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# Entrepreneurial innovation strategies; an option for small hotels' growth in Ghana

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## Abstract

Homes away from home show the behavioral patterns of people who are always on the move from one place to another. Many small size hotels in Ghana keep springing up quickly in a bid to provide home for people away from home. Yet, innovative ideas that enhance patronage and sustainability is on a decline, leading to eventual foldup. This study seeks to advance the entrepreneurial innovations of small hotels in order to sustain growth in Ghana. Successful stories about SMEs exist but are rare. A population size of 2915 entrepreneurs operating small medium hotels across the country were zoned into three, and schematic random sampling method was used in selecting the hotels. A scale of 100% hospitality industry attitudinal variables such as *Service Innovations*, *Process Innovations*, *Management Innovations* and *Marketing Innovations* were used. Responses from small hotel managers/owners indicate that there is a strong correlation between innovative activities and patronage. We therefore, recommend small hotel managers to develop their innovative abilities as a reliable path to the survival and growth of their businesses in a highly perishable and competitive business environment.

**Keywords:** Entrepreneurial, Innovations, Small hotels (SH)

## Introduction

The highly competitive environment of the hospitality industry drives the search for new ways of achieving efficient performance. One of the core trends in this scope is the development and implementation of a variety of innovative activities that can serve as a powerful push for the development and growth of the hospitality industry. Innovations of all kinds are essential for both the viability and competitiveness of hotel enterprises. Innovation is the introduction of notable or novel services and goods with respect to its intended purpose or uses and these include significant enhancement in technical specifications, incorporated software, user friendliness, component and materials or order functional characteristics. In most cases, innovations regarding goods or services include new uses for already existing ones. Despite the extant literature posits that innovation activities hover around product firms, innovations in the service sector is diverse because services are provided in different forms. This notwithstanding, improvement in the service is worth researching as Talbot (2010) posits that innovations in the small hotels is very weak. Again, many small hotels (SH) assume innovation belongs to larger/bigger firms (King, 2016) hence its benefits are not regarded as important. Entrepreneurs/owners mostly manage SH and to them budgeting for innovation activities is a drain on the hotels' finance.

Entrepreneurs in Ghana have contributed to the expansion of SH in the last few decades due to the discovery of crude oil. The expansion is because it attempts to provide shelter for both the oil and gas drilling workers and the tourist. Ghana's small medium enterprises (SMEs) provide about 85% of employment, contribute about 70% to Ghana's Gross Domestic Product (Fosu, 2015; Lee-Ross and Lashley, 2010), and consequently influence significantly the growth of the economy as well as income and employment. To this, it is deduced that SMEs play an important role to national development, be it developed or developing economy. Regardless of the various contributions and role SMEs play, studies regarding entrepreneurial innovations that lead to small hotels industry patronage in Ghana are yet to be examined.

We investigate the innovative ideas that SH entrepreneurs/owners use in managing the facility in a highly competitive and perishable market. The findings of this study will expand existing knowledge in the hotel and tourism as well as contribute to literature in two ways. First, it will contribute to a more complete understanding of the need to improve through innovation as a small hotel by including products innovation, service innovation, process innovation, management innovation, and marketing innovation. Secondly, by reminding entrepreneurs/owner/managers of the basic activities that enhance hotel growth in a turbulence and highly perishable business. For purpose of clarity, this paper is grouped into five main parts: the first part is the introduction, followed by the literature review, the conceptual framework, and hypothesis development, and methodology. Research results and discussions are finally presented.

## **Literature review**

### **Firm growth**

Innovative trends in the hospitality industry are manifested through the ability to generate diverse innovations, which will ensure the successful growth of a hotel (Ghorbal-Blal, 2011; Zaitseva, 2013). The large-scale application of new knowledge, as well as its combinations, generate new services, products and technologies. If a hotel is not involved in any innovative activity, its growth will sooner or later diminish and its competitiveness will be lost (Dzhandzhugazova et al., 2016). Innovation has been considered essential in measuring firm-level entrepreneurship since its inclusion in many of the seminal contributions in this stream of research (e.g., Miller and Friesen, 1982). Miller and Friesen (1982), developed two competing models of innovation, depending on the goals and type of organization: the conservative model and the entrepreneurial model. The conservative model describes the innovative practices of organizations using innovation as a measure of defense, or as a retaliation mechanism. Organizations, following this approach, normally innovate in the midst of distressful environmental or competitive situations in an attempt to regain their original market position. Environmental uncertainty and competitive pressures often instigate such action. Many companies have been able to use this type of approach to innovation as a means of competitive advantage. As Miller and Friesen, 1982 discuss, organizations utilizing the entrepreneurial model of innovation view it as a natural state of affairs with innovative practices, essential to the functioning and future of their firms. The key component of entrepreneurship is innovation and entrepreneurship theory; of which innovation recognizes entrepreneurs as a significant indicator of economic growth (Lee-Ross & Lashley, 2010; Nasution et al., 2011; Thomas et al.,

2011). Entrepreneurship has been the practice of designing, initiating and running a new business, such as a setup company offering a product, process or service for sale or hire. While definitions of entrepreneurship normally center on the launching/running of new businesses and bringing up new business ideas in order to stay in business, a considerable percentage of businesses have to close up due to lack of innovative ideas, bad business decisions, lack of market demand, an economic crisis – or an amalgamation of all of these.

