

## Chapter 9

# Exploring Entrepreneurship and Innovation Scenarios in a Portuguese Hospitality Group

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### ABSTRACT

*Innovation and entrepreneurship are important topics associated with management studies. Research into the hospitality companies, especially within the fields of entrepreneurship and innovation, continue little studied mainly with respect to the development of empirical studies applied to these companies. The aim of this study is to understand the innovation and entrepreneurship process in hospitality companies using a theoretical model proposed by Timmons. To achieve the objective of this study, the empirical part uses a case study methodology applied to hospitality Portuguese group. The intent of the present study is to give some solid contributions to literature on this subject, and provide some contributions to support future studies about innovation and entrepreneurship process in hospitality companies. The theoretical model used considers different dimensions to study entrepreneurship and innovation, such as, search and identification of opportunities, people and resources, and their influence on entrepreneurial activity. This chapter provides important clues about the importance of human resources and financial resources to promote innovation and entrepreneurship in hospitality companies.*

### INTRODUCTION

Innovation in the service sector assumes some particularities (Carvalho, 2010, Pires, Sarkar & Carvalho, 2008) emerged in recent years some studies applied to the hospitality services subsector (Carvalho, 2011, 2014, Carvalho & Fernandes, 2013).

The concept of innovation evolved due to the influence and growth of service economy. And, also driven from the boom of technology, information and communication companies since the eighties. The assumption of intangibility in the definition of innovation is reflected in the fact that industries become gradually being recognized for their innovative potential (Miles, 2001; OECD & Eurostat,

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2005). According Weiermair (2001) and Keller (2006a), although the services sector and subsector of tourism in particular, have become mature, and require innovation and new tourist attractions.

Tourism services reveal some particularities, are essentially personal and their creation involves internal factors (employees) and external factors (customers) (Smith, 1994). According to Heskett (1986), a successful innovation, i.e. innovation that is profitable for the tourism business in a competitive market, should increase the value of the product or the tourist experience.

Tourist activity is deeply rooted spatially (by engaging heritage, attractions and accommodation facilities). Tourism also involves activities that have proximity to recreation services (cultural, sports and recreational facilities). Since both approaches are affected by industrialization, the development of practical short-term influence of innovations in urban tourism on the provision of leisure activities (casinos, museums, special events, etc.). Stresses the convergence and becomes difficult to establish a clear boundary between them (Decelle, 2004).

This chapter aims to study innovation and entrepreneurship in hospitality companies. To achieve the objectives this chapter is divided in two main parts. The first part presents a literature review about innovation particularities of service sector, innovation in tourism and typologies and innovation in hospitality sector. And the second part present the theoretical model provided by Timmons (1994) and the case study applied to Portuguese hospitality group.

## **LITERATURE REVIEW**

### **Innovation: Particularities of Service Sector**

The most popular concept of innovation was proposed by Schumpeter in 1934 and considers innovation as the development of new products, new processes, new markets and new sources of

raw materials, that is to say, to shape industrial organization anew. Schumpeter introduces other crucial concept in economic literature, the notion of the creative destruction, defined as a source to achieve a new economic cycle and explain how innovation influences positively economic growth. The role of innovation in economic development caught the attention of other authors in this area (Nelson & Winter, 1982).

Furthermore, innovation literature emphasizes distinct approaches associated with the economics of industrial innovation (Freedman, 1991), R&D and innovation (Arrow, 1962), differences according industries (Pavitt, 1984) and the role that firm-level capabilities play in innovation and learning (Cohen & Levinthal 1989, 1990).

Additionally, the European Commission (2004) described innovation as the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply and distribution; the introduction of changes in management, work organization, working conditions and skills of the workforce.

To study innovation in service sector is important to understand the particularities of services. Services differs from products in different aspects, and several times these differences are point out as limitations to study service innovation. It's possible to point out five characteristics of services: Lack of ownership, intangibility, inseparability, perishability and heterogeneity.

The services sector is the largest productive sector in most OECD economies. Several authors studied this sector (Sundbo 2001, 2007, Sundbo, 2007, Sundbo, Orfila-Sintes & Sørensen, 2007, Gallouj 2002, Schianetz, Kavanagh & Lockington, 2007, Miles 2005, Hjalager, 2002, Carvalho, 2008). The diversity of activities (heterogeneity) included in the service sector makes it difficult to define service.

Services and the service sector registered a progressively more important growth as motors in the economy and account for more than two thirds of employment and gross value added generated by the EU (European Commission, 2012).

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