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Innovation strategy and economic sustainability in the hospitality industry

Msafiri Njoroge, Wineaster Anderson and Omari Mbura
University of Dar es Salaam Business School, Dar es Salaam, United Republic of Tanzania

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Abstract

Purpose – This paper aims to examine the role of innovation strategy on economic sustainability in the hospitality industry. The focus is on the tourist hotels in Tanzania.

Design/methodology/approach – The study uses survey of tourist hotels (n = 346) in the country's Coastal and Northern tourist circuits. Structural equation modelling was used to test the hypothesized relationship.

Findings – The findings indicate that innovation strategy in the industry emphasizes on standardized services; service quality; product introduction readiness and lastly on technology usage. Innovation strategy positively relates with the economic sustainability performance. Specifically, the strategy promotes hotels' sustainable growth, resource management long-term profitability, customer satisfaction and value chain management.

Practical implications – The findings elucidate on how sustainability can be integrated with core business strategies, to make corporate sustainability a reality. The findings also enlighten on the need for hotels to focus on innovation strategy to benefit from sustainability related opportunities. Moreover, the ability to understand customers' needs and develop innovative services that offer social and environmental solutions can have an important implication on long-term economic success.

Originality/value – Most studies in the hospitality industry focus on innovative strategies geared towards environmental management. Hence, understanding how innovative strategy influences long-term economic sustainability as a core focus of any business endeavour is important. This study contributes to that body of knowledge as it uses innovation strategy based on Schumpeterian entrepreneurial approach in understanding the role of innovation on economic sustainability.

Keywords Tanzania, Economic sustainability, Hospitality industry, Innovation strategy, Long-term profitability, Sustainable growth

Paper type Research paper

Introduction

Studies on innovation and sustainability in the hospitality industry largely focus on environmental management (Kasim *et al.*, 2014; Horng *et al.*, 2017) and corporate social responsibility issues (Bohdanowicz and Zientara, 2009). The assumption behind studies such as Kasim *et al.* (2014) is that, hotels voluntarily undertake innovative measures to conserve environmental resources and ultimately obtain commercial benefit. Practically, some businesses are reluctant to integrate sustainability core into their business strategies (Porter and Kramer, 2006; Nidumolu *et al.*, 2009; Whelan and Fink, 2016). The hospitality industry alike, has also been slow to adopt sustainability initiatives (Melissen *et al.*, 2015; Pasape *et al.*, 2015; Jones *et al.*, 2016; Prud'homme and Raymond, 2016). Whelan and Fink (2016) associate such reluctance to the premise that, some businesses believe that the costs of investing in sustainability issues outweighs the benefits, in particular the immediate financial returns (Prud'homme and Raymond, 2016).

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For hotels, economic sustainability entails enduring economically in a manner that allows the current and future guests and other stakeholders to benefit from the hospitality services and tourism experiences (Pasape *et al.*, 2015; Jones *et al.*, 2016). Because the needs of customers in hospitality are constantly ever-changing (Dzhandzhugazova *et al.*, 2016), hotels can capitalize on service innovation strategy that focus on new and improved processes that are in line with consumers' needs (Barcet, 2010; Carlborg *et al.*, 2014). Moreover, hotels may exploit business opportunities by redesigning their products and services to meet environmental standards and social needs (Whelan and Fink, 2016). Rather than just assuming that hotels have an obligation to implement sustainability practices such as water recycling (Kasim *et al.*, 2014), this article takes a stance that sustainability should be approached strategically (Galbreath, 2011). That is, hotels' innovation strategy focused at responding to market dynamics (Carlborg *et al.*, 2014) and legal compliance (Campbell, 2007; Nidumolu *et al.*, 2009) can promote sustainability investments.

Moreover, sustainability initiatives not only require resource investments but also are associated with risk and uncertain outcomes (Mullens, 2018). Evidence suggest that economic success is the foremost aim of all businesses regardless of the size and industry (Carroll, 1979; Bansal, 2005; Galbreath, 2011). From entrepreneurial point of view, it is thus pertinent to examine how hotels' innovation strategy relates to long-term economic sustainability. Horng *et al.* (2016) assert that hotels' motivation for sustainable service innovation is related to market positions, customer satisfaction, service orientation and environmental thinking. Anderson (2009) and Kasim *et al.* (2014) suggest that innovative reducing, recycling, reusing and reaching can be used by hotels in water resource management. Yet, it is unclear how hotels can achieve long-term economic benefits based on innovation strategy. In other words, this study answers the question on how innovation strategy is related to economic sustainability of hotel companies.

