

## POWER RELATIONS 2.0. INNOVATIONS AND MARKET VALUE

D. Szutowski, Candidate of Economics, Doctoral Candidate  
Poznań University of Economics, Poland

**Purpose** – The purpose of this study is to deliver a model presenting relation between innovation projects and hospitality enterprises' market value.

**Design/methodology/approach** – In order to gather data an extensive literature review using SALSA approach has been performed.

**Findings**– Two development stages of innovation projects and three variables moderating the abovementioned relation have been indicated.


**Limitations** – Conceptual model requires further empirical verification.

**Originality/value** – Although the innovation theory is extensive, literature referring to hospitality is scarce. Thus the paper fills the important research gap. Conceptual model is offered.

**Keywords:** innovation projects, innovations, hospitality, market value.

**Papertype:** conceptualpaper.

Conference participant

 <http://dx.doi.org/10.18007/gisap:spms.v0i7.1133>

### Introduction

Schumpeterian approach distinguishes innovations clearly from inventions and determines as: “the setting up of a new production function”, which “covers the case of a new commodity, as well as those of a new form of organization such as a merger, of the opening up of new markets, and so on” [Schumpeter, 1939, p. 80-82]. Innovation is an undiscovered field in tourism industry, as very little researches concentrated on it [few examples are Hjalager, 2002; Weiermair and Peters, 2002]. Despite rare studies, also the issue of measuring innovations in tourism remain unexplored [few examples are Coombs and Miles, 2000; Johannessen et al., 2001]. Tourism specificity has been fully reflected in very few empirical researches as Weiermair [2003], Volo [2004] and Nicolau & Santa-Maria [2013]. Only the last one referred to enterprise market value. However as authors point out their study had numerous limitations like limited sample (only two enterprises and 24 announcements studied), no specific information about innovations have been gathered and only typology used to differentiate them was a basic one of OECD (product, process, organization and marketing innovations). Furthermore no information about companies has been analysed and no qualitative research have been conducted. Moreover event study approach let only to measure short-term effects omitting long-term adjustments. All of these limitations determine slight usefulness of the results. Insufficient number of studies and their heterogeneous focus result in highly deficient state of knowledge. Wide

research still is required. Innovations' impact on hospitality enterprise market value hasn't been yet a subject of large international scientific discussion. The pioneering nature of the proposed model is reflected in fulfilling the existing research gap inter alia by developing methodology allowing overcoming abovementioned boundaries. Research exemplifying with hospitality aims at widen the context to service sector and low-tech industries.

In line with above discussion Hjalager points out there is no particular emphasis on tourism in mainstream innovation research [2002]. At the same time, what seems to be especially important is the relationship between innovations and the economic performance of tourism enterprises [Nicolau & Santa-Maria, 2013, p. 71]. This economic performance can be measured using market value, as it is the most effective measure [Copeland, Koller and Murrin, 1997].

### Methodology

This stage is accomplished into large extent. Research contained systematic literature review aiming at determining innovations' impact on hospitality enterprises market value. The bases of reasoning constitute scientific publications, especially articles, conference publication and books. Study was conducted with the use of SALSA (*Search, Appraisal, Synthesis, Analysis*) approach [Booth, Papaioannou i Sutton 2012]. All necessary data was collected using Scopus database. In order to gather publications, different combinations key words (innovation, modernization, market value, firm value, stock returns, tourism, hospitality, hotel, travel) were

researched in titles, authors' key words and abstracts. Both British and American spelling was checked. Process resulted in selecting 72 publications, published between 1999 and 2013 (state for 19 November 2013). Sample included 58 articles, 12 conference papers and 2 books.

In the next step the reduction of papers was held basing on their accessibility (42 publications have been accessible, while 30 were not due to numerous reasons such as lack of online version or paid access). Subsequently content analysis and further selection was held to pick up ones with true references to innovations. At this stage, 29 papers left for subsequent analysis. Sample contained 16 research papers, 6 conceptual/theoretical ones, 5 case studies and one research note. Empirical researches in selected papers divided into qualitative ones – 11, quantitative ones – 5 and using triangulation – 5. In order to collect data surveys have been used 9 times, interviews – 5 times, both methods – 2 times, netnography – 2 times, observations, mobile positioning, event study – all 1 time. Average sample for surveys equalled 166 respondents, average number of interviews approximated 13 and average number of websites equalled 9. Empirical studies have been taken mostly in Europe – 12 (Spain – 4, Germany and Norway – 2, Italy, Greece, Croatia and Estonia - 1), Asia – 3 (China, Taiwan, Indonesia - 1), Australia – 2 (Australia - 2), North America - 1 (USA - 1) and Africa – 1 (Egypt - 1). Only 2 studies offered comparisons between countries (Italy and New Zealand – 1, 56 countries in 6 continents - members of Global Hoteliers Club - 1).

