THE NATURE OF CAUSALITY AND EFFECTUATION IN THE CONTEXT OF SERVICE INNOVATION IN SMALL INDEPENDENT FIRMS

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Table of Contents

ABSTRACT……V

ACKNOWLEDGEMENTS……VIII

CHAPTER 1 INTRODUCTION……1

1.1. Background of the research 1
1.2. Research aims and contributions 5
1.3. Methodology 7
1.4. Thesis structure 8

CHAPTER 2 LITERATURE REVIEW……..……10

2.1. Introduction 10
2.2. Resources 11
2.2.1 Resource constraints 14
2.3. Service innovation 16
2.3.1. Radical and incremental service innovation 19
2.3.2. New product development and new service development processes 21
2.4. Service innovation in the hotel industry 23
2.4.1. The strengths of small hotels regarding innovation 27
2.4.2. The weaknesses of small hotels regarding innovation 28
2.4.3. Small firms' strengths and weaknesses driving or hindering innovation 29
2.5. Effectuation theory 33
2.5.1. Causation and effectuation 33
2.6. Effectuation theory and innovation 39
2.7. Summary 43
2.8. Research questions 46

CHAPTER 3 METHODOLOGY……..47

3.1. Introduction 47
3.2. Research paradigm: ontological and epistemological assumptions 47
3.3. The rationale behind the use of a qualitative methodology 51
3.3.1. Multiple case studies 53
3.3.2. Research methods 57
3.3.2.1. In-depth interviews 57
3.3.2.2. Observation 59
3.4. The sampling and recruitment process 62
3.5. The data collection and interview procedures 65
3.6. Ensuring the quality of the research 67
3.7. Ethical issues in the study 71
3.8. Data analysis 72
3.9. Summary 83

CHAPTER 4 ANALYSIS AND FINDINGS: CAUSAL LOGIC……...84

4.1. Introduction 84
4.2. Contextual understanding of the causal logic group 84
4.3. Causal logic service innovation behaviours 86

4.3.1. Visioning and forward-planning....87
4.3.1.1. Acquiring new resources to achieve goals....87
4.3.1.2. Adjusting the allocation of resources....91
4.3.1.2.1. Using resources more effectively....92
4.3.1.2.2. Using resources more efficiently....96
4.3.1.2.3. Using resources creatively....99
4.3.2. Collaborating with external parties and making use of external resources....103
4.3.2.1. Co-operating to use external parties' resources to broaden services....104
4.3.2.2. Approaching external parties to improve internal intangible resources....105
4.3.2.3. Building a brand image and brand awareness....108
4.3.2.4. Engaging customers in improving the service and reaching new customers....111
4.3.3. Analysing services' effectiveness and expected returns....114
4.4. The linkage between the characteristics and behaviours of the causal logic group with causal logic principles....116
4.4.1. Starting with ends....116
4.4.2. Building competitive advantage....117
4.4.3. Analysing expected returns....117
4.4.4. Predicting the future....118
4.5. Causal logic service innovation....118
4.6. Summary....123

CHAPTER 5 FINDINGS AND ANALYSIS: EFFECTUAL LOGIC……124

5.1. Introduction....124
5.2. Contextual understanding of the effectual logic group....124
5.3. Effectual logic service innovation behaviours....126
5.3.1. Scoping innovation to be realisable within the available resources....126
5.3.1.1. Starting with existing resources....126
5.3.1.1.1. Using their intangible resources: their skills and personal knowledge....127
5.3.1.1.2. Using free, cheap and discarded tangible resources....130
5.3.1.2. Adapting their services based on the available resources and using these resources creatively....133
5.3.2. Embracing unanticipated opportunities....139
5.3.3. Offering their services using minimal resources....143
5.3.4. Collaborating with external parties and making use of external resources....145
5.3.4.1. Co-operating with external parties that shared the same space to offer new services....146
5.3.4.2. Building customer awareness....147
5.4. The linkage between the characteristics and behaviours of the effectual logic group with effectual logic principles....149
5.4.1. Starting with means....149
5.4.2. Applying the affordable loss principle....149
5.4.3. Establishing and leveraging strategic partnerships....149
5.4.4. Leveraging contingencies....150
5.4.5. Controlling the future....150
5.5. Effectual logic service innovation....151

5.5.1. Efficiency 154
5.6. Summary 155

CHAPTER 6 FINDINGS AND ANALYSIS: INTERRELATIONS……156

6.1. Introduction 156
6.2. Interrelations between causal and effectual logics 156
6.2.1. Hybrid logic – dominated by effectual logic: developing 165
6.2.2. Hybrid logic – dominated by causal logic: mobile 172
6.2.3. Dominated by causal logic: complacent 176
6.2.4. Dominated by effectual logic: stagnant 182
6.3. Summary 191

CHAPTER 7 DISCUSSION AND CONCLUSION……...192

7.1. Introduction 192
7.2. The interrelations between causal and effectual logics 193
7.3. The nature of service innovation in causal and effectual logics 199
7.4. The drivers behind the different dynamics in the use of causal and effectual logics 203
7.5. Theoretical contributions 206
7.6. Practical implications 208
7.7. Limitations of the study and further research areas 211

References……..214

Appendices……231

Appendix A: Interview guide 231
Appendix B: Data sources 234
Appendix C: Information for research participants 236
Appendix D: Research ethics review checklist 239
Appendix E: Initial codes 243
Appendix F: Hotel F case study 246
Appendix G: Hotel G case study 251
Appendix H: Hotel A and Hotel C case studies 256

List of Tables

Table 1: Causation and effectuation items 36
Table 2: Detailed descriptions of the participating hotels 75
Table 3: Examples of the two main domains of service innovation in an exploitative proactive manner 120
Table 4: Examples of the two main domains of service innovation in an exploitative proactive manner 121
Table 5: Examples of the two main domains of service innovation in an exploitative reactive manner 122
Table 6: Examples of adding new services in an exploitative reactive manner 152
Table 7: Examples of adding new services in an exploitative proactive manner 153
Table 8: Examples of building communication channels in an exploitative proactive manner 153
Table 9: The first condition underlining causal–effectual interrelations: behaviours and practices 162
Table 10: The second condition underlining causal–effectual interrelations: nature of resources 163
Table 11: The third condition underlining causal–effectual interrelations – management attitude 164

List of Figures

Figure 1: The research focus based on the related literature and the main research gaps. 45
Figure 2: Extract from the thematic analysis 81
Figure 3: The relationships between causal and effectual logics, service innovation outcomes and strategies, and resource utilisation 160
Figure 4: The logics' movements among the different groups 194

ABSTRACT

This thesis examines the nature of causality and effectuation in the context of service innovation in small independent firms. The purpose of the study is to uncover whether and, if so, how causal and effectual logics co-exist, based on an analysis of strategy and decision-making behaviours associated with resource utilisation. This is examined by adopting the lens of effectuation theory (Sarasvathy, 2001). The research has three main objectives:

(i) To understand firms' behaviours in relation to resource utilisation for service innovation, focusing on the underpinning logics;

(ii) To analyse interrelations in the use of causal and effectual logics; and

(iii) To evaluate the conditions underlying such interrelations and assess their effects on resource utilisation and service innovation.

