



# INNOVATION FROM BELOW

Allan Williams\*

Eugenia Markova\*

Anna Parasakevopolou\*

Gareth Shaw\*\*

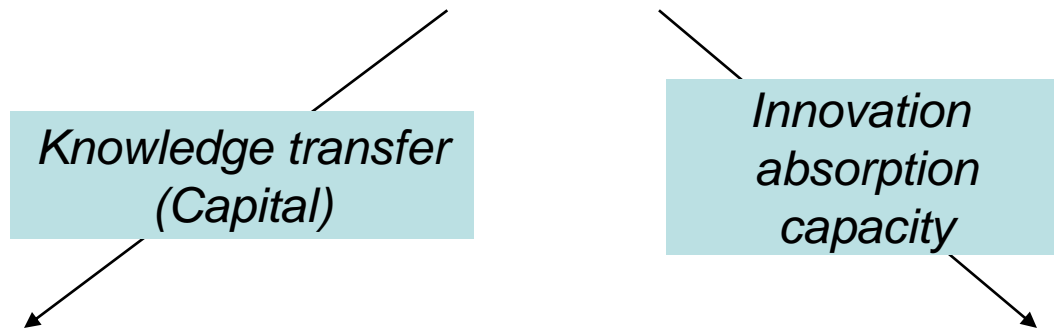
\* Working Lives Research Institute, London Metropolitan

\*\* School of Business, Exeter

# INTRODUCTION

- Research on innovation in hotels
- Bottom-up approach
  - SME focus (Morrison)
  - Individual - human capital and service sector (Evangelista etc)
- 2 main strands