A hotel that engages in innovation activities is able to intensify barriers to imitation, keep its portfolio ahead of the competitors and establish a long-term competitive advantage. New products according to (Chang et al., 2011); Gallouj and Weinstein (1997), are goods and services that vary notably in their uniqueness or intended uses formally created by the firm. As stated by Dzhandzhugazova et al. (2016), lack of innovations in the hospitality industry leads to poor performance or exit of businesses. In most hotels, innovation is exhibited either through the service provided or in processes. The only way the hotel industry can continue to grow is when managers invest in innovation to meet the needs of customers. Competing for new customers among hotels is high and a repeat business is always desired due to the perishable nature. The impressions registered in the mind of the customer about the hotel begin long before the customer walks through the door (Chang et al., 2011; Irimiea, 2012). These impressions are from a good innovative website that is easy to navigate, quality photos showing the facilities available, clear instructions including drawings, nearby points of interest, customers' special needs such as handicapped accessible rooms, baby cot and etc.

SH along the seaside may offer poolside games and activities whereas the hotels with more stars will cater primarily to business clientele by making sure they provide top-quality services that may include internet Wi-Fi, Visio conference equipment, and excellent audio systems that enhance business activities. Addressing customers' complaint quickly, is very important because the hotel industry is one of the businesses that is tough with requests and grievances coming in by phone, online, email or in-house guest leaning over the welcome desk. To (Chang et al., 2011; Stewart & Hitt, 2012), if prompt response to guest requests such as extra pillow, remote battery, blanket etc. are adhered to quickly, customers will be very appreciative. With the notion that the "customer is always right" a certain percentage of customers in the hotel industry are notorious for high hopes and complaints, so staff should always bear in mind to do what is expected of them. Comment gathered from website, cards in room and front desk logs can be used as guide during meetings and training sessions (Simon, Mazilu, Andrei, Severineanu, & Dumitrascu, 2010) and at the management level for implementing policy. The information gathering tools, when properly used by SH can be a huge plus in attracting new customers and keeping existing ones.

Unlike other industries, the hotel industry prospers due to customers' retention and it is only through customer satisfaction that a hotel can retain its customers. Basically, a customer's ability to repeat a business is dependent on the quality of the services in terms of facilities in the room, hotel website access, prompt response to complaints and request that they get in a hotel (Bitner et al., 2008; Zeithaml, 2000) and the hospitality industry has experienced the entrance of many investors who are willing to meet all the customer needs. Therefore, if the customer is not satisfied by the services- (check in procedure, pick-up service, bed & breakfast, 24 h active line, conference facilities, room service) received in one hotel, (Slack, Chambers, & Johnston, 2010; Zeithaml, Berry, & Parasuraman, 1993) they will look for better services elsewhere. For a hotel to stay competitive in terms of customers'

satisfaction, it must track the levels of customers' satisfaction, implement a continuous improvement of its services and goods based on customers' needs as expressed in their comments or other means of expression (Bizi Mubiri, 2016; Slack et al., 2010; Zeithaml, 2000). One key influence in customer retention is to guarantee quality services as this achieves superior heights pertaining to customer satisfaction and repeat patronage. Generally, it is more expensive to draw in new customers than retaining the existing ones so entrepreneurs/owner managers should focus on holding existing customers. Satisfied clients probably buy more from you because of the hotel room décor, edifices, guest amenities and location (Bizi Mubiri, 2016) and consumer loyalty is the thing that holds it returning.

The motivation behind why faithful customers are so critical is on the grounds that it costs more than three times as much to draw in new customers than to hold the existing ones. In addition, past customers unequivocally influence others by listening others' comments and suggestions. It behooves on SH to concentrate on the quality of services and products and customer satisfaction and loyalty will follow (Bitner et al., 2008; Zeithaml, 2000). These days, many hotel entrepreneurs/owner managers are challenged by customer satisfaction since some customers come but fail to return due to their preferences (Slack et al., 2010). Therefore, consistent advancement of hotel innovation and quality service to customers is the way to effective business technique (Bitner et al., 2008) which eventually leads to growth. However, attempts to increase patronage through service innovations, products innovations, management innovations and marketing innovations should not be done without due consideration to the cost involved. It is worth noting that, an increase in patronage at the expense of efficiency would result in bankruptcy, which will lead to the closure of hotels. It is against this backdrop that this study is seeking to find the efficiency levels of small hotels in Ghana and recommend innovation strategies for it growth.