Taking the view that reality is socially constructed and subjective, a multiple case study methodology is employed. The sample consists of nine small independent hotels, all located in the United Kingdom (UK). Data is collected through in-depth semi-structured interviews and observations. Afterwards, common themes are identified through systematic stages and an iterative process of analysis.

The findings of this thesis suggest four types of causal–effectual logic interrelations. These are denoted as follows: (1) dominated by causal logic, (2) dominated by effectual logic, (3) hybrid logic – dominated by effectual logic, and (4) hybrid logic – dominated by causal logic. Deeper analysis of the interrelations confirms that a hybrid logic exists between causal and effectual systems. Moreover, this study suggests that hybridity can be found in two distinctive types, determined by their different characteristics and behaviours. One type shows hybridity through a path moving from effectual logic to causal logic. Another type shows hybridity through the dominance of causal logic. However, this type borrows some effectual-logic-related activities on different occasions. Therefore, the findings show two different routes in regard to the utilisation of resources for service innovation by small independent firms in the hospitality industry.

Furthermore, based on the study's findings, the thesis suggests that organisations that are underpinned by different logics have fundamentally different approaches to service innovation. The adopted logic acts as a mirror to the service innovation approach. Based on the four interrelation types, those dominated by causal logic demonstrate an exploitative proactive service innovation approach, while those dominated by effectual logic show an exploitative reactive service innovation approach. Further, although both hybrid logic interrelation types demonstrate a combined exploitative proactive and reactive approach, the dominant logic in each type will dictate which of the approaches outweighs the other. In this sense, we find that hybridity reflects a greater degree of innovation due to its combined proactive and reactive service innovation approach. Finally, the study found that the different interrelations between both logics emerge due to three conditions: (i) behaviours and practices, (ii) nature of resources, and (iii) management attitude.

The study aims to contribute to the existing literature by filling three gaps. Firstly, it focuses on the interrelations between effectual and causal logics. In addition, it develops and proposes a more nuanced understanding of hybridity (Reymen et al., 2015; Read et al., 2009b; Perry et al., 2012). Secondly, it attends to the current lack of effectuation theory literature in relation to service innovation in small firms (Ortega et al., 2017; Berends et al., 2014; Alonso et al., 2017), specifically in small independent firms in the hospitality industry (Grissemann and Stokburger-Sauer, 2012; López-Fernández et al., 2011; Orfila-Sintes and Mattsson, 2009). It addresses this gap by looking at diverse service innovation approaches based on the unravelled four types of causal–effectual logic interrelations. Thirdly, it proceeds from studying the interrelations between both logics to focus on the examination of the different conditions underpinning such interrelations (Stroe et al., 2018; Ortega et al., 2017; Laine and Galkina, 2017). Identifying such conditions is essential to building our understanding of firms' behaviours in terms of how resources are used to innovate.

This thesis also has important practical implications. The study provides recommendations targeted at small independent firm owners in regard to resource utilisation and service innovation. It proposes various strategies for the four types of causal–effectual logic interrelations in order to increase the scope of service innovation. For example, it recommends utilising the owners' social and professional networks for different types of collaborations. It also recommends continuously evaluating the external

environment for free or exchangeable resources to add new services or reach new customers. Additionally, some of these practical implications for small independent firm owners are aimed to encourage owners to develop their ability to combine both logics by training themselves to plan and adapt, to work towards their visions and to embrace unplanned opportunities and available resources.

Further, the detailed understanding of intangible resource utilisation and the role played by management attitude in relation to hybridity also leads to vital practical implications. For example, small business owners should consider the role of their intangible resources, particularly the owners' or managers' personalities, dedication, persistence and networking abilities in the use of both logics. Being aware of this enables the owners and managers to stop fixating on their lack of tangible resources and broaden their perspectives and appreciation of intangible resources and management attitude due to their critical role in interrelating both logics. Consequently, this broadens their scope of innovation by pushing them to be proactive and reactive in finding opportunities and utilising the available resources to innovate.

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CHAPTER 1 INTRODUCTION

1.1. Background of the research

The majority of firms in the hospitality industry are independent firms, particularly small independent hotels. According to industry statistics, the UK's hotel industry consisted of 41,587 establishments in 2016, where around 38,056 establishments belonged to the "fewer than 50 rooms" category (Melvin Gold Consulting Ltd., 2016). This indicates the comparatively high proportion of small enterprises in the sector. Moreover, independent hotels make up 51% of UK hotels (Melvin Gold Consulting Ltd., 2016). As in the case of many developed, developing and undeveloped countries, small and medium-sized enterprises (SMEs) comprise most of the tourist facilities in the UK (Prajogo and McDermott, 2014). However, the importance of these small hotel businesses and their crucial contribution to the country's economy cannot be denied, as these businesses drive the country's wealth, employment and diversification (Avcikurt et al., 2011; Berends et al., 2014).

The hotel industry is intensively competitive, and this creates continuous pressure and challenges for businesses to keep innovating to differentiate themselves from their competitors and to respond to customers' changing demands (Ottenbacher and Gnoth, 2005), competing for their disposable income (Presbury et al., 2005). Competitive pressures in the small independent hotel sector are derived from the external environment. The increase in supply from large national and multi-national chains in the budget category is noticeably strong (Castillo, 2015), and Trunkfield et al. (2019) expect branded hotels to grow in strength, continuing the closures of independent hotels. Moreover, the popularity of small chain hotels is increasing. The tendency towards opening smaller chain hotels or brand-name hotels with smaller numbers of rooms can be explained by Aggett's (2007) claim that customers are now more interested in a personalised touch and a homely feel in accommodation. Further, the UK is becoming an even more attractive destination for domestic and international visitors due to the weak value of the pound after the Brexit referendum (Barclays, 2017; Trunkfield et al., 2019;

IBISWorld, 2019). This may encourage investors to establish branded hotels in the UK, which may become a threat to the current independent hotels.

All the previously mentioned factors put pressure on small independent hotels to use their resources wisely, to innovate to react to these external pressures, to respond to their customers' demands for customised and high-quality services and to differentiate themselves from their competitors (Reid and Sandler, 1992). Small hotels want to survive and to stand in front of brand-name hotels. All these pressures have made small independent hotel managers realise the importance of innovation in order to survive and to be competitive (Orfila-Sintes and Mattsson, 2009; Ottenbacher, 2007). Hotels need to keep up to date with the different trends in the industry and with their customers' preferences to maintain their competitiveness and attractiveness, which highlights the importance of innovation.