In addressing the research question, the study examines the role of innovation strategy on sustainability at corporate level in the hospitality industry. Specifically, the study identified the indicators of innovative strategy and economic sustainability in the hospitality industry before it examines the relationship between the identified indicators. The study is expected to contribute to theoretical advancements on how Schumpeterian service innovation and sustainability are inter-linked given the uniqueness of hospitality contexts. Findings are also expected to elucidate on managerial implications on how sustainability can be integrated with business innovation strategies. The study further enlightens on how to apply innovation strategy to make hotels' economic sustainability a reality.

Literature review

Innovation strategy in the hospitality industry

The need to understand how innovation relates to sustainability has motivated many scholars to research on the nature of innovation processes (Nidumolu *et al.*, 2009; Carlborg *et al.*, 2014; Whelan and Fink, 2016; Evans *et al.*, 2017). A diverse array for innovation processes can be distilled from the literature. Amit and Zott (2010) and Moscardo (2008) categorize innovation into product innovations, process innovations and business model innovation, while Nidumolu *et al.* (2009) recognize technological and organizational innovations. Conversely, Harvard Business Review identifies four types: sustaining innovation, breakthrough innovation, disruptive innovation and basic research (Satell, 2017). Dziallas and Blind (2019) recognize innovation as a two stage process with ex-ante and ex-post phases. According to Dziallas and Blind (2019) *ex ante* refers to the initial phase of innovation process which involves generation, screening and evaluation of ideas for

innovations; and resource commitment in formal development process. Conversely, ex-post stage relates to innovations already in the market.

Carlborg *et al.*'s (2014) review of 128 articles on service innovations reveals that, innovation research has largely focused on product innovation of manufacturing firms. According to Carlborg *et al.* (2014), service innovation research has evolved along three stages. The demarcation phase distinguished product (technological) innovations from pure service (non-technological) innovations. The second phase was characterized by customer involvement in the innovation process and value creation (Mihalič *et al.*, 2012; Carlborg *et al.*, 2014). Although most technological innovations are developed outside the hospitality industry (Hjalager, 2015), they have extensively transformed hotels' operations (Bilgihan and Nejad, 2015). The third phase anchors on synthesis perspective, which involve the integration of both technological and non-technological innovations. From sustainability point of view, Nidumolu *et al.* (2009) argue that companies pass through five innovation stages to become sustainable. The stages include viewing compliance as opportunity; making value chains sustainable; designing sustainable products and services; developing new business models; and creating next practice platforms.

In other words, to become sustainable (Dyllick and Hockerts, 2002) in uncertain and competitive market environment, hotels need to maintain creativity, departing from business as usual practices, reflecting on ever-changing market demands and expectations. The synthesis perspective is more applicable in the hospitality industry (Bilgihan and Nejad, 2015) and is consistent to Schumpeterian innovation (Carlborg *et al.*, 2014). Accordingly, the present study conceptualize innovation strategy as hotels' actions that aim at supporting new ideas, experimentation, and creative processes that lead to new products, services and technological processes (Lumpkin and Dess, 1996). In line with Jones *et al.* (2016), this study views innovation strategy as means for hotels to meet the needs of various stakeholders including tourists.

Economic sustainability

Dyllick and Hockerts (2002) define economically sustainable businesses as the businesses with guaranteed cash flows and persistent profitability. Based on this definition, economic sustainability is largely focused at meeting the needs of shareholders at a given time. In other words, economic sustainability reflects the fact that, a business is the basic economic unit with a fundamental obligation to be productive and profitable (Carroll, 1979) and endure economically (Galbreath, 2011).

Thus, engaging on sustainability initiatives can be dependent on managers' understanding the expected economic benefits (Prud'homme and Raymond, 2016). Because sustainability investments are associated with risk and uncertain outcomes (Mullens, 2018), for business to remain economically sustainable, it must manage financial capital, tangible assets and intangible resources such as reputation and inventions (Dyllick and Hockerts, 2002). Therefore, in this study economic sustainability is defined as hotels' responsibility to endure economically in various aspects including long-term profitability, sustainable growth and resource management (Maignan, 2001; Podnar and Golob, 2007; Turker, 2009; Fatma *et al.*, 2016; Henry *et al.*, 2019) in long terms (Lozano, 2013). Essentially, such responsibility is related to hotels' strategies, practices and capacity to nurture and sustain economic performance over time by addressing the interests of diverse stakeholders such as shareholders, the society and the environment (Neubaum and Zahra, 2006).