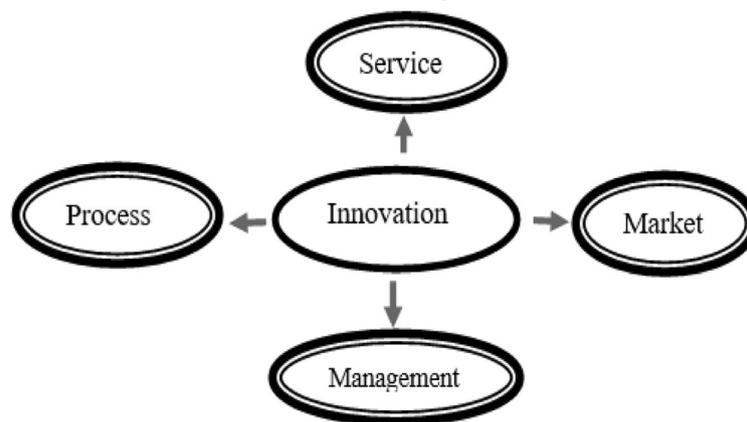
### **Theory and empirical literature**

Innovation studies and research have mostly been on manufacturing industries, and it is on this foundation that theories pertaining to innovation are developed. Manufacturing industries produce goods in the form of physical products, while service industries produce non-material. The difference is clear but one may ask whether service oriented firms innovate? Obviously, the answer hinges on the theoretical stand one takes. Literature on innovation regarding services is sparse and discussion of the problem is not fundamental as well, which presupposes that service firms do innovate (Crozier, Normann, & Tardy, 1982; Normann, 1991; Thomas et al., 2011) or even the fact that service firms encourage R&D activities (Artz, Norman, Hatfield, & Cardinal, 2010; Love & Mansury, 2007) that leads to innovativeness. Even though some literature presents the empirical results of innovation activities in service firms [e.g.(Sundbo, Orfila-Sintes, & Sørensen, 2007; Tremblay, 1998) it does not discuss the rationality of presupposing that innovation is happening in small hotels or service firms. Nor does it argue whether innovations in the services can be understood concerning innovation theories developed for the manufacturing sector. Although the literature does not offer an exhaustive discussion of innovation in service oriented firms, it is deduced that innovations are taking place. As cited by Hipp and Grupp (2005) contend this is the case in knowledge intensive business services. Though Miles's examples are mostly technological innovations, he also argues that services are collectively joined with organizational innovations.

Gadrey (1994) and Gadrey et al. (1995) undertook the investigation of innovation in service firms in France in 1993 as part of a project for the Ministry of Education. The investigation included the insurance, banking, electronic information services and management consultancy industries and concluded that innovation was taking place in all of them and that innovation activities spread throughout the organizations. Innovation of services is a central component of the strategy in successful firms, especially in the hospitality industry, and recent research confirms its meaning and importance for every organization or firm. Innovations can manifest themselves as changes in the capabilities of a firm that present the key to success in the end, along with service and product development, which should identify and understand the value-creational processes (Gustafsson et al., 2012).

Practically, the hotel industry is one of Ghana's socio-economic development contributors due to the type of clientele it usually hosts. In this wise, foreigners and all customers expect the hospitality industry to exhibit certain qualities in its daily dealings such as skills in the services, processes, marketing strategies among others. Unfortunately, these qualities are often not exhibited by SH (King, 2016; Thomas et al., 2011) as such many clients feel they do not obtain the best services or do not get value of their money, and so tend to rely on bigger hotels for the desired satisfaction. Studies on small and medium-sized enterprises (SMEs) hotels, show that most owners and managers remain active on managing their property at the detriment of the innovative issue (Aaker, 2012; Burns, 2010; O'Neill and Xiao, 2006). The hoteliers should be aware that integrating all the possibilities to make the business sustainable and grow is very important.

### Conceptual framework of hotel innovation process in small hotels



Source: Authors Concept.

*Service innovation* - refers to services rendered to customer/guest and these are room service, front desk 24 h receptionist, daily replenishment of guest amenities, bed & breakfast, WIFI in the bedroom.

*Process innovation* - talks about online booking, airport / bus terminal pick-up, 24-h reservation line, quick checking -in procedure.

*Management innovation*- qualification of owner/manager, requisite skills of staff, R&D activities, T&D of staff.

*Marketing innovation* - active website, uniform staff, conference room, follow up on customer.

CSR activities.

### **Component of service innovation and hypothesis development**

Innovation is an introduction of notable or novel service and goods with respect to its intended purpose or uses and these include significant enhancement in technical specifications, incorporated software, user friendliness, component and materials or other functional characteristics. In most cases, innovations regarding goods or services include new uses for already existing ones. Service innovation comprise an enhancement in how they are provided regarding their efficiency or speed as well as the addition of new functions or characteristics to existing services or the introduction of entirely new services (Sharma & Upneja, 2005; Xie et al., 2013). Notable improvement of door step delivery of goods and services, providing on-site rather than remote management contact point for outsourced services, is an example of the enhancement in services quality. A process innovation is the execution of new notably enhanced production or delivery methods (Lumpkin et al., 2010). This comprises of significant changes in techniques, equipment and software. Process innovation can purposefully be introduced to decrease the unit cost of production or delivery, to increase quality or to produce or deliver new or notably improved products. Process innovation can be distinguished by production or delivery methods or often both.

Production methods which are involved in the techniques, equipment and software can also be used to produce goods or services by the SH sectors. An instance of a new production methods is the implementation of new automation equipment on a production line or the implementation of computer –assisted design for customer information and identification (Xie et al., 2013). Delivery method refers to the logistics of the firm including equipment, software and techniques to source inputs, allocate supplies within the firm or deliver final products. An introduction of the conveyor belt from food production unit to the service area is a good example of the new delivery method. Innovation in support services also take into consideration new or notable improved techniques, equipment and software in auxiliary support activities such as purchasing, accounting, computing and maintenance. Equipment and software changes involves significant changes in the equipment and software used in service-related firms or in the procedures or techniques employed to deliver the services. The applications of a new reservation / booking system in the hotel and tourism industry (Bitner et al., 2008; Zeithaml, 2000), introduction of GPS tracking devices for transport services are some of the examples associated with equipment and software changes (Zeithaml, 2000).

Innovation in support services also takes into consideration new or enhanced techniques, equipment and software in auxiliary support activities such as purchasing, accounting, computing and maintenance. Marketing innovation is the ability to foresee the current industry model in ways that create new value for customers, weaken competitors and produce new wealth for all stakeholders according to the organizational knowledge. To Rosli and Sidek (2013); Xie et al. (2013) marketing innovation is the implementation of a new marketing method involving notable changes in product design, product promotion or pricing and it behooves on the small medium accommodations operators to take advantage of this. SH should encourage yield management activities by carving its own market niche through promotional sales, room reductions among

others. The generation and implementation of new ideas for communication, delivering values to customers and managing customer relationship fall within the arena of marketing innovations (Sharma & Upneja, 2005).

The innovative technique that establishments implement in order to accomplish exact customer expectations should result in meaningful progress in (1) current customer penetration (2) potential customer identification and (3) distribution efficiency (Xie et al., 2013).