Innovation plays a key role in a firm's success and competitiveness. Yet for small hotels, active engagement in service innovation is not easy, as many face particular resource constraints, such as the limited availability of financial resources, facilities, assets, skills, experience and knowledge (López-Fernández et al., 2011). Innovation usually requires plentiful resources. Small firms attempt to improve their service offerings according to their strengths (e.g. low bureaucracy, high flexibility of decision-making and strong customer relationships) and within their limitations (e.g. limited available resources and network relations) (Berends et al., 2014). Yet these strengths and weaknesses may affect the activities of service innovation. Most studies that have investigated formalised innovation best practices have been based on large firms, and there is a huge difference between big and small firms due to the different availability of resources (Berends et al., 2014). Accordingly, this research argues that in situations where firms face resource constraints, a formalised new service development process may not reflect the implemented practices of service innovation properly. Therefore, it is important to study the innovation practices in small businesses, including their environments, challenges and resource utilisation, to be able to create recommendations on how to drive more-dynamic innovation in small independent firms.

In order to understand the different innovation approaches and the mechanisms behind small independent firms' innovation practices, this study examines effectuation theory (Sarasvathy, 2001). Effectuation theory may assist in understanding the behaviours associated with resource utilisation and integration in small firms. Effectuation theory, which emerged from entrepreneurship research on constrained creativity, discerns two logics of decision-making; causation and effectuation. The traditional causation approach is that an individual makes rational, planned, goal-driven decisions, where he/she looks at the different available means to achieve these goals. By contrast, the effectuation approach is characterised by a situation in which an individual is driven by the different alternatives that can be achieved through the available means. It is a means-driven approach, whereby goals are adapted to the choices between different alternatives, in addition to the different strategic partners who may get involved. Thus, this theory is helpful in explaining the different approaches that hotels employ in the development of new services, whether they are planning based, action based or a combination of both.

Further, the ability to understand the different approaches of service innovation in small hotels through the lens of effectuation theory can help to reveal the interplay between both logics and can contribute to the development of effectuation theory. Causal and effectual logics are different in terms of having divergent processes at their foundations. The current literature separates them as two contrasting logics and positions them as opposing processes of decision-making (Brettel et al., 2012; Corner and Ho, 2010). However, Sarasvathy (2001) explicitly states that a combination of the two processes may occur simultaneously and may overlap in different contexts. Some recent studies (Berends et al., 2014; Blauth et al., 2014; da Costa and Brettel, 2011) have examined how firms may rely on one logic more than the other and have found that at different stages of innovation projects, one of the logics can be more dominant. Other scholars have shown that causation and effectuation can be combined and can co-exist simultaneously in entrepreneurial activities (Fisher, 2012; Dew et al., 2009; Reymen et al., 2015). Although these studies provide valuable insights on the co-existence of both logics, insufficient

research has been devoted to exploring the conditions that might trigger the usage of one logic over the other or the usage of a hybrid approach (Read et al., 2016b; Perry et al., 2012; Laine and Galkina, 2017; Reymen et al., 2015). The current research addresses these gaps by offering a better understanding of the interrelations in the use of causal and effectual logics and exploring the different conditions behind these interrelations. Furthermore, the interrelation between both logics reflects firms' abilities to combine and meet their determined service goals while at the same time reacting to the unexpected arising opportunities, which is highly recommended by scholars (Tajeddini et al., 2017). However, the question how it occurs in real life is still unexplored sufficiently. The analysis of the interrelations in the use of causal and effectual logics is important, because it builds a deeper understanding of how available resources can be used in order to be more innovative. Moreover, it enables us to understand small independent firms' behaviours in relation to resource utilisation and the adopted mechanisms to cope with or overcome the challenges faced in the innovation process, given the fact that small independent firms may face a range of resource constraints. All this knowledge about causal and effectual logic interrelations may help to drive a more-dynamic innovation environment in small independent firms using the available resources. The details of these logics and the interrelations between them are further explained in the literature review chapter (Section 2.5).

1.2. Research aims and contributions

The overall aim of this research is to examine the interrelations in the use of causal (goal-driven) and effectual (means-driven) logics in service innovation in small independent firms. Innovation, in this research, is defined as a process of accessing resources, (re)combining them, and converting them into new services (Edvardsson and Tronvoll, 2013; Lusch and Nambisan, 2015). Particularly, this research sheds light on firms that already face resource constraints and how they access, combine and utilise these resources and convert them into numerous service innovation types, such as product innovation, process innovation and organisational innovation, in addition to finding new ways to solve problems. This research further seeks to unravel the conditions that underlie the interrelations between causal and effectual logic. As argued in the above section, little is known about how these two logics may co-exist and what specific drivers are behind such interrelations (Reymen et al., 2015; Ortega et al., 2017), where the importance of their interrelation lay behind. Therefore, the aim of this study is:

"To understand the co-existence of causal and effectual logics based on resource utilisation in service innovation in the context of small independent firms and to explain how this interplay affects service innovation."

In order to achieve this overall objective, this study will focus on the following objectives:

1. To understand firms' behaviours in relation to resource utilisation for service innovation, focusing on the underpinning logics;
2. To analyse interrelations in the use of causal and effectual logics; and
3. To evaluate the conditions underlying such interrelations and assess their effects on resource utilisation and service innovation.

This study offers insights from a theoretical perspective on effectuation by empirically demonstrating the relationship between the causal and effectual approaches, as in reality these two logics may not be mutually exclusive and few studies have investigated the interrelations between these logics

(Reymen et al., 2015; Read et al., 2009b; Perry et al., 2012). Thus, this study addresses this gap. Furthermore, this study will investigate the different conditions that lead to the simultaneous usage of causal and effectual logics, which ultimately affects innovativeness, as this subject has been overlooked in research (Stroe et al., 2018; Ortega et al., 2017; Laine and Galkina, 2017). Overall, this helps in the development of effectuation theory, and building this theory is warranted (Smolka et al., 2016). It expands the scope of effectuation theory through its integration with service innovation in established small firms, rather than its prior primary focus on individual entrepreneurs and start-ups.

Moreover, there is a lack of understanding of the innovation processes in small firms (Ortega et al., 2017; Berends et al., 2014; Alonso et al., 2017). This study contributes to the literature on service innovation in small independent firms by linking service innovation strategies to the different possible logics, considering the firms' behaviours and practices. This generates a better understanding of how service innovation evolves and becomes implemented in these firms. Further, this study aims to help to close the literature gap related to understanding innovation behaviour in the hospitality industry (Alford and Duan 2017; Grissemann and Stokburger-Sauer, 2012; López-Fernández et al., 2011; Orfila-Sintes and Mattsson, 2009).

From a practical perspective, the conclusion of this study contributes knowledge that will be helpful for small independent business owners and managers to drive innovation that is more dynamic in their firms. The thesis provides practical suggestions for owners and managers about the deployment of limited resources in service innovation, which requires plentiful resources. The results could encourage small independent firms to innovate, given their resource-constrained environment, by utilising available and unused resources, in addition to investing in and developing their intangible resources to achieve a dynamic innovation-driven environment. It is possible to generalise the findings beyond the hotel industry, assuming the same conditions exist.