**Tab. 1.**

**Categories and groups of characteristics determining the relation between innovations and market value**

Innovation project		Company characteristics		External factors	
Strategy	10	Potential of development	29	Market attractiveness	1
Type	4	Commercialisation ability	11	Governmental policy	2
Orientation	10				
Features	14				
Others	9				
Commercialisation	16				

Source: authors' study

### Categories development

Afterwards the analysis of full texts allowed extracting 55 different sorts of characteristics determining the relation between innovations and enterprise market value. First, entire assemblage has been divided into three categories – characteristics of innovation project, characteristics of company and external factors. Second, characteristics from every category have been unified into solid groups. The division with number of articles referring to a particular category is contained in the Table 1.

As it is clarified in the table 1, authors referred the most to characteristics of innovation projects and the less to external factors. Consecutive groups can be explained as follows:

#### Innovation project

Strategy – innovation resulting from clear company's strategy is opposed to the unexpected one.

Type – basic typology utilised in planned research was proposed by Hjalager [2002] and divides innovations into: product, process, management, logistics and institutional.

Orientation – innovations are mainly divided into two groups - market orientated aiming at satisfying consumer needs and others.

Features – descriptions of innovation i. e. newness, multi or single functionality, quality.

Others – i. e. constituting asset for further innovation, changing position toward concurrence.

Commercialisation – potential of successful commercialisation, i. e. marketing support, delivery mode, timing.

Company characteristics

Potential of development – firm ability to develop certain innovation i. e. sufficient resources, managerial support, motivated staff, support from the whole capital group (if it's the case).

Commercialisation ability – firm capability to benefit from innovation

i. e. previous experiences, quality of interaction with consumers.

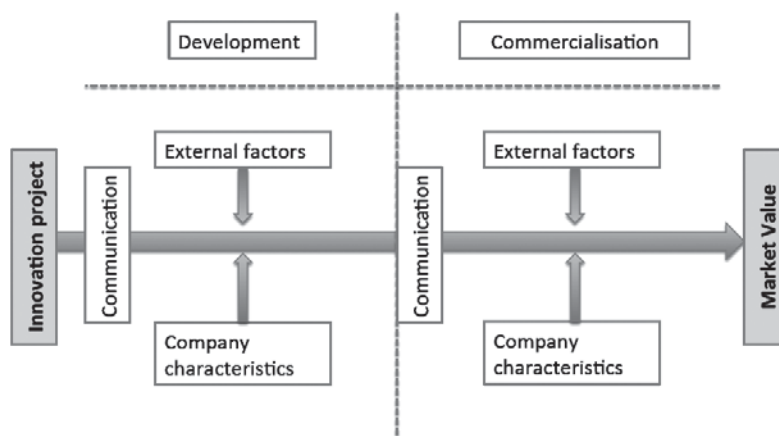
External factors refer to macroeconomic variables, examples are governmental policy, governmental regulations, and local government support.

Research projects studied in proposed research include both stages – the development of an innovation (that can be omitted if innovation is simply copied) and the commercialisation. One of novelties of planned research is to assume two time intervals whilst studying innovations. The first one begins when a company starts to work on a particular innovation and finishes with commercialisation. For example, hospitality enterprise management can determine a problem to be solved like lack of green policy and start to develop a solution i.e. environmentally sustainable accommodation facilities. This stage can be communicated to investors through preannouncements. The second stage begins with commercialisation and continues while the innovation is exploited. It finishes when investors fully adjust their initial valuation of innovation (reflected in stock prices). For example, commercialisation of environmentally sustainable accommodation facilities can initially increase stock price 1% and if with time it proves to be efficient it can increase stock prices even further. After innovation is fully reflected in stock prices, second stage terminates. The duration of second stage can vary from one innovation project to another.