# Explore how human capital shapes innovation in the hotel industry



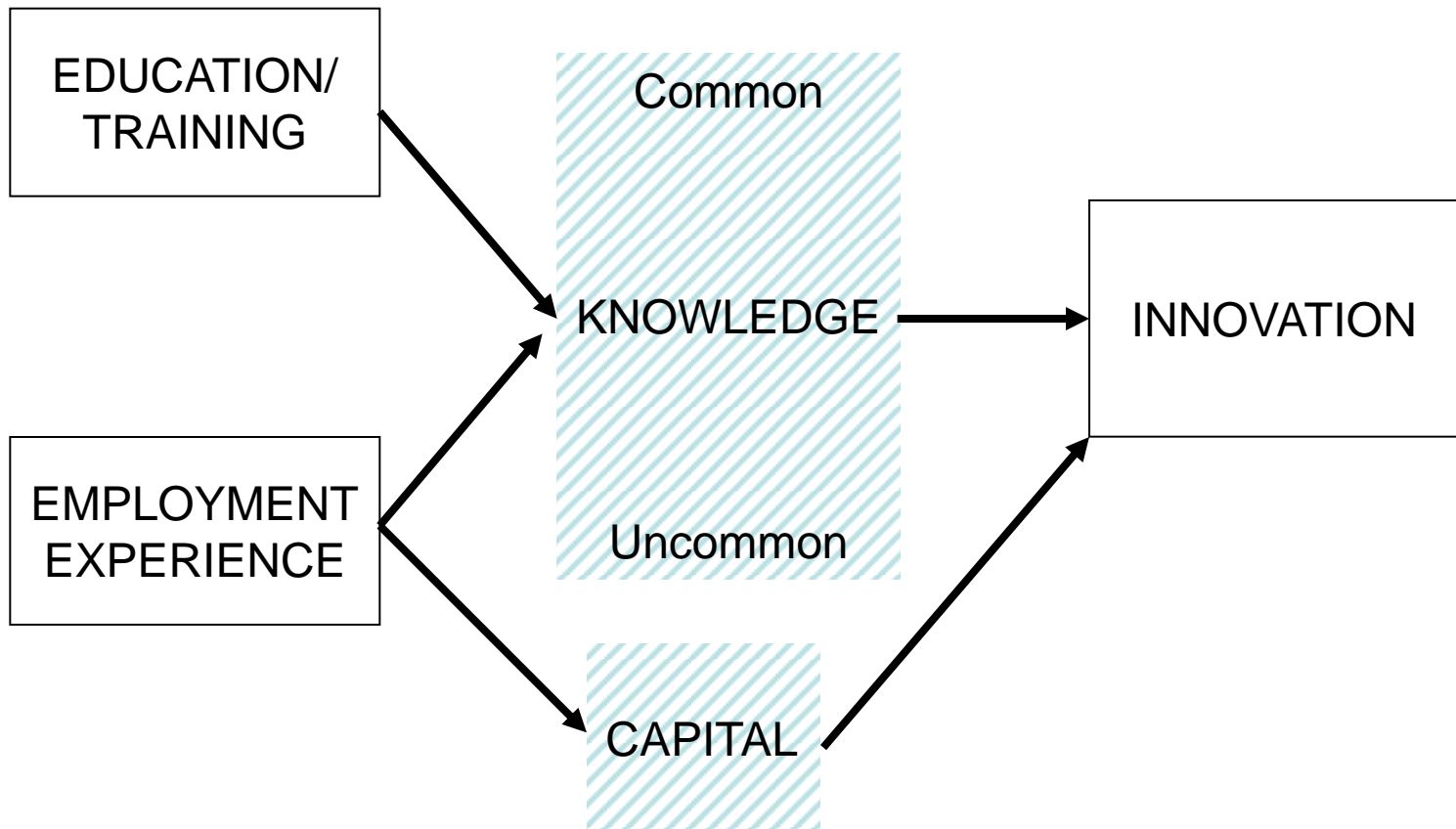
**Ownership  
Management**

**Labour supply  
- Skilled &  
unskilled**

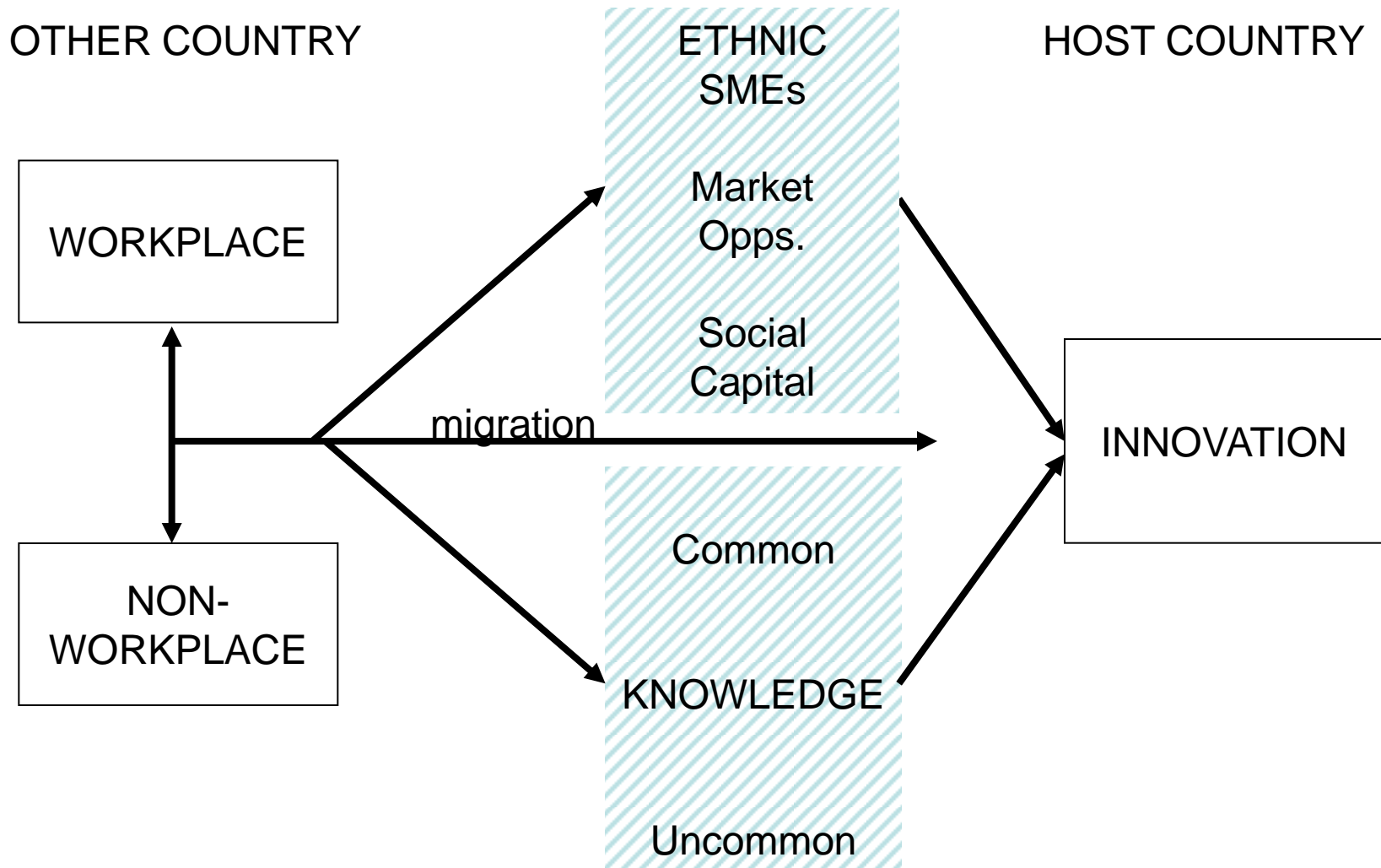
# HUMAN CAPITAL AND ENTREPRENEURSHIP

- Resource theory (Barney 1991)
- Knowledge as key driver (Wiklund and Shepherd 2003).
- Knowledge resources = outcome of previous accumulation of experiences in a range of environments (Holt and MacPherson 2006:10)
- Knowledge spillovers (Arrow 1962)
- Sources of knowledge:
  - a) Formal education and training (DIUS 2008)
  - b) Industry-specific experience (Jo and Lee, 1996)
  - c) International migration (Welch & Welch 1996; Williams 2007)
  - d) Experience in the firm (embedded v different knowledge)

# EDUCATION/TRAINING AND EMPLOYMENT EXPERIENCE



# INTERNATIONAL MIGRATION/ ETHNICITY & KNOWLEDGE



# METHODOLOGY

- 155 face to face questionnaires and 51 follow up interviews
- Purposive sampling by areas, with random sampling within these.
- Target: micros and small (133) but included 18 medium sized hotels
- Main difficulties: economic downturn; busy schedules; general unwillingness to take part in surveys