1.3. Methodology

Taking the view that reality is socially constructed and subjective, this study uses a qualitative multiple case study methodology (Yin, 2009). The qualitative approach is suitable to uncover the logics and their co-existence in small independent firms due to its characteristic of investigating firms' behaviours in relation to resources in their natural setting and gaining a deeper understanding of their management attitudes (Denzin and Lincoln, 2005). It focuses on processes rather than outcomes; it is recommended to gain an in-depth understanding of the practices, interactions and relationships that occur in a specific context (Denzin and Lincoln, 2011; Watson and Noble, 2007). Moreover, qualitative research engenders an understanding of firms' service innovation, available resources, resource constraints, and internal and external environments, which all play an essential role in identifying the different underpinning logics in the participating firms and how they interrelate. Moreover, exploring the different conditions behind the usage of causal, effectual and hybrid logics requires the ability to gather information in its natural setting to dig into the different possible options of the conditions from multiple firms (Watson and Noble, 2007; Yin, 2009)

1.4. Thesis structure

This thesis is structured in seven different chapters. Chapter 2 provides an overview of the different perspectives of resources and innovation – whether resources act as drivers or impediments to innovation, covering both types of resources: tangible and intangible. It discusses innovation in small hotels to give a better background of what is known about service innovation in hotels and how it occurs. Further, it presents the literature on causation and effectuation logics and the different perspectives on the relationship between them – whether they are diametrically opposed, are largely independent or can overlap (co-exist), highlighting the gaps in the literature. Moreover, a linkage of effectuation theory and innovation is presented to show the suitability of associating this theory with service innovation to answer the research questions.

Chapter 3 offers a detailed description of the methodology employed, focusing on the ontological and epistemological assumptions. The rationale for using qualitative data analysis is provided by also presenting the two data collection methods: in-depth interviews and observations. Explanations of the sample selection, participant recruitment, ethical issues and methods for ensuring the quality of the research are offered in this chapter, as well as a comprehensive overview of the data collection and data analysis procedures.

Chapter 4 and Chapter 5 are introductory findings chapters to Chapter 6, which covers the interrelations between causal and effectual logics. Therefore, Chapter 4 discusses the analysis and findings of the study related to causal logic by presenting the main causal logic characteristics that are presented in the firms and their common behaviours, linking these characteristics and behaviours to a certain service innovation approach. Key themes are drawn in order to identify the behaviours and service innovation approach.

Chapter 5 discusses the analysis and findings of the study related to effectual logic. It discusses the main effectual logic group characteristics that are presented in the firms and their shared behaviours, linking these characteristics and behaviours to another service innovation approach. Key themes are drawn in order to identify the behaviours and service innovation approach.

Chapter 6 builds on the knowledge identified in Chapter 4 and Chapter 5 by discussing the relationship between causal and effectual logics, resource utilisation and service innovation approaches and introducing the main conditions that underlie the interrelations in the use of both logics.

Chapter 7 discusses the main findings related to the co-existence of both logics and the different conditions behind the interrelations in the use of both logics with reference to previous studies. This chapter links the findings with the extant literature and discusses how this research fulfilled the research objectives and its contributions. Moreover, this chapter concludes the thesis with theoretical and practical implications. Finally, future research directions and the research limitations are presented.

CHAPTER 2 LITERATURE REVIEW

2.1. Introduction

In order to situate this study theoretically, a critical examination of the relevant literature has been undertaken by identifying the key concepts: resources, innovation and firm decision-making logics. Businesses comprise tangible and intangible resources, which are the basis for the businesses' survival, growth and competitiveness. Further, resources are limited by nature, particularly in small firms (López-Fernández et al., 2011; Damanpour, 2010; Rao and Drazin, 2002). With the worldwide increasing competitive pressures, small firms are forced to innovate, and this highlights the importance of resource utilisation in a resource-constrained environment. Different small firms may have different approaches to utilising their resources; therefore, understanding these different approaches and the interrelations between them may drive more-dynamic innovation in these small firms.

This chapter addresses the literature gaps related to understanding the different logics that could be adopted in the utilisation of the available resources in service innovation and the interrelations between those logics in small independent firms. To cover these subjects, this chapter firstly starts with the definition of resources and the different types of resources; it then continues to consider the different views of resource constraints on innovation. Secondly, this chapter details the service innovation literature. It then covers the literature related to service innovation in the hotel industry, particularly small independent hotels. Thirdly, this chapter focuses on the theoretical lens used in the study: effectuation theory. Fourthly, a linkage between effectuation theory and innovation is discussed. A summary of the chapter is also provided, linking all the mentioned theoretical gaps together and showing how these gaps were used to build the research questions.

2.2. Resources

During the last 50 years, the way that resources are perceived has changed, as resources were once perceived as "static and to be captured for advantage"; now they are viewed as "intangible and dynamic functions of human ingenuity and appraisal" (Lusch and Vargo, 2006, p.2). There has been an increase in the importance of intangible resources, including human capital such as knowledge and experience, as they can control tangible resources and be the reason behind a business's success. It is not about what the resources are: it is more about what they become when humans learn what to do with them. Firms require tangible resources such as space, equipment, money and raw materials to produce products and services, and they need intangible resources such as specific knowledge, skills and technology to manage and integrate these tangible resources (Parasuraman et al., 1985).

Tangible resources refer to the plant, equipment, land and money that a firm holds (Fahy, 2002). They also include raw materials; semi-finished, finished and unsold goods; and waste products (Penrose, 1959). Mahoney and Pandian (1992) claim that shortages in finances and physical materials could limit firm growth. Particularly, plant and equipment may assist firms in sustaining their competitive advantage to a greater extent than intangible resources can (Fahy, 2002). This shows the importance of tangible resources. On the other hand, intangible resources nurture the firm's ability to perform tasks and achieve objectives, where intangible resources such as experience and knowledge affect the firm's ability to execute these tasks (Kaleka, 2011). In 1959, Penrose introduced the notion of intangible resources, which include employees' skills and knowledge, understanding the market and competitors, organisational policies and controls, and relationships with suppliers and customers. This shifted the focus of firms from production factors such as land, labour and capital to intangible resources (Madhavaram and Hunt, 2008).

Nowadays, intangible resources, which include skills, routines and actions, are more crucial for firm performance than physical assets are (Vargo and Lusch, 2004). The main advantage of intangible resources is that they cannot be attained only with money and are hard to imitate (Itami and Roehl, 1991; Liu

and Siepel, 2015). Some of the benefits of intangible resources are reducing sales costs and service costs and increasing customer loyalty (Srivastava et al., 1998). Avcikurt et al. (2011) found that the owners and managers of small businesses with lots of working experience perceived the success factors differently than people with less working experience, for example managers with lots of working experience perceived the internet as a critical factor for promotion the business facilities and increasing the room occupancy more than the managers with less working experience, hence reflecting the effects of intangible resources on businesses. High priority should be given to human capital, as knowledge, experience and skills are pivotal and can be gained by education, training and experience (Avcikurt et al., 2011), which may have a tremendous effect on resource utilisation.