The influence of innovation strategy on economic sustainability

Schumpeterian theory of innovation asserts that, firms that constantly undertake new combinations and creative destruction are more likely to outperform their counterparts (Choi and Williams, 2013). Therefore, hotels' ability to innovate is expected to be an important tool in managing changes in the business environment. Literature indicate that businesses that are reluctant to innovations run the risk of being side-lined by, for example, changes in regulations, technologies, products, customer demands, and competition (Lozano, 2013). Innovation aims at improving business efficiency, competitive advantage and profitability (Gobble, 2012). It is therefore businesses' attitudes and strategies towards innovation that can considerably influence the effectiveness towards the discovery of new opportunities and exploitation of niche markets (Su and Sohn, 2015).

Innovative hotels are therefore expected to respond actively across a spectrum of corporate sustainability concerns due to their innovative capability. Basically, innovativeness represents the willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin and Dess, 1996). Thus, to be sustainable, businesses need to adapt to changing and challenging business environments (Carsrud and Brännback, 2010). Such adaption may largely require a proper utilization of innovative strategies (West and Anderson, 1996; Wong *et al.*, 2009). In other words, the degree to which businesses create new products, services and processes that add value to marketplace influences their economic sustainability (Gundry *et al.*, 2014).

Some scholars argue that to address broader sustainability concerns, firms must capitalize on understanding stakeholder interests (Clarkson, 1995; Freeman, 2004; Jamali, 2008). Such an understanding requires both environmental scanning and information processing capability (Maignan *et al.*, 1999; Maignan and Ferrell, 2003), largely inherent in innovative processes (Rogers and Bamford, 2002). In fact, firms with strong innovative strategies tend to constantly scan and monitor their environments while identifying new opportunities to strengthen their competitive positions (Lumpkin and Dess, 1996; Galbreath, 2010; Cheng and Huizingh, 2014). Likewise studies inform that, entrepreneurial, dynamic and innovative firms tend to be adept at environmental scanning, gathering and processing information (Rogers and Bamford, 2002). Such demonstrable innovative activities can be a driver for business to achieve economic sustainability (Gobble, 2012; Lozano, 2013; Whelan and Fink, 2016; Amiri *et al.*, 2017). The study, therefore, hypothesizes that, *hotel innovation strategy positively influences economic sustainability at corporate level.* The methodology of the study follows.

Research method

The objective of this study is to examine the influence of innovation strategy on economic sustainability of hotels. Based on the research problem, structural equation model is specified to test the hypothesized relationship. Prior to hypothesis testing, confirmatory factor analysis was conducted to test how well the specified measurement model fit the data from hospitality industry. In so doing, the measurement scales for innovative strategy and economic sustainability were validated.

Scale development and identification of indicators

The current study conducts in-depth interviews with hotel managers to obtain clear understanding on hotels' innovative strategy based on Schumpeterian entrepreneurial perspective (Covin and Slevin, 1989). Previous research indicates that entrepreneurial processes tend to manifest differently depending on the contextual characteristics (Lumpkin and Dess, 1996; Miller, 2011; Wales *et al.*, 2019). Moreover, the existing scales and measures

of innovation strategy are largely based in and tested in developed economies and mostly in manufacturing industry contexts (Covin and Slevin, 1989; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2003). Therefore, it is unclear whether the existing measures of innovation strategy are reflective and applicable to the hospitality industry in emerging economies like Tanzania. Contextual insights were thus necessary to refine and improve innovation strategy measures to reflect context characteristics in the hospitality industry.

Economic sustainability is a sub-dimension of corporate sustainability (Dyllick and Hockerts, 2002; Antolín-López *et al.*, 2016; Jones *et al.*, 2016). However, little consensus exist on the universality of measures of economic sustainability (Bansal, 2005; Martinez *et al.*, 2013; Docekalova and Kocmanova, 2016; Fatma *et al.*, 2016). For instance, Bansal (2005) indicates that economic sustainability comprises of efficient production, government-business relations, and product differentiation. Docekalova and Kocmanova (2016) represent the economic dimension with issues such as reliability of suppliers, monetary value for sanctions and fines, and research and development. On the other hand, long-run survival and improved economic performance are some of the measures of economic sustainability according to Martinez *et al.* (2013) and Fatma *et al.* (2016). Moreover, corporate sustainability and ultimately economic aspect are regarded as a contextual-specific issue (Bansal, 2005; Fatma *et al.*, 2016). The reasoning is that, the social and environmental impacts of business vary widely depending on social-economic and industry contexts (Porter and Kramer, 2006; Ashrafi *et al.*, 2019). From such logic, this study derives measures that capture economic sustainability in the hospitality context.