### The model

Abovementioned literature review was one of elements allowing the construction of conceptual model presenting the relation between innovation project and hospitality enterprise market value. The model took a graphic form accompanied by a descriptive component. Despite characteristics presented in table 1 communication variable has been determined as moderating factor as a result of additional literature study. The model is presented below.

Innovation projects are presumed to have an influence on hospitality enterprise market value – horizontal flash. The influence can vary in different periods – in the development stage and



**Model 1. Innovation projects' impact on market value**

Source: authors' model

in the commercialisation stage – division of the model into left hand and right hand sides. In both stages external factors and company characteristics moderate the studied relation – vertical flashes (different groups of characteristics from the category are studied in two stages). External factors can be embodied as same multilanguage check in facility in the similar company that however will be valued differently in two different countries with different visa regulations and as a result differing in number of international tourists. Company characteristics influence investors' valuation as same innovation will be valued differently in the enterprise with no experience with innovations and with the one that have proven successful implementations previously. In both stages also communication moderates the relation. Better the enterprise communicates innovation (i.e. continuously [Sorescu, A., Shankar, V., Kushwaha, T., 2007]), stronger the investors' reaction.

### Conclusion

Innovations are crucial for contemporary enterprises, including hospitality ones. However there still is an important research gap in this field. This paper delivered a conceptual model schematising the relation between innovation projects and market value. Three moderating factors have been determined through studied relation. Also two stages of innovation projects' development have been proposed. One of limitations of this study stems from adoption of SALSA approach forcing clear limitations in papers' selection. The model needs however to be verified empirically, that would constitute main proposition for further research.

### References:

- Booth, A., Papaioannou, D., Sutton, A., 2012, Systematic Approaches to a Successful Literature Review, Sage. - London.
- Coombs, R., Miles, I., 2000, Innovation, measurement and services: the new problematic, in: J.S. Metcalfe, Miles, I., (Eds.), Innovation systems in the service economy, pp. 85-103., Kluwer Academic Publishers, Boston  [http://dx.doi.org/10.1007/978-1-4615-4425-8\\_5](http://dx.doi.org/10.1007/978-1-4615-4425-8_5)
- Copeland, T., Koller, T., Murrin, J., 1997, Wycena: mierzenie kształtowaniewartościfirmy, WIG-Press. - Warszawa
- Hjalager, A., M., 2002, Repairing innovation defectiveness in tourism, *Tourism Management*, Vol. 23., pp. 465-474  [http://dx.doi.org/10.1016/S0261-5177\(02\)00013-4](http://dx.doi.org/10.1016/S0261-5177(02)00013-4)
- Johannessen, J., Olsen, B., Lumpkin, G., 2001, Innovation as newness: what is new, how new, and new to whom?, *European Journal of Innovation Management*, Vol. 4., No. 1., pp. 20-30.  <http://dx.doi.org/10.1108/14601060110365547>
- Nicolau, J., Santa-Maria, M., 2013, The effect of innovation on hotel market value, *International Journal of Hospitality Management*, Issue 32., pp. 71-79  <http://dx.doi.org/10.1016/j.ijhm.2012.04.005>
- Schumpeter, J.A., 1939, Business cycles a theoretical, historical, and statistical analysis of the capitalist process. - New York., London.
- Sorescu, A., Shankar, V., Kushwaha, T., 2007, New Products Preannouncements and Shareholder Value: Don't Make Promises You Can't Keep, *Journal of Marketing Research*, Vol. XLIV., August, pp. 468-489  <http://dx.doi.org/10.1509/jmkr.44.3.468>
- Volo, S., 2004, Foundation for an innovation indicator for tourism, in: Keller, P. and Bieger, T., (eds.), *The Future of Small and Medium Sized Enterprises in Tourism*, pp. 361-376., St. Gallen: Aiest
- Weiermair, K., 2003, Product improvement or innovation: what is the key to success in tourism?, OECD Conference in Lugano. - Switzerland.
- Weiermair, K., Peters, M., 2002, Innovation Behaviour in Hospitality and Tourism: Problems and Prospects. *Tourism in Asia: Development, Marketing and Sustainability*, Conference paper, Fifth Biennial Conference Hong Kong. - Hong Kong Polytechnic University.

### Information about author:

- Dawid Szutowski - Doctoral Candidate, Poznań University of Economics; address: Poland, Poznań city; e-mail: [dawid.szutowski@ue.poznan.pl](mailto:dawid.szutowski@ue.poznan.pl)