The ability to provide services and products that offer value more than the sum of their components separately is called “resource integration”. Resource integration is “a continuous process, series of activities performed” by different actors (individuals and organisations) deploying their intangible resources on tangible ones (Payne et al., 2008, p.86). This is related to the service provider’s ability to integrate and combine a wide range of resources, either within or with other organisations (Jaakkola and Hakanen, 2013). This integration might occur by using a specific resource in different ways or by finding different purposes for using a resource than its original purpose (unintended usage). The concept of a resource’s intended usage is subjective because different people perceive different ways of using a particular resource. For instance, while some individuals use Apple laptops for their high graphical processing capabilities, which are needed for their work, others may attach to the same laptops other and/or additional associations, such as status and prestige (Voss et al., 2003). Another example is when information system designers “paste together a few components into ‘something,’ see what it looks like, play with it, check if it works, evaluate, modify or reject” (Baker and Nelson, 2005, p.5). These examples show that the same resource can be used in different ways and for different reasons, and sometimes they might be used for something totally different from their original functionality. The psychological effect; such as the

status and prestige associations mentioned in the example talking about Apple laptop, may affect resource integration and the selection process as well.

Static resources may gain new intended usage properties through particular resource-integrating processes (Peters et al., 2014). A resource's status does not depend on any embedded property in the object (such as plant, equipment or money) or on individuals (such as labour) but rather depends on its utilisation for a specific intended activity. The same resource can be useful in some contexts and useless in others (Plé, 2016). Knowledge, skills and resource perceptions are not separate from resource-integrating activities (Peters et al., 2014). Resource integration, resource utilisation and resource perceptions are highly pivotal for businesses to innovate and be competitive.

Further, firms establish partnerships and collaborate with other firms to have access to new resources to improve their offerings. An organisation's networks, front-line employees, individual customers and groups of customers are considered pivotal for the development of new services (Gemser and Perks, 2015). Through these networks and collaborations, organisations extend the range of intangible, dynamic resources (such as knowledge and skills) and tangible, static resources (such as goods and raw materials) under their control, so they can stretch and extend their current services (Srivastava and Gnyawali, 2011; Hienerth et al., 2014). These collaborations with other parties usually enhance innovation (Melton and Hartline, 2013; Perks et al., 2012). This research focuses on a business's existing internal and external resources because some small independent firms may alter to access outsiders' resources and enter into collaborations to overcome their resource constraints in order to innovate (Rusanen et al., 2014). This research considers all the activities related to resource utilisation, whether owning resources or having access to them through collaboration. This study looks at the behaviours and practices that are used to integrate the available tangible and intangible resources to innovate. As resources are highly important for firms to innovate and flourish; virtually all firms are resource constrained in some way, and there are different views of the effect of resource constraints on innovation. The resource constraints concept is discussed in the following section.

2.2.1 Resource constraints

Constraints refer to a limitation or restriction as it definition is “something that controls what you can do by keeping you within particular limits” (Combley, 2011), which can be translated in business management to those aspects that limit a manager’s options. Obtaining knowledge about dealing with resource constraints is important, as it is not easy to run a business in a resource-constrained environment (Liu and Siepel, 2015). The influence of resources on innovation is a debatable issue: it depends on perception. For some, the fundamental factor behind innovation is scarcity, while for others scarcity is an impediment to innovation (Weiss et al., 2017). These two viewpoints respectively represent the entrepreneurial perspective and the resource-based view. The former argues that when firms have limited resources, they keep thinking of new ways to develop or deliver new services/products and explore new opportunities to boost their innovation (Baker and Nelson, 2005; Keupp and Gassmann, 2009). The latter suggests that resource scarcity hinders the innovation process (Camisón-Zornoza et al., 2004).

Firms with more resources are often capable of investing a greater amount of money in the development process and commonly own better equipment and materials for managing the business and exploring the market for any growth opportunities. Large firms are more likely to have more space to innovate because of the availability of resources such as financial resources, facilities, skills and knowledge (López-Fernández et al., 2011). Moreover, firms with large amounts of money can devote more funds to developing new offerings and doing business with other parties (Kaleka, 2011). Weiss et al. (2017) also support the idea that adequate material resources fuel innovation. Financial resources can drive innovation due to the firm’s ability to afford different technologies or experiment with new ideas (De Carolis et al., 2009; Voss et al., 2016).

Sometimes working in a resource-constrained context may require some changes in the way the business operates. The entrepreneurial perspective argues that when people solve a problem, they tend to adopt methods that they have used in the past. If they cannot apply these methods, this might push them

to find new ways and be creative (Weiss et al., 2017). Lack of monetary and/or input resources can assist in the generation of better forms of structured thinking (Scopelliti et al., 2014). One of Google's top managers stated in an interview that "engineers thrive on constraints. They love to think their way out of that little box: 'We know you said it was impossible, but we're going to do this, this, and that to get us there'" (Caniëls and Rietzschel, 2015, p.1). Sometimes, constraints are perceived as a challenge that pushes employees to perform better in their work. Scopelliti et al. (2014) found that products that were developed with lower budgets and fewer input materials were made more creatively than products developed in unconstrained conditions. This shows that firms operating in a resource-constrained environment are still capable of producing innovative products. Sometimes the human mind is more innovative when faced with fewer alternatives to find solutions (Gibbert et al., 2008). Overall, the findings are mixed and inconclusive, and further research is required.

Similarly, there are conflicting opinions about the relationship between material resource adequacy and the performance of innovation (Weiss et al., 2017). Some suggest that having adequate material resources is beneficial to innovation, whereas others argue that having constrained material resources stimulates creativity and innovation. Weiss et al. (2017) found that having adequate financial resources and equipment has a positive effect on innovation outcomes such as general performance, project efficiency, product quality and market success, although new product novelty did not show any significant relationship with material resource adequacy. Their study did not consider the effects of management attitude or intangible resources such as knowledge, skills and the personal characteristics of managers and employees on using these adequate tangible resources for innovation. Therefore, this encourages more research to be done on the effects of tangible resources on innovation while taking into consideration the role of intangible resources in creating efficiency, quality and novelty.