The study uses a scale development procedure in line with efforts of Parasuraman *et al.* (1988); Hinkin (1995) and Watson *et al.* (2018) to develop a scale for measuring innovation strategy and economic sustainability concepts. Before embarking into the actual item generation, each concept was first conceptualized. In particular, the scale development process involved three stages: Items generation; scale development; as well as scale evaluation and validation (Hinkin, 1995). Items generation is based on in-depth interviews with managers for 20 hotels in Zanzibar, Kilimanjaro, Dar es Salaam and Arusha. The use of qualitative strategy to generate scale items used in this study is consistent with other business studies including Bansal (2005), Fatma *et al.* (2016) and Lankoski (2016). The obtained contextual insights were synthesized with the literature information to produce a pool of items. Thereafter, three academic colleagues and two practitioners were requested to check the suitability and relevance of the items. This was essential to ensure face and content validity.

Regarding innovation strategy, scale items are adapted from Covin and Slevin (1989). Based on contextual insights from the interviews with hotels, scale items were either rephrased, re-worded or new items introduced. Likewise, items on economic sustainability were generated through in-depth interviews complemented with a review of sustainability-related theories. Both stakeholder theory (Freeman *et al.*, 2004); sustainable development theory (WCED, 1987); and literature on corporate responsibility (Carroll, 1979) informed the process. The refinements and improvements process resulted into scale measures in Table I. The items were used to develop survey questionnaires for scale validation purposes (Hinkin, 1995). The survey research instruments were pilot-tested and refined accordingly to remove ambiguity and enhance clarity (Saunders *et al.*, 2012). The survey questionnaires are portrayed in Table II in which respondents were asked to react on each statement on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Data collection and scale validation

This study was conducted in the Northern (Arusha and Kilimanjaro) and Coastal (Zanzibar and Dar es Salaam) Tourism Circuits of Tanzania. These are regions where tourism largely

Indicators[a]	Source
Innovation strategy	
INV1:Technology usage	Covin and Slevin (1989)
INV2:Standardized services	In-depth interviews
INV3:Quality goods and services	
INV4:Speed to market	Covin and Slevin (1989)
INV5:Products' introduction	
Economic sustainability	
CS1: Regular renovations	In-depth interviews
CS2: Continuous training	
CS3: Suppliers' reliability	
CS4: Customer satisfaction	
CS5: Resource saving	
CS6: Sustainable growth	
CS7: Long-term profitability	

Note: [a]Researcher's own terminologies

Table I. Indicators of innovation strategy and economic sustainability

Indicator-based questions	Sources
Innovation strategy	
This hotel.	
INV1-strongly emphasizes on technological advancements	Covin and Slevin (1989)
INV2-provides highly standardized services based on its brand	
INV3-maintains its market share by providing quality goods and services	In-depth Interviews
INV4-has marketed a lot of new products and services in previous years	
INV5-usually experience quite dramatic changes in product and service lines	Covin and Slevin (1989)
Economic sustainability	
Our hotel.	
CS1-undertakes regular renovations and refurbishments	
CS2-embark on continuous staff training on service quality and standards	
CS3-cannot tolerate unreliable suppliers to compromise business sustainability	In-depth Interviews
CS4-places strong emphasizes on customer satisfaction with sustainability	Turker (2009)
CS5-controls production costs strictly through programs that protect and improve quality of the environment	Maignan (2001)
CS6-targets sustainable growth which considers future generations	Turker (2009)
CS7-emphasizes on maximizing profits for long term success	Maignan (2001)

Table II. Survey questions based on the identified indicators

takes place. For the purpose of in-depth interviews, purposive sampling was used to select hotels (Prud'homme and Raymond, 2016) that could provide relevant information for item generation. In particular, hotel attributes (hotel type, ownership structure, location and rating) guided the selection of hotels to participate in interviews. The number of hotels to be interviewed were determined by the theoretical saturation regarding the emerging insights as recommended by Saunders *et al.* (2012) and Creswell (2013). The interview consisted of audio recorded, video recorded and field notes interviews.

The 2017 Tourism Statistical Bulletin reports that the 25 regions of Tanzania mainland host about 1,424 hotels (MNRT, 2017). Zanzibar Island hosts around 336 hotels (Zanzibar Commission for Tourism, 2015). So, the sampling frame for this study consists of 833 hotels

with Dar es Salaam (291), Arusha (127), Kilimanjaro (79) and Zanzibar (336). The surveyed hotels were of different classes (3-star to 5-stars), some of which are independent while others are affiliated hotels located at the beach, in town or in the parks. Survey questionnaires (Table II) were administered to 400 randomly selected hotels. Managers from 348 hotels responded to the survey (equivalent to response rate of 87 per cent). Respondents were located in Zanzibar (105), Dar es Salaam (82), Arusha (102), and Kilimanjaro (59). In the 348 hotels, two cases with missing data above 10 per cent were deleted and mean substitution method was used for imputation on the remaining missing data (Hair *et al.*, 2014).