However, there are possibilities to form constructive definitions that are measured and utilized to explain important happenings in innovations and eventually differences in firm efficiency and performance. Whereas other stakeholders (shareholders, employees, suppliers etc.) are certainly important and benefit from innovation activities, failure to give attention regarding its influence on customer value is a departure away from the core essence of the innovation concept. This recognizes that innovation does not function in the void and therefore innovative activities such as process, services, marketing, and management innovation should be part of the core business activities. The survival and growth of SH is largely dependent on the innovation strategy adopted by the owner/entrepreneur/manager. Thus;

*Hypothesis 1: service innovation has a significant impact on firm growth*

*Hypothesis 2: process innovation has a significant impact on firm growth*

*Hypothesis 3: marketing innovation has a significant impact on firm growth*

*Hypothesis 4: management innovation has a significant impact on firm performance*

## **Methodology**

Ghana's SME aim to maintain its brand as "Ghana- the gate way to Africa", and the hotel industry is promoting its unique hospitality experience along this slogan. In the mist of high competition, low barriers to entry, price conscious consumers, rising food prices, government regulation and high labour cost, SH in Ghana faces many challenges with businesses struggling to succeed due to their inability to use innovative strategies. The sector is generally dominated by SMEs (Hall & Rusher, 2013; Spio-Kwofie et al., 2017) as statistics show an upward increase in the number of hospitality businesses that keep springing up.

Statistically, the 2969 licensed hotel establishments in Ghana are categorized into star-rated, guesthouses and budget hotels (Ghana Tourism Authority 2016). Ghana has ten regions but Tema, a municipality in Greater Accra Region is added to the 10 regions due to the high number of SH activities.

In summary there are 680 star-rated hotels – (only 3 Five Star Hotels, 12 Four Star Hotels and 39 Three Stars, 170) guesthouses, and 2119 budget hotels in Ghana. From the numbers listed, one could easily deduce the small hotels have a faster rate of springing up than the five and four-star hotel. For purposes of the research, the researchers separated the 2 Star, 1 Star, Guest houses and Budget accommodations from the 5–3 Star rated hotels and clustered them into 3 groups. Thus, the *Northern Cluster of Hotels* is made up of Brong Ahafo Region, Northern Region, Upper East Region, and Upper West Region. The *Middle Cluster of Hotels* comprise Ashanti Region, Eastern Region, Volta Region and the *Coastal Cluster of Hotels* is composed of Greater Accra Region, Central Region, and Western Region.

In order to undertake a successful research, some ethical issues were taken into consideration (Cohen et al., 2013). The consent of all participants was sought and enough time was given to participants to prepare and decide in advance, their willingness to either participate or not; and to avoid the deceitful notion they may have about the researcher (Cohen et al., 2013). A high degree of confidentiality in any information obtained from respondents was maintained, while anonymity of the respondents was also guaranteed during and after the data gathering. Consents were sought from individuals who provided information for publishing the resulting papers (Table 1).

A population size of 2915 entrepreneurs operating small hotels across the country were put into three clusters, northern, middle and coastal. A systematic random sampling technique was used to select the required number of small hotels from each of the clusters. In the Northern cluster, twenty-eight small and medium hotels were selected for analysis; five 2-star hotels, eight 1-star hotels, four guest houses and 11 budget hotels making a total of twenty-eight (28) small hotels. In the Middle cluster, every 20th item, a hotel was selected, making it forty-eight (48) small hotels for the analysis. They include four 2-stars, seven 1-stars, one Guest house, 36 Budgets. For the Coastal cluster, a hotel was selected at every 30th item. Forty-eight (48) hotels were randomly selected for inclusion in the analysis and these comprise of four 2-stars, seven 1-stars, three guest houses, and 34 budgets. Population in this study is the owners/managers of SH in Ghana.

The activities pertaining to small hotels were grouped into four constituents (service, process, management and marketing) each of which has different innovation variables. For fairness sake, each of the variables was awarded a score measure to determine the level of innovation that happens in the hotel. When all the innovation strategies under a particular constituent are available, a score of 100% is assigned to that. The score however decreases with a decrease in the number of innovations. This is done to provide a quantitative measure of innovation services, since it is often done using qualitative measures. The qualitative measure does not give how a change in innovation could impact on growth. DEA solver was used for the analysis. Input oriented approach was used to measure the effect of input variations on the output (Table 2).

## Results and discussions of findings

Table 3 presents the results of correlation between patronage and innovations. Patronage and process innovation show a positive correlation, indicating that an increase in one will result in an increase in the other and vice versa. Management and marketing innovations also have a positive correlation with patronage (Dominici & Guzzo, 2010; Irimiea, 2012; Naidoo, 2010). An increase in either will lead to an increase in

**Table 1** Small Hotels Cluster

CLUSTER	GRADES				TOTAL
	2-Star Hotel	1Star Hotel	Guest House	Budget	
Northern Cluster	23	34	19	358	434
Middle Cluster	80	140	42	724	986
Coastal Cluster	120	229	109	1037	1495
Total	223	403	170	2119	2915

Source: Authors 2017

**Table 2** Small Hotel Constituents and Variables

Attitudinal variable	Innovation	Score %
Service	Room service	All –100
	Front desk 24 h - Receptionist	4–80
	Daily replenishment of guest amenities	3–60
	Bed & breakfast	2–40
	WIFI in the bedroom	1–20
Process	Online booking	All –100
	Airport / Bus terminal pick-up	3–75
	24-h reservation line	2–50
	Quick checking -in procedure	1–25
Management	Qualification of owner/manager	All –100
	Requisite skills of staff	3–75
	R&D activities	2–50
	T&D of staff.	1–25
Marketing	Active website	All –100
	Uniform staff	4–80
	Conference room	3–60
	Follow up on customer	2–40
	CSR activities	1–20

hotel patronage and vice versa. Increase in patronage is expected to cause an increase in investment in innovation, since management will do everything possible to maintain its share of the customers. The increase in innovation activities is expected to cause an increase in patronage as that will improve the image of the facilities and attract customers.