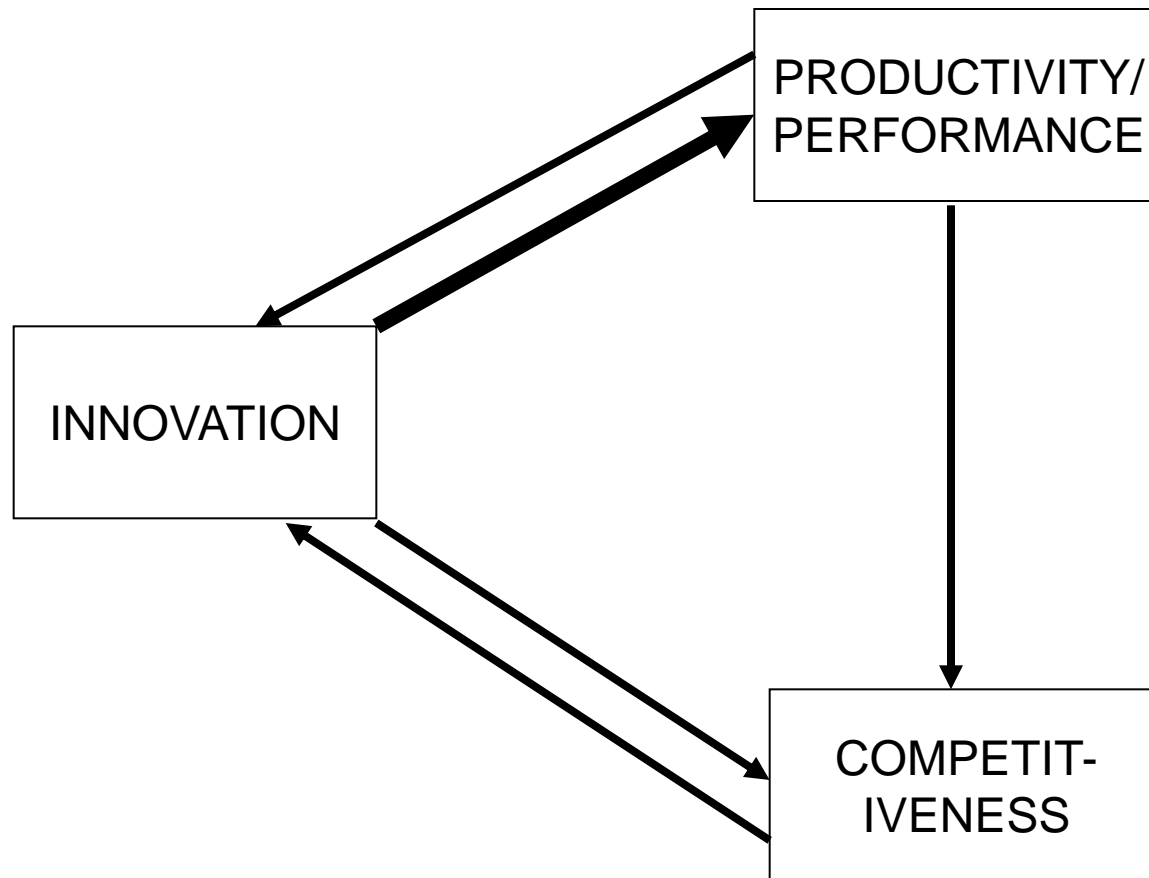
# Key issues

- Knowledge transfer
- Sources of innovation
- Types of innovation
- Sources of capital
- Social networks
- Market segmentation
- Employment of migrants v non migrants

# SAMPLE CHARACTERISTICS

- 40% independent single hotels
- two thirds < 60 bedrooms
- Occupancy levels during quietest months: mean 65% (range of 50-80%)
- 63% born outside UK, from 38 countries
  - Micro/small: 66%
  - Medium size hotels: 50%
  - Segmented by hotel quality
- Relatively high formal education

# INNOVATION AND HOTEL PERFORMANCE



# INNOVATION AND HOTEL PERFORMANCE (Ordered probit)

DEPENDENT	Yield per room
Changes in marketing	-0.657
Changes in range services	-0.411
Changes in quality services	-0.151
Changes in qt services	0.455
Changes in use of IT.	-0.760 *
Changes in envt sust	-0.692**
Changes in quality workforce	1.935***
Changes in manag strategy	-1.205**
Changes in pricing	0.344

LRI (Pseudo-R2) =0.15    N = 107

# DRIVERS OF IT INNOVATION

- Measures
- Limitations
  - time lags
  - Incremental v discontinuous
  - Single v multiple effects
- Model: Poisson Count (Quadratic Hill Climbing)