The usable sample (346 hotels) constituted 73 per cent independent hotels and 27 per cent brand affiliated hotels. In terms of ownership the sample consists of both local (Tanzanian) owned hotels (53 per cent); hotels owned by both locals and foreigners (36 per cent) as well as hotels completely owned by foreigners (11 per cent). Most hotels surveyed were situated in towns (64 per cent) while the beach hotels constituted about 36 per cent of all hotels under study. Observations included in this study represent 3-stars (73 per cent); 4-stars (20 per cent) and 5-stars (7 per cent) hotels. On average the hotel sampled had 54 rooms and 53 employees.

Analysis

The survey data were used in scale purification and validation before embarking into hypothesis testing and generalization to a wider population (Turker, 2009). The study used latent constructs not measured directly but represented at least three manifest variables. Thus it was essential to conduct tests to check for reliability and validity of constructs inherent in the survey questionnaires (Hair *et al.*, 2014). Ensuring appropriate level of reliability was also important as a precondition for the validity (Saunders *et al.*, 2012). The reliability for each construct was assessed using Cronbach's Alpha as the most common measure of scale reliability (Field, 2018) and composite reliability (Hair *et al.*, 2014). SPSS 23 software was to generate Cronbach's Alphas. Moreover, to ascertain construct validity, convergent validity for innovation strategy and economic sustainability was assessed. The assessment of construct validity was key to establish the extent to which a set of measured variables actually represent the theoretical latent constructs they are designed to measure (Hair *et al.*, 2014).

Confirmatory factor analysis was performed to confirm how well the specified models fit the data. AMOS 23 software was used in this regards to generate the model fit indices and test whether the models specified are theoretically consistent (Arbuckle, 2010). The common models' goodness-of-fit indices were assessed, including Chi-square $(\chi^2)/df$, Goodness-of-Fit Index (GFI), Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI)]. The estimated indices were used to refine and validate the specified measurement models (Hair *et al.*, 2014). Thereafter, structural equation model was used to test the structural relationships between innovation strategy and economic sustainability. The findings are presented below.

Findings

Reliability and validity results

The results of reliability tests based on Cronbach's alphas for hotels' innovation strategy and economic sustainability are *0.818* and *0.867* respectively above 0.6, as Fornell and Larcker (1981) recommend. Moreover, as exhibited in Table III, the values for *alphas if item deleted* suggest that the elimination of any measure could not improve Cronbach's alphas.

Identified indicators	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
Innovation strategy					
INV1	16.6467	6.110	0.453	0.229	0.815
INV2	16.5058	6.170	0.629	0.476	0.773
INV3	16.5224	5.941	0.634	0.484	0.767
INV4	16.9472	4.679	0.713	0.578	0.737
INV5	16.8431	5.172	0.625	0.498	0.767
Economic sustainability					
CS1	25.6307	9.617	0.485	0.366	0.862
CS2	25.7732	8.305	0.692	0.545	0.832
CS3	25.6606	8.854	0.694	0.503	0.830
CS4	25.3790	9.739	0.670	0.460	0.836
CS5	25.5260	9.663	0.614	0.502	0.842
CS6	25.4959	9.663	0.685	0.610	0.834
CS7	25.4348	9.883	0.626	0.505	0.841