The Table 4 presents the results on efficiency scores of hotels in the Northern cluster. The cluster recorded a higher number of hotels not operating at efficient level. Only two hotels out of twenty-eight hotels under consideration operate at an efficiency level. This implies that at current level of patronage hotel managers could still achieve the same level of patronage by cutting down the level of innovation activities. One guest-house and one 1-star achieved the efficiency score of one. The remaining is operating at inefficiency level, as their scores are less than one. As asserted by (Naidoo, 2010; Smith et al., 2015), for hotel managers to achieve efficiency in their operations, they should consider reducing the excesses in their innovation activities. Most of the excesses in the innovations were recorded at service, process, and management innovation. Reduction in the number of operational staff could result in multi-tasking

**Table 3** Correlation Analysis for Northern Cluster

	Service Innovations	Process Innovations	Management Innovations	Marketing Innovations	Patronage
Service Innovations	1				
Process Innovations	0.795494	1			
Management Innovations	0.602897	0.653144	1		
Marketing Innovations	0.818607	0.820305	0.603055	1	
Patronage	0.809318	0.78909	0.620625	0.837073	1

**Table 4** Efficiency Scores of Northern Cluster of Hotels

No.	DMU	Score	Excess	Excess	Excess	Excess	Shortage
			Service Innovations S-(1)	Process Innovations S-(2)	Management Innovations S-(3)	Marketing Innovations S-(4)	Patronage S+(1)
1	2 Star Hotel	0.678307	6.65589	0	2.236294	4.68456	0
2	2 Star Hotel	0.81517	14.72401	0	5.082075	3.286154	0
3	2 Star Hotel	0.969745	0	2.572676	5.552503	0	0
4	2 Star Hotel	0.934007	5.895922	0	2.962555	9.486013	0
5	2 Star Hotel	0.664452	0	2.524917	12.32558	0.598007	0
6	1 Star Hotel	0.822997	13.08398	1.830749	0	3.342377	0
7	1 Star Hotel	0.869334	7.27783	2.482812	0	0	0
8	1 Star Hotel	1	0	0	0	0	0
9	1 Star Hotel	0.867546	5.963577	10.82021	0	0	0
10	1 Star Hotel	0.584258	0	0.742351	1.719264	0	0
11	1 Star Hotel	0.767957	2.230315	6.995453	0	0	0
12	1 Star Hotel	0.895397	0	4.951021	2.692776	0	0
13	1 Star Hotel	0.732953	4.626766	0	6.172839	2.67986	0
14	Guest House	0.586381	0.778831	3.676175	0	0	0
15	Guest House	0.364968	0.52234	0	1.812704	0	0
16	Guest House	1	0	0	0	0	0
17	Guest House	0.951513	12.53372	15.74918	7.48086	0	0
18	Budget Hotel	0.4588	3.928843	0.751351	0	0	0
19	Budget Hotel	0.439544	0.625902	3.147172	0	0	0
20	Budget Hotel	0.570618	0.319337	0	1.547606	0	0
21	Budget Hotel	0.723116	0	0.778414	1.414862	0	0
22	Budget Hotel	0.707115	3.198237	0	6.22456	0	0
23	Budget Hotel	0.761251	9.107081	0	12.4393	0	0
24	Budget Hotel	0.516069	1.001028	4.503245	0	0	0
25	Budget Hotel	0.498278	0	3.99502	4.144137	0	0
26	Budget Hotel	0.543645	0	3.408972	1.939532	0	0
27	Budget Hotel	0.687927	0	5.220153	7.926337	0	0
28	Budget Hotel	0.399255	2.67757	0	3.882659	0	0

in different departments, yet still satisfying the hotel's customer. From a financial perspective, many of the cost reduction and efficiency strategies can be achieved with no-cost or low-cost measures focused on optimization of the performance of both equipment and personnel.

Table 5 presents the result on correlation between innovation strategies and patronage in the Southern cluster. All the innovation strategies have a positive strong correlation with patronage, with marketing innovation recording a higher score. This implies that an increase in innovation strategies will result in high patronage and vice versa. Going forward managers of hotels should pay key attention to innovation strategies as it has a positive effect on patronage. The adoption of innovation strategies should be done at efficient level to keep the hotels in business.

The Table 6 presents the results of efficiency scores of hotels in the Middle cluster. The results show that only two 1-star hotels were operating at the efficiency level with

**Table 5** Correlation Analysis for Middle Cluster

	Service Innovations	Process Innovations	Management Innovations	Marketing Innovations	Patronage
Service Innovations	1				
Process Innovations	0.641352	1			
Management Innovations	0.464101	0.670229	1		
Marketing Innovations	0.635469	0.792954	0.636702	1	
Patronage	0.571986	0.702098	0.674113	0.791721	1

a score of one. The remaining forty-six hotels are operating at the inefficiency level. Managers can still achieve the same level of patronage by reducing the excesses in the innovations. For hotels to become efficient in their operations, measures should be put in place to ensure that excesses in the innovations are reduced to improve the performance and growth of the hotels (Dominici & Guzzo, 2010). In an attempt to increase patronage, management should not lose sight of the costs that is associated with it. The costs associated with the increase in patronage should be done at an efficient level. A detailed analysis of the organization, duties, and requisite skills of the members of each department would demonstrate a high degree of consistency of purpose, a logical hierarchy of position, and sufficient skills. The inward focus of each department nurtures departmental efficiencies, clarity of goals and career paths (Krstic et al., 2015; Malik, 2013). Nevertheless, the inward focus of many of the skills learned in a department are not easily transferable to other departments and makes it difficult for staff of a department to fully understand or appreciate the contributions of other departments.