According to Liu and Siepel (2015), these mixed results regarding resource constraints, innovation and firm performance are because most prior research has investigated financial resources, without consideration of other types of

resources. Moreover, the existing literature (with few exceptions) does not differentiate between incremental and radical innovation, and this leads to misleading conclusions due to the differences between them (Liu and Siepel, 2015). Further, personality traits have major effects on the relationship between resource-constrained contexts and innovation, such as novelty seeking (Scopelliti et al., 2014), improvisation, and social and networking skills (Baker and Nelson, 2005). Different resource constraints affect innovation differently. For example, a lack of skilled employees (human resources) hinders creativity and affects the development of new services (Voss et al., 2008), while a lack of financial resources may stimulate resourcefulness (Baker and Nelson, 2005). Little is known about how and whether constraints impact the various stages of the creative process differentially (Caniëls and Rietzschel, 2015). This reflects the need to explore this subject intensively with data collected in a real-world setting (as in this study) to look at a wider range of resources, rather than financial resources only.

Finally, scarcity is one of the fundamental and most used concepts in micro-economics fields; as long as resources are unsustainable, they will be always limited, regardless of the industry type and size. What makes one firm with limited resources different from others is the way the firm decides to manage and adapt to its resource constraints: such constraints either stretch its innovation skills or impede them. In the end, innovation represents a survival mechanism for firms to improve their competitiveness. This thesis aims to explore the different behaviours and practices related to resource utilisation and overcoming resource constraints to innovate. The next section provides a detailed description of service innovation.

2.3. Service innovation

In this section, the different types of service innovation and key concepts such as radical innovation, incremental innovation, new product development and new service development are clarified. Firms differentiate themselves by being innovative. They develop new products and services by making rational decisions regarding the identification, selection and use of tangible and intangible resources (Nijssen et al., 2006). Firms can provide better services in

terms of efficiency and effectiveness by adding to, adjusting or deleting some of their current services. Continuous innovation by small firms is essential, and there are four main domains of innovation: firstly, product innovation, which is related to developing new ideas, services or goods; secondly, process innovation, which is related to introducing or applying new technologies and infrastructure, enhancing productivity, efficiency and integrated communication; thirdly, organisational innovation, which is related to internal policies, such as marketing, purchasing and sales, administration, management, staff policies, empowering staff, and improving workplace satisfaction; and fourthly, market innovation, which is more about exploring new markets and penetrating market segments (Avermaete et al., 2003; Hjalager, 2010). Helkkula et al. (2018) mention four different archetypes of service innovation: outcome based, process based, experimental and systematic, which all affect each other. Developing one may affect the other aspects, and the same innovation can be perceived differently from different angles. For example, the development of new products and services may result from targeting new market segments (such as green hotels or organic food) or enhancing the quality of the service offering (Avermaete et al., 2003). This shows how the introduction of a new product is also part of market innovation.

Innovation refers to "the process of bringing any new, problem-solving idea into use. It is a broad term that includes reorganising, cutting cost, putting in new budgetary systems, improving communication or assembling products. Innovation is the generation, acceptance and implementation of new ideas, processes, products or services" (Kanter, 1984, p.20). Moreover, innovation takes place in the development of new or improved services or in the service delivery systems (Ottenbacher, 2007). It is concerned with doing regular things in a new way, the application of a unique system or method, better combinations of resources, or altering the number of resources devoted to a particular service (Ottenbacher and Gnoth, 2005). Innovation occurs through resource integration: combining existing and sometimes new resources in innovative ways (Lusch and Nambisan, 2015). Service innovation, in this research, is viewed as the process of accessing new resources and combining existing resources in new ways for the benefit of the firm and others

(Edvardsson and Tronvoll, 2013; Lusch and Nambisan, 2015). As a further matter, "what is critical is not necessarily what firms own but what firms do with what they own" (Slotegraaf et al., 2003, p.307). A combination of these different views is taken into consideration to define service innovation in this study. It considers service innovation as the process of using, accessing and combining the available resources in order to engage in numerous innovation types, such as product innovation, process innovation and organisational innovation, and to find new ways to solve problems.

Several scholars have stated that collaborating with customers, employees, suppliers and partners in the innovation process is beneficial to service firm performance (Carbonell et al., 2009; Melton and Hartline, 2010; Gottfridsson, 2014). Particularly, frontline employees are perceived as a valuable resource that ensure service innovation implementation due to their continuous interaction with customers that allows them to identify areas of improvement and can provide solutions to customer problems (Baradarani and Kilic, 2018). A broad base for creativity is required to maintain innovativeness, as a creative idea may come from anywhere and anyone. Services are intangible and can be perceived differently by different people, and that is why communication and interaction are essential in the development process. This puts some responsibility on firms to build new platforms for communication and innovation activities, where a community can contribute different designs and contents for ideas, products or services (Hienerth et al., 2014). Firms' ability to acquire and use external resources – such as knowledge from any actors in their networks – to innovate and their ability to portray themselves in a larger innovation network (not only their firm) are vital factors in service innovation (Jenssen and Nybakk, 2009; Froehle and Roth, 2007).

Partnering with two or more parties alleviates a firm's resource constraints and enriches its resources (Srivastava and Gnyawali, 2011). It may enhance the firm's ability to continuously innovate (Mansury and Love, 2008). This highlights the importance of using social and professional relationships to expand the variety of resources available to innovate. Successfully innovative service firms perceive themselves as part of an extended innovation network where they can exchange resources, especially knowledge, with suppliers,

partners and customers (Gottfridsson, 2014). Moreover, it is not about finding the best combination of resources – it is related to the usage of "hidden, scattered and badly utilised" resources (Witell et al., 2017, p. 2), as all resources are important and significant for a firm. Read et al. (2016a) claim that there are plenty of resources that are unused and left over because no one has paid attention to them. This broad view of resources and looking at valuable "hidden" and "scattered" resources may offer some interesting insights into innovation in small independent hotels, given that they operate in a resource-constrained environment.

Service research has studied service systems with a focus on the dyadic relationships between companies and their customers. Further research that considers the interactions among multiple actors is needed (Pinho et al., 2014). This led this research to look at multiple actors' roles in innovation, such as customers, family members, friends and professional networks. Clearly, service innovation researchers have focused on the impact of service innovation on firm performance and the positive effects of collaborating with different entities. Yet, less research exists on how firms combine existing resources to develop new services and the mechanisms underpinning the process, particularly in small independent firms (Berends et al., 2014; Gottfridsson, 2014; Grissemann and Stokburger-Sauer, 2012' López-Fernández et al., 2011' Ottenbacher and Gnoth, 2005' Orfila-Sintes and Mattsson, 2009). The following sub-sections discuss the service innovation types in more detail.

