the ability as a leader, rather that of followers wanting to be led, due to their need for emotions, i.e. the need for security, and order in a chaotic world. This would inherently have no bearing on a leader's ability, rather people just conforming to a central authoritative figure for their own personal needs.

Lastly, the ability to lead and innovate is very much determined by the size, scale and scope of the business. According to Jacob et al. (2003), Orfila-Sintes (2005) and Sorensen (2007), small and medium companies (SMEs) are often very much easier to lead and innovate, due to its small number of workforce and its agility to change its business models and processes, as compared to bigger organisations. Moreover, organisations that have parent companies are usually less agile to change due to formalized corporate structures, reporting lines and having greater amount of policies and procedures. However, on hind side, in the hospitality trade, it is the large multi-national corporations, such as Marriott, and Four Seasons Groups that are leading the charge in

innovate and leadership. It is noted that these firms have a much greater cultural racial and national diversity as compared to SMEs which are very much localized, implying that leadership and innovation are not confined to cultural norms and values.

### **Conclusion**

With greater competition in the 21<sup>st</sup> century, the two most important factors that are critical in organisations are firstly, the ability to lead and secondly the need to innovate or change with the times. Leaders are of central importance to organisations, especially in a time when resources are scarce, information is exceedingly overloaded to staff, and where morals and principles are necessary especially after the incidents of corporate decay and scandals in organisations such as Enron in 2001; Lehman Brothers in 2008 and others. They are the champions who are imbued with the responsibility to harness the maximum potential from the limited resources. As for innovation, there is a constant need to be more creative, as change is constant in the present age. It is only through consistent change that organisations are able to be successful and survive.



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