Table 7 presents the results of the correlation between innovation strategies and hotels patronage in the Coastal cluster. The results show a perfect positive correlation between innovation strategies and hotel patronage. An increase in the level of innovation strategies will lead to an increase in hotel patronage and vice versa. Among the three clusters, Coastal was involved in almost all the rated innovation variables. The activities involved are *room service, front desk 24-h services, guest amenities daily replenishment, bed & breakfast, WIFI, online booking, airport/bus terminal pick-up, 24-h reservation line, checking -in procedure, qualified owner/manager, qualified of operating staff, R&D activities, T&D of staff, active website, customized miniature products, uniform staff, conference room, CSR activities, follow up on customer*. These innovative activities could be as a result of Ghana's oil discovery – (Jubilee Oil Field) which attracts both tourist and expatriate working in the oil fields. For the small hotels to meet international standards, there must be some form of innovations (Naidoo, 2010; Simon et al., 2010) as it can enable them to compete in a competitive market. The results of the Coastal cluster in Table 7 show that there is a positive correlation between service innovation, process innovations, management innovations and marketing innovations and patronage.

Table 8 presents the results of the efficiency scores of various hotels. It is revealed that most hotels are operating at inefficient level. Only one 2-star hotel had an efficiency score of one. Most of the inefficiencies are attributed to the excesses in the service and marketing innovation, implying that managers can cut down these excesses and still achieve the same level of patronage. Three of the one-star hotels achieved an efficiency score of one. Four are operating at inefficiencies level. A reduction in the level of the excesses will go a long way to reduce the wastage without affecting patronage. Guesthouses and budget

**Table 6** Efficiency Scores of Hotels in Middle Cluster

No.	DMU	Score	Excess	Excess	Excess	Excess	Shortage
			Service Innovations S-(1)	Process Innovations S-(2)	Management Innovations S-(3)	Marketing Innovations S-(4)	Patronage S+(1)
1	2 Star Hotel	0.677295	0	4.567046	11.71746	0	0
2	2 Star Hotel	0.721851	0	3.502154	12.26451	0	0
3	2 Star Hotel	0.639378	0	10.53859	0	2.35867	0
4	2 Star Hotel	0.672829	0	5.885903	0	4.116344	0
5	1 Star Hotel	0.624081	0	0	2.657197	9.039463	0
6	1 Star Hotel	0.942391	0	0	8.46477	9.457422	0
7	1 Star Hotel	1	0	0	0	0	0
8	1 Star Hotel	1	0	0	0	0	0
9	1 Star Hotel	0.780394	0	3.781474	2.130315	0	0
10	1 Star Hotel	0.674225	0	2.709915	0.696998	0	0
11	1 Star Hotel	0.967709	0	12.12262	5.005471	0	0
12	Guest House	0.683017	0	7.697742	3.738056	0	0
13	Budget Hotels	0.529397	8.621608	1.134422	2.571357	0	0
14	Budget Hotels	0.799184	0	5.119983	3.96507	0	0
15	Budget Hotels	0.77254	0	0	1.424908	2.557967	0
16	Budget Hotels	0.852191	2.243522	4.104428	1.37394	0	0
17	Budget Hotels	0.454523	7.070352	6.211809	0	3.535176	0
18	Budget Hotels	0.392312	0	2.66952	0.061994	0	0
19	Budget Hotels	0.532047	0	4.650066	0	0.313808	0
20	Budget Hotels	0.412288	0	6.155474	2.217104	0	0
21	Budget Hotels	0.345767	0	5.272422	0.669011	0	0
22	Budget Hotels	0.602365	1.351975	3.81498	0	2.061428	0
23	Budget Hotels	0.420854	0.168342	4.208543	0	3.198492	0
24	Budget Hotels	0.414755	0	3.402095	0.561846	0	0
25	Budget Hotels	0.646985	4.787688	6.469849	0	6.211055	0
26	Budget Hotels	0.216036	3.634198	2.304379	0	1.406631	0
27	Budget Hotels	0.352558	1.12243	0.913773	0.949749	0	0
28	Budget Hotels	0.541098	11.29092	10.28087	0	7.106425	0
29	Budget Hotels	0.562351	14.63363	12.74663	0	9.734925	0
30	Budget Hotels	0.262312	2.506533	4.109548	0	3.089447	0
31	Budget Hotels	0.248449	0	2.419752	0.880509	0	0
32	Budget Hotels	0.49483	5.109876	8.987727	4.019231	0	0
33	Budget Hotel	0.55641	0	5.160719	6.94472	0	0
34	Budget Hotel	0.638074	0	6.607028	12.83845	0	0
35	Budget Hotel	0.357328	0	0	4.214886	0.860764	0
36	Budget Hotel	0.611463	0	3.611983	8.919687	0	0
37	Budget Hotel	0.355276	0.101508	1.471859	2.791457	0	0
38	Budget Hotel	0.501145	0	4.176611	1.420616	0	0
39	Budget Hotel	0.318002	0	0.24742	2.102495	0	0
40	Budget Hotel	0.336369	4.853329	5.622173	3.796168	0	0
41	Budget Hotel	0.388451	1.157425	5.628574	4.804107	0	0
42	Budget Hotel	0.279378	6.516911	3.9569	4.504252	0	0