## Distribution of IT usage by migration status

Type of IT usage in the hotel	British-born Manager/owner	Foreign-born Manager/Owner
for hotels' website	89%	79%
for selling rooms via other web sites	79%	86%
managing reservations	76%	72%
for key cards	38%	37%
for payroll	55%	52%
for room inventory	49%	44%
storing customer data	45%	41%
own website (booking)	69%	79%
for e-marketing	47%	38%
for billing and accounts	60%	61%
for forecasting revenue	40%	39%
for forecasting revenue	38%	34%
restaurant management	19%	23%
<b>Total</b>	54%	52%

# Poisson count model for IT usage

DEPENDENT	Cumulative IT usage
More hotel stars positive	-0.21*
Chains positive	-0.27**
Larger hotels positive	-0.15
Non central location positive	-0.15*
Less seasonality positive	0.01**
Migrant owners more positive	0.02
Migrant – Devpd Country positive	-0.07
Previous hotel experience positive	0.16*
Hospitality degree positive	0.25**

RSQ = 0.506

N = 111

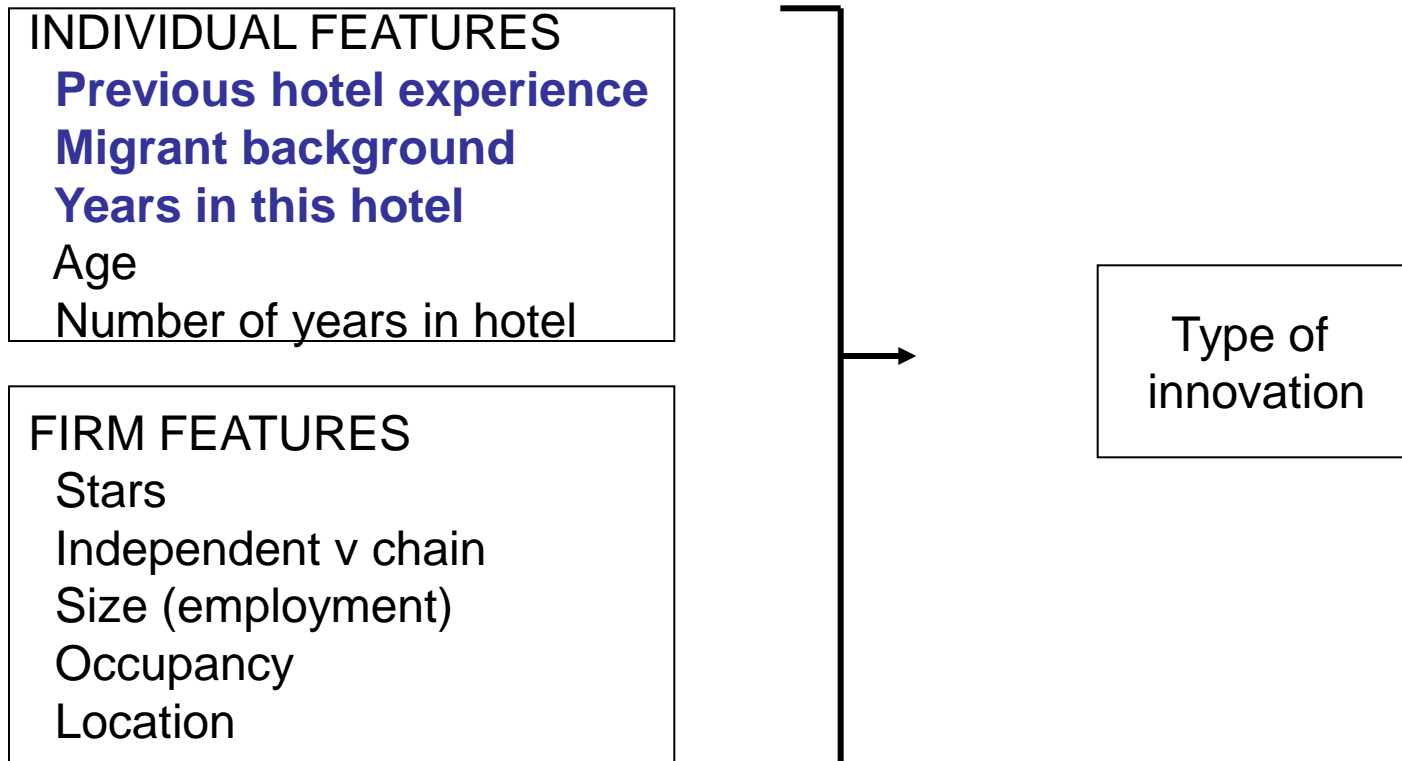
\* <0.1

\*\* <0.01

\*\*\* <0.001

# DRIVERS OF 'EFFECTIVE INNOVATION'

- Initial stages of analysis
- Modelling



## Changes perceived as positive by migrants and non-migrants

	<b>British Born</b>	<b>Foreign - born</b>
In your market segment	15%	29%
In how you market your business	13%	27%
In range of facilities and services provided	9%	20%
In quality of facilities and bedrooms	17%	34%
In the quality of service	17%	32%
In the use of IT	20%	28%
environmental sustainability	12%	6%
In quality of your workforce	10%	17%
In your management strategy	14%	22%
In pricing and discounts	18%	27%
<b>Total</b>	<b>14%</b>	<b>24%</b>

# Determinants of different types of innovation (ordered probit models)

DEPENDENT Impact on firm	INDEP 1	INDEP 2
market segment	More yrs in hotel +	
how you market your business	Mig status +	Chains +