2.3.1. Radical and incremental service innovation

Researchers differentiate between radical and incremental innovation because some of the research findings may differ from one type to the other. Radical innovation is related to major changes in products and processes (Popadiuk and Choo, 2006) and creating completely new offerings. It is linked with substantial technology advancement and meeting new customers' needs (Snyder et al., 2016). Incremental service innovation is classified as "other changes in products and processes like changes which are 'insignificant,' minor, or do not involve a sufficient degree of novelty" (Popadiuk and Choo, 2006, p.305), such as improving an online booking system. Fuglsang and

Sørensen (2011) found that service innovation might occur as multiple small steps of "do-it-yourself" problem-solving activity taking place in daily work situations. Developing new services is often an ongoing process; it keeps refining and improving once it is in the market. After partially developing the service, firms begin delivering it to customers. Thereafter, firms start receiving comments and feedback from customers about the new service. Afterwards, refinements and improvements for the service may require obtaining additional resources, find other/new ways of deploying the current ones, or speedily access to diverse resources. For instance, one service firm did forty incremental developments generated by multiple interactions and actions with different actors to develop its new service (Perks et al., 2012). Radical and incremental innovations range from entirely new innovations to small modifications of existing services, and they can be new to the firm, new to the market or new to the world (De Brentani, 1995).

Snyder et al. (2016) mention that the difference between radical and incremental innovation sometimes involves customers learning new competencies to be able to receive the value of the new offering and the extent to which the new offering shares some elements with the previous offering. Incremental innovation adds new elements to the provided service without changing the overall offering (Snyder et al. 2016). In this research, service innovation is categorised as either radical or incremental, and it looks at the different categorises under the incremental innovation that occurs in small service businesses. An example of incremental innovation is when British Airways served meals before taking off to allow passengers to sleep the whole way, while an example of radical innovation is when Eos Airlines and MAXjet offered suites for on-board business meetings (Voss and Zomerdijk, 2007).

Firms face two options for innovation: the small short-term gains of incremental innovation or the major long-term wins of radical innovation. Usually, radical innovation is more costly and risky to explore than incremental innovation (Caniëls and Rietzschel, 2015). However, the higher the proportion of truly radical ideas in a company's innovation pipeline, the higher the innovation payoff (Hamel and Getz, 2004). Prajogo et al. (2013) show that small firms might find more success with frequent incremental

innovation. Moreover, SMEs have a stronger orientation towards incremental innovation, rather than radical innovation (Prajogo et al., 2013). Oke (2007) and Snyder et al. (2016) suggest that researchers should start to recognise the key differences between radical and incremental innovation. Moreover, Fuglsang and Sørensen (2011) mention that in the service context, it is better to study how innovation occurs backwards (after its occurrence) because most innovation in the service context happens in an unplanned or unconscious way, but it can be recognised afterwards. Therefore, it is preferable to look at service innovation in small firms from a backwards stance to build a deeper understanding of the practices and daily activities of firms that engage in incremental innovation, as it usually happens in an unplanned way. Furthermore, there is another relevant subject related to service innovation: the similarities and differences between product innovation and service innovation and whether knowledge about product innovation can be implemented in a service context. This is covered in the following section.

2.3.2. New product development and new service development processes

There are different orientations in relation to the differences between product innovation and service innovation. The assimilation approach argues that the development process for products is similar to the service development process; therefore, the product development process that happens in manufacturers is simply applied in service firms. By contrast, the demarcation approach considers that services have five distinctive characteristics and consequently require special concepts, procedures and systems for development (Coombs and Miles, 2000). The first perspective is based on the similarities that are essential to developing new offerings. These similarities are that for firms to achieve successful new service development (NSD) and new product development (NPD), they need strong commitment, lots of effort and a considerable amount of resources (Tidd and Bodley, 2002). The other perspective argues that services' unique characteristics (intangibility, inseparability, variability, perishability and the inability to own services) lead to a dissimilar process for developing new products or services. These distinctive characteristics lead firms to adopt different marketing strategies for

services (Parasuraman et al., 1985). How these characteristics affect the development process has received little attention (De Brentani, 1995). Developing new services is usually easier and quicker than developing new products because of the intangibility aspect. For many firms, NSD becomes "an on-going, relatively informal process where 'new' services tend to evolve over time in response to changes in client needs or competitive offerings" (De Brentani, 1995, p.1).

Moreover, it is not only about whether it is product or service innovation – there are also different methodologies for designing and innovating processes: tight and loose processes. The tight methodology follows fixed steps, activities and techniques that are applied across projects, while in the loose methodology each project requires different steps, tools and activities. The tight methodology is usually linked to product innovation, while the loose methodology is found more in service innovation (Voss and Zomerdijk, 2007). The loose methodology allows space for creativity and flexibility. The emergence of these two extreme methodologies and the range between them are due to the different perspectives that researchers hold on the similarities and differences between NPD and NSD processes. The absence of a specific and defined order for service development stages, in addition to the continuous and incremental nature of service innovation, signifies the differences between service innovation and product innovation (Johne and Storey, 1998).

Palmer (2007) state a simple sequential model of NSD process that has six stages: getting ideas, shortlisting ideas, developing and testing concepts, business analysis, development and testing, and launch. While Kelly and Storey (2000) state that most companies do not follow a strict and formal NSD process. NSD does not have sequential stages where when one of the stages ends, the next one starts: they are connected in such a way that it is hard to split the stages and differentiate the timings. Additionally, Berends et al. (2014) found that small enterprises tend to adopt loose project planning, as it fits more with their characteristics and their other innovation behaviours, such as working in steps towards tangible outcomes and the iterative generation, selection and modification of goals and ideas. Therefore, this research stands with the approach that NSD differs from NPD.

It is important to base our knowledge of service innovation on studies that have looked at small enterprises, instead of applying what has been found about larger firms to small ones, as these findings may not be applicable (McDermott and Prajogo, 2012). Service innovation is still overlooked in the literature compared to product innovation (Popadiuk and Choo, 2006; Prajogo et al., 2013). Previous meta-analyses looking at the differences between the development of tangible and intangible products found significant differences in relation to innovation, creativity and resource constraints (Weiss et al., 2017). It is noteworthy to look at service innovation for intangible products and to study the resource constraints in a service innovation context. Therefore, this research selected small independent hotels because of their need to innovate, as well as their specific characteristics related to their resources and resource constraints.

2.4. Service innovation in the hotel industry

In light of the continuous economic and industrial expansion and openness, in addition to globalisation and technological development, new markets for ideas and services have started to emerge. Subsequently, firms have realised that in order to sustain their growth and remain leaders or even survive in their markets, they need to keep pace with all development forms in our era (Orfila-Sintes and Mattsson, 2009; Ottenbacher, 2007). Considering the rising competition from various hospitality actors, which can be internally within the hotel sector itself or externally, such as Airbnb and HomeAway, in addition to the changing business environment (Wikhamn, 2019). In addition, all industries generally and the hospitality industry specifically cannot ignore the fact that customers have started to reshape their own evolving standards and benchmarks, especially due to them having full exposure to the world through technology. As a result, hotels need to innovate their services to come up with new ideas and to respond to changing customer needs (Ottenbacher and Gnoth, 2005; Ottenbacher, 2007; Orfila-Sintes and Mattsson, 2009)

Furthermore, the high competition in the hospitality industry has added an extra challenge for hotel entrepreneurs, who compete to provide the best possible common services or to provide competitive and distinguished

services. The majority of innovation activities in hotels are incremental; in relation to their newness, such innovations are new for a target group of customers or the organisation, but not for the market or the hotel industry (Peters and Pikkemaat, 2006; Hjalager, 2010; Brooker and Joppe, 2014).