**Table 6** Efficiency Scores of Hotels in Middle Cluster (Continued)

No.	DMU	Score	Excess	Excess	Excess	Excess	Shortage
			Service Innovations S-(1)	Process Innovations S-(2)	Management Innovations S-(3)	Marketing Innovations S-(4)	Patronage S+(1)
43	Budget Hotel	0.535781	3.684859	10.14703	8.146054	0	0
44	Budget Hotel	0.519821	5.134562	5.686209	7.383585	0	0
45	Budget Hotels	0.349089	0	2.236445	1.731971	0	0
46	Budget Hotels	0.222884	0	0	0.411098	0.737995	0
47	Budget Hotels	0.380889	1.002748	1.834485	0.614086	0	0
48	Budget Hotels	0.244221	3.798995	3.337688	0	1.899497	0

hotels are all operating at inefficiency levels. Most of their inefficiencies are due to excesses in the service and process innovations. At the current levels of patronage, managers can reduce cost by cutting down the level of wastage recorded at various innovation categories (Dominici & Guzzo, 2010; Naidoo, 2010).

Entrepreneurs/owner managers are faced with the need to group certain jobs in order to ensure efficient coordination and control of activities and these job groupings are usually called departments. This way of organizing is based on the notion that greater productivity can be achieved when workers specialize in just a few tasks or activities (Krstic et al., 2015; Malik, 2013). Appropriate way to overcome these weaknesses of a functional organizational design in hotel organizations is to develop interdepartmental teams to help coordinate the activities of different departments that must work together (Malik, 2013). Properly designed interdepartmental teams improve communication among departments that serve each other's customers and provide a forum for averting problems.

### Implications of the study

The study assessed the innovation strategies of SH in Ghana by obtaining responses from owner/managers operating these hotels. For many SHs, innovation activities belong to larger firms that has a specific number of staff, with specific financial assets and number of outlets (Dominici & Guzzo, 2010; Krstic et al., 2015) hence paybacks associated with innovation are ignored by the entrepreneurs/owners operating small hotels. Owners mostly manage small hotels with other family members handling the day-to-day activities of the hotel. As such, budgeting for innovation activities is a drain on the hotels finance. With the cluster of small hotels (2 stars, 1 star, budget and guest house) it is assumed that the resourceful use of innovative activities in the SH would lead to high patronage hence growth.

**Table 7** Correlation Analysis for Coastal Cluster

	Service Innovations	Process Innovations	Management Innovations	Marketing Innovations	Patronage
Service Innovations	1				
Process Innovations	0.790161	1			
Management Innovations	0.511485	0.768193	1		
Marketing Innovations	0.736584	0.752283	0.727534	1	
Patronage	0.662229	0.825184	0.745828	0.823794	1

**Table 8** Efficiency Score Scores of Hotels in Coastal Cluster

No.	DMU	Score	Excess	Excess	Excess	Excess	Shortage
			Service Innovations S-(1)	Process Innovations S-(2)	Management Innovations S-(3)	Marketing Innovations S-(4)	Patronage S+(1)
1	2 Star Hotel	0.911406	8.068019	0	0	0	0
2	2 Star Hotel	0.788653	10.13147	0	0	0	0
3	2 Star Hotel	0.866066	21.78698	0	1.204374	2.557602	0
4	2 Star Hotel	0.947827	0	0.158442	0	0	0
5	1 Star Hotel	1	0	0	0	0	0
6	1 Star Hotel	0.484156	0	0.562099	1.115094	0	0
7	1 Star Hotel	1	0	0	0	0	0
8	1 Star Hotel	1	0	0	0	0	0
9	1 Star Hotel	1	0	0	0	0	0
10	1 Star Hotel	0.732071	13.91315	0	0	2.374491	0
11	1 Star Hotel	0.634862	7.541318	0	0	0	0
12	Guest House	0.775179	5.708134	3.265146	3.053734	0	0
13	Guest House	1	0	0	0	0	0
14	Guest House	0.852327	5.863326	0.772243	0	0	0
15	Budget Hotel	0.751248	5.258735	5.759567	8.764559	0	0
16	Budget Hotel	0.915141	5.241265	6.489185	3.244592	0	0
17	Budget Hotel	0.655355	3.468105	2.988684	0	0	0
18	Budget Hotel	0.405985	8.072319	2.913217	0	0	0
19	Budget Hotel	0.605954	2.533991	1.175184	2.001486	0	0
20	Budget Hotel	0.640087	10.89487	0	0	0	0
21	Budget Hotel	0.509389	4.18454	0	2.705424	0	0
22	Budget Hotel	0.616713	7.03916	0.875065	0	0	0
23	Budget Hotel	0.614512	4.38693	0	1.177814	0	0
24	Budget Hotel	0.688012	5.432294	0	0	0	0
25	Budget Hotel	0.681708	4.892218	0	0	0	0
26	Budget Hotel	0.524047	5.226399	0	1.224232	0	0
27	Budget Hotel	0.580272	3.210304	0	5.61736	0	0
28	Budget Hotel	0.525497	5.009256	0	1.408625	0	0
29	Budget Hotel	0.66119	10.39871	8.655574	3.666597	0	0
30	Budget Hotel	0.628397	7.426511	4.855796	1.485302	0	0
31	Budget Hotel	0.473917	4.928418	0.83174	0	0	0
32	Budget Hotel	0.580521	10.0695	6.477287	0	0	0
33	Budget Hotel	0.699084	2.327265	0	1.20046	0	0
34	Budget Hotel	0.39572	3.381605	2.829996	0.887372	0	0
35	Budget Hotel	0.471714	3.301997	3.616473	5.503328	0	0
36	Budget Hotel	0.455283	2.607529	3.228369	1.614185	0	0
37	Budget Hotel	0.426299	2.255952	1.944095	0	0	0
38	Budget Hotel	7.73E-02	1.537585	0.554898	0	0	0
39	Budget Hotel	0.582422	2.435584	1.129546	1.923758	0	0
40	Budget Hotel	0.471067	8.017987	0	0	0	0
41	Budget Hotel	0.600472	4.932769	0	3.189175	0	0
42	Budget Hotel	0.553022	6.312194	0.784693	0	0	0