Table III. Cronbach's alpha coefficients

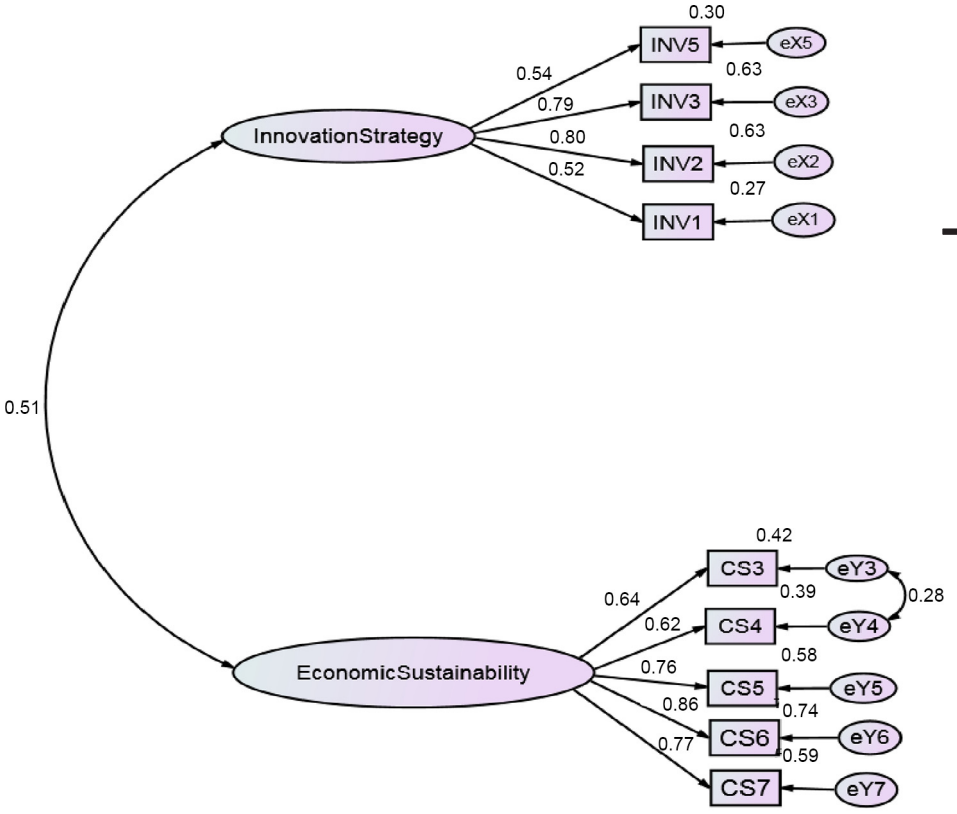
This further implies that the attained Cronbach's alphas are satisfactorily stable and scale reliability is achieved (Field, 2018).

The initial results for confirmatory factor analysis portrayed unsatisfactory model fit indices (CMIN/DF = 4.60, RMSEA = 0.103, CFI = 0.906, and GFI = 0.896). Only RMR = 0.027 was within the acceptable thresholds (Hair *et al.*, 2014). It was thus necessary to refine the model before embarking into hypothesis testing. Three indicators (*CS1, INV4 and CS2*) were eliminated step by step (Hair *et al.*, 2014) based on criteria summarized in Figure 1. Moreover, theoretical rationale and model parsimony were taken into account during model refinement. For example, although covariance between *CS3* and *CS4* portrayed a relatively high modification index, they were retained while correlating their error terms. Theoretically, this suggests that hotels' emphasis on reliable supplies (*CS3*) is associated with the need provide quality services to satisfy their visitors and endure economically (*CS4*). The final confirmatory model is illustrated in Figure 2 whose model fit indices are consistent with the standard thresholds (Hair *et al.*, 2014).

Results for construct validity based on convergent validity tests indicate that all standardized factor loadings were above *0.5* and statistically significant. Results further reveal that composite reliability (*CR*) for hotel innovation strategy and economic sustainability are respectively *0.76* to *0.85*. This further suggests that indicator variables converge to common points of latent constructs under measurement (Hair *et al.*, 2014). In the other hand, average variance extracted (*AVE*) for economic sustainability is *0.54* above the recommended level of 0.5 while that for innovation strategy is *0.46*, just on the border. In other words, validity test suggests that convergent validity was achieved, implying that the respective indicators for innovation strategy and economic sustainability converge and share a high proportion of variance in common (Fornell and Larcker, 1981; Hair *et al.*, 2014).

	Reasons for Deletion			
Order of Deletion	Standardized Loadings below |0.5|	Standardized Residuals above |4.0|	Standardized Residuals between |2.5| and |4.0|	High Modification Indices
CS1 ↓	**X**			**X**
INV4 ↓		**X**		**X**
CS2			**X**	**X**

Figure 1. Reasons and order of deletion in model refinement



Note: INVi (e.g. INV1, INV2…) and SCi (e.g. CS3, CS5….) are indicator variables for Innovation and Economic sustainability respectively as reflected in Table II; CMIN/DF = 1.591, RMR = 0.016, RMSEA = 0.041, CFI = 0.987, IFI = 0.988, GFI = 0.974

Figure 2. Confirmatory measurement model

Results on hypothesis testing

The structural model utilized in hypothesis testing is illustrated in Figure 3. The model exhibits CMIN/DF = 2.338, RMR = 0.018, RMSEA = 0.041, CFI = 0.987, IFI = 0.988, and GFI = .974. All model fit indices are within the acceptable thresholds (Hair *et al.*, 2014). Results in Table IV indicate that, hotels' innovation exerts a positive and significant effect on economic sustainability ($\beta = 0.51$; $p = 0.000$), supporting the hypothesis. In other words, due to the direct effect of innovation strategy on economic sustainability, when hotels' innovation efforts intensify by 1 standard deviation, economic sustainability strengthens by about 51 per cent. The findings also suggest that the adjusted R^2 value is *0.26*, implying that hotels' innovation strategy can explain changes in economic sustainability for about 26 per cent. This interpretation is in line with Kline (2015).