range of facilities and services	Mig status +	Older +
quality of service	More seasonal +	More years in hotel +
use of IT	More yrs in hotel +	Less migs +
environmental sustainability	Less stars +	Less migs+ hotel exp+
quality of your workforce	More yrs in hotel +	Younger +
management strategy	Mig status +	
pricing and discounts	More stars +	

# LABOUR AND ABSORPTION CAPACITY

## **Theorising** hotel labour markets

- Piore – dual labour market
- Riley et al – job attributes, structural factors, psychological factors
- Sassen – dual labour markets, migration and global cities

**Context** – 60-80% of hotel employees are migrants in London.

Predominance of low wages (Lloyd, et al., 2008)

Sample: 69% aged 18-30

# DETERMINANTS OF EMPLOYMENT OF MIGRANT LABOUR (%): TOBIN REGRESSION MODEL

Variable	Estimated Coefficients
Constant	2.105**
<b>QUALITY (1*, 2*)</b>	<b>15.281**</b>
INDEPENDENCE	1.472
SCALE	-0.250
INTERNATINAL MKT SHARE	0.414
OCCUPANCY	1.602
<b>PERCEIVED ADVANTAGES</b>	2.274**
<b>AGE (50+)</b>	-1.670*
<b>MIGRANT BACKGROUND</b>	<b>2.728***</b>
DURATION OF INVOLVEMENT	-0.854
<b>TURNOVER</b>	<b>2.542**</b>
R <sup>2</sup>	0.388
N	63

# Perceived advantages of using migrant labour

Perceived advantages	1*, 2* HOTELS	3*, 4*, 5* HOTELS
Reliability	63% (n=43)	65% (n=51)
Flexibility	56% (n=38)	57% (n=45)
Variety of languages	52% (n=35)	62% (n=49)
Skill shortages	49% (n=33)	49% (n=39)
Cost saving	31% (n=21)	25% (n=20)
New skills	31% (n=21)	33% (n=26)
Bringing in customers	18% (n=12)	13% (n=10)
Other advantages	95% (n=67)	91% (n=76)

# CONCLUSIONS

## 1. Hotels in the global city

– Sassen

## 2. A highly mobile sector

BORN	WORKED IN FOREIGN CO	
	Yes	No
UK	21	28
Other	57	41

# Conclusions contd

3. Importance of human capital – in different forms
4. Limitations of quantitative approach: next step qualitative