**Table 8** Efficiency Score Scores of Hotels in Coastal Cluster (Continued)

No.	DMU	Score	Excess	Excess	Excess	Excess	Shortage
			Service Innovations S-(1)	Process Innovations S-(2)	Management Innovations S-(3)	Marketing Innovations S-(4)	Patronage S+(1)
43	Budget Hotel	0.338873	2.419178	0	0.649507	0	0
44	Budget Hotel	0.3259	2.573192	0	0	0	0
45	Budget Hotel	0.313352	2.248746	0	0	0	0
46	Budget Hotel	0.354453	3.535008	0	0.828041	0	0
47	Budget Hotel	0.510092	2.822037	0	4.937974	0	0
48	Budget Hotel	0.344055	3.279676	0	0.922259	0	0

The results on efficiency scores regarding innovations of hotels in the Northern cluster recorded a higher number that is not operating at efficient level. Only two hotels out of 28 hotels under consideration were into innovations. This implies that at current level of patronage, hotel managers could still achieve the same level of patronage by cutting down the level of innovation activities. The Middle cluster results show that only two 1-star hotels were operating at efficiency level of innovation with a score of one. The remaining 46 hotels are operating at inefficiencies level, which means innovative activities are not inculcated in the business plan of the hotels. Concerning the three clusters, Coastal was involved with almost all the service, process, marketing and management rated innovation variables. These innovations are room service, front desk 24-h services, guest amenities daily replenishment, bed & breakfast, WIFI, online booking, airport/bus terminal pick-up, 24-h reservation line, checking -in procedure, qualified owner/manager, qualified of operating staff, R&D activities, T&D of staff, active website, customized miniature products, uniform staff, conference room, CSR activities, following up customers. This confirms (Krstic et al., 2015; Malik, 2013; Smith et al., 2015) that for small hotel to be abreast with current trends of business, it needs to upgrade its technology and be efficient. Though responses from coastal zone show that SH encourages some level of innovations, the findings reveal that most hotels are operating at unproductive level by not inculcating service innovations, process innovations, marketing innovations, management innovations in the small hotels. This implies that managers can cut down these excesses and still achieve the same level of patronage. The results show a seamless positive correlation between innovation strategies and hotel patronage which can lead to growth of the business. That is, an increase in the level of innovation strategies would result in an increase in hotel patronage and vice versa as this performance which eventually leads to customer retention. The adoption of innovation strategies should be done at resourceful level to keep the SH in business and grow as well.

**Conclusions**

Customers know exactly what they expect from a hotel, be it small or large (Irimiea, 2012; Smith et al., 2015). As such, if entrepreneurs/owner/managers of SHs encourage innovative activities, it will earn new and royal customers irrespective of the competitive nature of the business. Entrepreneurs/owners/managers of firms have a greater influence on the directions, strategies and performance and play a key role in the

business outcome (Dominici and Guzzo, 2010; Rauch et al., 2009). In order to stay in business and grow, entrepreneurs/owner/managers in Ghana should set aside funds for the purposes of innovative activities involving service, processes, marketing and management as this increase patronage. Irrespective of the marketing skills of the staff, if customers/guests do not get their desirable value, they are likely to get it elsewhere. Potential entrepreneurs/owners/managers of hotels should pay key attention to innovation strategies as it has a positive effect on patronage and enhance growth. Thus, the firm needs to take advantage of its technical know-how to exploit the opportunities available, increase the firm's performance through appropriate strategies (Olaniyan & Oke-makinde, 2008). Owner/manager, entrepreneur should invest in R&D activities that attract guest/customers to the hotel. The idea that innovative activities belong to product based organizations is archaic. Innovative activities sustain business and enable firms to organize the enterprise for greater effectiveness in the market place (Rauch et al., 2009). Increasingly, consumer preference, information websites, services, virtual communication among others has become commonplace for people that are always on the move (be it business, luxury, holiday, etc.). With less cognitive load and more awareness regarding innovations, patronage can be improved. Irrespective of the size, location, number of rooms among others, small hotels should incorporate service innovations, process innovations, management innovations and marketing innovations into the strategic plan of the hotel as it has a direct effect on patronage and enhance growth.

#### Abbreviations

GTA: Ghana Tourism Authority; SH: Small Hotels; SME: Small Medium Enterprise

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#### Authors' contributions

Professor HX is a lecturer in Jiangsu University in the School of Finance and Economics. He is also the executive vice dean of the school. He guided the team in the selection of related journals, printing of articles and most of the work were done in his office. ASK is a lecturer from Takoradi Technical University, Ghana but currently in Jiangsu University, China reading Ph.D. in Management Science and Engineering in the School of Finance and Economics. The topic under study falls with the ambit of my research area so I did most of the write-up. Again, am the corresponding author for this paper. TBU is a senior lecturer from University of Development Studies but currently in China. He is in Jiangsu University in the School of Management doing his Ph.D. He did the coding and analysis of the data and contributed to the write-up. MA is a lecturer from Accra Polytechnic, Ghana, but currently in China at Jiangsu University in the School of Finance and Economics. He is a Ph.D. student and he handled the proofreading and editing of the paper. All authors read and approved the final manuscript.

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