Discussion and theoretical implications

The findings suggest that hotels' innovation strategy consist of four strategic measures: technology usage (*INV1*); standardized services (*INV2*); service quality (*INV3*) as well as

product introduction readiness (*INV5*). The relative strength and importance of each measure can be associated with the magnitudes of loadings in the structural model (Hair *et al.*, 2014). Hotel innovation strategy place much emphasis on standardized services based on its brand or parent hotel in a chain as well as on improvements in quality of services offered to tourists.

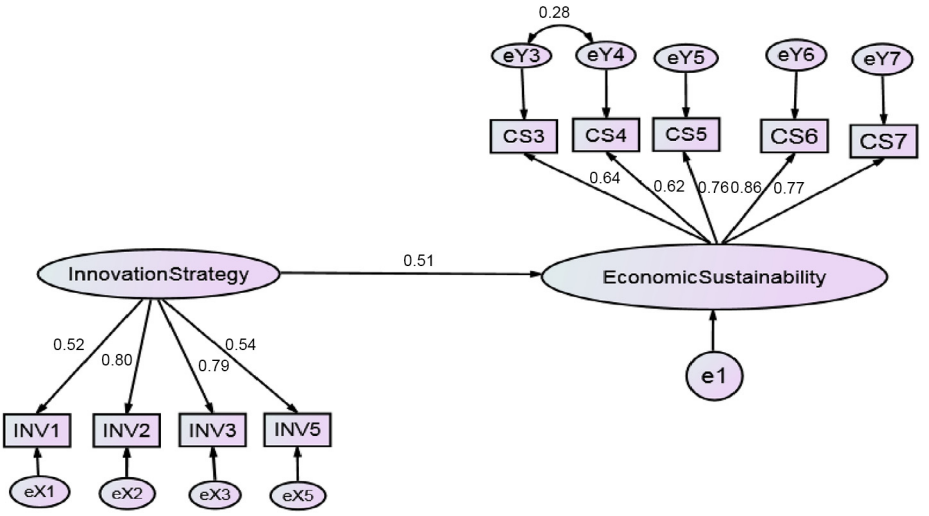
Hotels make special efforts to maintain their market shares by providing quality goods and services as a way to differentiate with competitors. Offering standardized services is meant to attract, retain and satisfy international tourists who are largely accustomed to standards of global chain hotels. This is partly consistent with studies such as Menguc and Auh (2006) which found that innovativeness entails "proclivity, receptivity, and inclination to adopt ideas that depart from the usual way of approaching business" and "as a complementary and transformational resource that makes firms proactive by exploring new opportunities" (Su and Sohn, 2015).

On top of standardized quality services, hotels also capitalize on product introduction readiness and lastly on technological advancements. This finding supports previous studies that argue that hospitality industry have been slow at adopting to technological innovations (Bilgihan and Nejad, 2015). However, hotels efforts on product introduction readiness and technology usage are in line with traditional aspects of business innovativeness (Covin and Slevin, 1989). Conversely, results indicate that innovative efforts that signify hotels' speed to market new products and services (*INV4*) failed the confirmatory test. This is contrary to findings of Monsen and Boss (2009) and Su and Sohn (2015). Such divergence can imply that hotels in Tanzania are innovatively less dynamic in marketing new products and services. On the other hand, such findings support some studies that affirm that innovation efforts can manifests contextually. In line with Lumpkin and Dess (1996), it can be argued that, in the context of Tanzania, hotels' innovative efforts reflects a tendency to engage in and support new ideas and creative processes geared at new products and services, technological processes as well as quality improvements.

The findings further indicate that innovation strategy has positive influence on hotels' economic sustainability within the hospitality industry. In other words, innovative hotels are likely to endure economically largely based on four aspects: sustainable growth that considers future generations (*CS6*); resource management and cost saving initiatives (*CS5*); long-term profitability focus (*CS7*); sustainability related customer satisfactions (*CS4*) as well as emphasis on suppliers' reliability (*CS3*). This is in line to what Galbreath (2011, p. 97) labelled as "creating value in a way that enables a company to remain economically viable for indefinite time" by applying facilities and processes that minimize production costs through optimal use of resources (Turker, 2009). Moreover, hotels' place strong emphasis on suppliers' reliability which is reflective of their efforts to sustain the supply chains (Nidumolu *et al.*, 2009) to guarantee quality and reliable input supplies.

Results further suggest that hotels emphasis more on sustainable growth followed by profit maximization. Resource management rank third, followed by customer satisfaction with sustainability and lastly emphasis on the reliability of suppliers. This is partly consistent with corporate performance model, that the foremost responsibility of a business is fulfilling economic mission (Carroll, 1979). This finding is however contrary to Tuan (2015) who found that, economic mission is mostly geared at profitability. The findings in the current study are suggestive that the nature of innovations in the hospitality may lead to slightly different outcomes unlike the manufacturing industry which have a strong emphasis on product innovations (Carlborg *et al.*, 2014).

It can further be inferred that some innovations in hospitality tend to arise in response to a particular problem or need. For instance, hotels in Tanzania put serious emphasis on reliability



Note: INVi (e.g. INV1, INV2…) and SCi (e.g. CS3, CS5….) are indicator variables for Innovation and Economic sustainability respectively as reflected in Table II; CMIN/DF = 1.591, RMR = 0.016, RMSEA = 0.041, CFI = 0.987, IFI = 0.988 , GFI = 0.974

Figure 3.
Structural Model

Hypothesis	Estimate			
	Unstd	Std	S.E.	C.R.
Economic sustainability ← Innovation strategy	0.64	0.51***	0.099	6.42

Note: ***Implies the standardized effect is significantly different from zero at $p < 0.001$ (two-tailed)

Table IV.
Effects of innovation strategy on economic sustainability

of input suppliers in terms quantity, quality, predictability and timeliness. Such findings are similar to Moscardo (2008) who argues that innovations in hospitality embrace creative thinking approaches to problem solving. In other words, innovation processes can be planned, intentional or unintentional emerging from interactive process (Carlborg *et al.*, 2014). Therefore, hospitality innovations can benefit from both supply and demand pressures (D'Arcy and Omar, 2015). For example, innovations geared at customer satisfaction are likely to be beneficial in sustaining the hotel business in economic terms. The findings of the current study offer empirical supports on sustainable business model theory (Evans *et al.*, 2017); Schumpeterian innovation theory (Covin and Slevin, 1989; Lumpkin and Dess, 1996); and extends the environmental management frameworks (Kasim *et al.*, 2014; Horng *et al.*, 2016; Horng *et al.*, 2017) to incorporate the economic sustainability aspect.

Conclusion

This study examined the role of innovation strategy on economic sustainability at corporate level. The examination of innovation strategy in hospitality is timely, given the fact that sustainability have become mandatory to firms of all sizes and types. The utilization of

innovation strategy can enhance hotels ability to scan and understand potential needs and demands for diverse groups of customers. This may be essential in delivering quality services that match or exceed customer expectations. Based on customer satisfaction, hotels may be able to create sustainable economic vale that is crucial for sustainable growth and long-term profitability. From sustainability point of view, the ability to innovate may represent a necessary business capability whether related to small incremental steps or to radical innovations to derive long term economic value.

Studied hotels place least emphasis on technology usage among the four indicators of hotel innovation strategy. While this is inherently the feature of service firms, hotels need to be abreast with technological advancements which are used in the hospitality industry to increase operational efficiency and create more value for customers. For instance, the emergence of innovative technologies in the hospitality industry such as Airbnb and online booking has had significant challenge on incumbent service providers. Therefore, to guarantee long-term economic success, hotels are challenged to develop an optimal mix between human interactions and innovative technologies in the industry.

Moreover, the findings of the study suggest that hotels emphasize on standardized services based on international standards of hotel chains. This may imply that, for hotels to benefit from diverse customer experiences, it can be crucial to conduct researches geared at understanding how to tap potential opportunities based on the local contexts and culture. This can provide businesses with key information on how to integrate international standards with local context to deliver high customer values. Innovative approaches that integrate the local cultural context in service delivery that can trickle down to deliver societal benefits including job creation and markets for local entrepreneurial products such as handcrafts and local foodstuff.

The study further contributes on theory development in particular on sustainable business models in hospitality and tourism industries. Practically, the findings enlighten on the need for hotel managers to be acquainted and focused on innovation strategy to guarantee hotels' economic sustainability. Accordingly, it is concluded that hotels economic sustainability need to emphasize on sustainable growth considering future generations; resource saving initiatives; emphasis on long-term profit maximization; sustainability related customer satisfaction as well as value chain management coupled with suppliers' reliability.

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Corresponding author
Msafiri Njoroge can be contacted at: msafiri.njoroge@gmail.com

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