Among the firms that have acknowledged the need for innovation are small and medium hospitality and tourism enterprises, which are not the market leaders, such as prominent hotel chains, which have the leverage of predefined images or styles of services. On the contrary, SMEs are highly pushed to pursue more-innovative ideas and are forced to be stretched outside of their comfort zones to prove that they are distinguished enough to be chosen by customers. On this point, identifying and analysing customers' preferences are logical tools for small hotels to understand how to develop their competitive advantage and to achieve better performance.

In order to create innovation in the hospitality sector, a number of elements need to exist, such as time, innovative employees and financial resources, which can support trialling and implementing innovative ideas. Moreover, innovation as an activity, starting with finding ideas, passing through idea development and ending with implementing these ideas, might require some knowledge (Kessler et al., 2015). Good resource availability grants hotels a significant level of flexibility in creating, trialling and developing ideas, just like any other project, and this strongly confirms the key role that resource availability can play in the innovation process.

Service innovation in hospitality is an implementation of totally new or significantly improved services, operations, marketing and organizational methods, workplace environment and external relations (Hall, 2009). It emerges from changes and adapting the service on a daily basis (Fuglsang and Sorensen, 2011; Gottfridsson, 2014; Pikkemaat and Peters, 2006). Therefore, it does not always include a ready idea, a clear frame of rules or an easy wish list provided by customers. Sometimes companies need to go beyond the ordinary and create an undiscovered idea from nothing, regardless of the idea's simplicity, especially if access to resources is restricted (Baker and Nelson, 2005; Witell et al., 2017). In other words, in the world of ideas, innovation

tends to be limitless. Therefore, hotels might have a vast number of options from which to determine their new service offerings. Without discarding the fact that hotels' core service is to provide a place to sleep, this service is related to other physical and psychological aspects, such as the interior atmosphere of the public areas and rooms and the way that different services are presented and delivered in those areas (Palmer, 2007); it can even include the extent to which customers feel fulfilled. Examples of new service options that hotels might adopt vary from classic selections (such as price offers, communication tools and typical hotel amenities, like pools and workout facilities) to more-practical options (such as online reservations, in-room internet access, customisation of room setup and flexible check-in/-out policies) (Victorino et al., 2005). Accordingly, this leads to the conclusion that innovation in hotels may include tangible and intangible elements, and the difficulty of innovating cannot always be easily assessed for small hotels facing resource constraints.

Quality is a highly crucial factor, and though it highly depends on subjectivity and different personal perceptions and definitions, its importance cannot be neglected when it comes to customers' choices of hotels. Furthermore, a growing number of domestic travellers in the UK are choosing where to stay based on quality rather than price (Barclays, 2017), and quality is a factor that is usually taken into consideration when customers rate hotels. This leads some hotels to invest in high-quality rooms with better facilities, heating, kitchens and bathrooms in order to be more appealing to travellers and to encourage customers to repeat their visits (Barclays, 2017). However, the main challenge is whether these small independent firms can provide high-quality services and be competitive based on quality compared to larger or chain hotels according to customers' perceptions. Therefore, it is important to question: how do small and independent hotels manage their resource constraints in a way that allows them to achieve their objectives? How do they perceive service innovation, and how do they try to increase their service quality as part of their innovation using the resources at hand? To understand what drives service innovation in these small independent hotels, Hjalager (2010) raised the importance of

generating a better understanding of innovation in tourism, as it is vital for policymakers and practitioners.

Another external element that hotels tend to refer to as a source of support for innovation is their extended networks, such as customers, suppliers and distributors. Small-medium enterprises performance is influenced by their external networking behaviours (Naude et al., 2014). This extended network can highly impact the way the limited resources are managed by small hotels, as engaging in various forms of networks may help small hotels to reach their full potential in NSD (Gottfridsson, 2014) and grow effectively (Naude et al., 2014). Moreover, some companies might involve their customers in the NSD process in order to give them greater input and control in the new service and product development processes, which, in turn, can drive the companies' growth and profitability (Prahalad and Ramaswamy, 2000; Von Hippel, 2005). Orfila-Sintes and Mattsson (2009) state that the participation of employees and customers is required in the innovation in the hospitality industry. In addition, Shaw et al. (2011) give some examples of the role that customers can play in service innovation in the hotel industry, such as their role in establishing more funky coffee breaks that deliver the Starbucks experience instead of keeping the usual hotel's coffee break, where most of their sample consisted of hotel chains or groups. This may raise the question whether such switches in roles between firms and customers do not occur in big hotels only but can also extend to small hotels, where customers can be key contributors in service innovation. As a result, hoteliers in small hotels are induced to embrace this market change and consider other external factors, such as their extended networks, in the innovation process, especially with their resource limitations. Therefore, it is important to understand how small hotels cope with and incorporate these changes and how they interact with external parties to innovate.

2.4.1. The strengths of small hotels regarding innovation

Innovation can be quite a challenging mission for small hotels, especially those with restricted resources, as resource constraints can restrict the space for innovation or add demotivating barriers for brilliant, innovative minds. However, some characteristics of small firms give them strength over larger ones in regard to innovation. A key strength of small firms is their flexibility, as they enjoy greater flexibility than large firms to take decisions quickly and adapt to environmental and market changes, which enables them to innovate better (Berends et al., 2014; Damanpour, 2010). In addition, due to the smaller structure of small hotels in comparison to bigger hotels, employees tend to have closer relationships with management, which often encourages better information exchange from one side. From another side, smaller firms develop stronger relationships with customers (Berends et al., 2014; Damanpour, 2010); the smaller building size and the smaller number of people probably increase the familiarity between people and provide more flexibility for breaking formalities, in addition to creating a friendly atmosphere for interactions. Additionally, the decentralised nature of small firms allows their employees to have relatively casual and direct communications with customers in a less formal frame in general, which helps these small firms in collecting market information about their customers' wants and preferences and about their competitors' new strategies. This decentralised nature can stimulate stronger service innovativeness in small independent hotels if the mangers are encouraging the employees to speak up and share their opinions and suggestions in terms of service innovation (Tajeddini et al., 2017).

Moreover, due to the flexibility and less-formal procedures, these firms are able to respond to this type of information in an easier and faster way than large firms are (Seilov, 2015). As a result, this can provide different insights and views for small hotels about how to develop better and new services.

2.4.2. The weaknesses of small hotels regarding innovation

On the other hand, while there are advantages for small independent hotels in comparison to larger ones in some respects, small hotels do have some weaknesses as well. The most common weakness that small hotels cope with is having fewer resources compared to bigger hotels. López-Fernández et al. (2011) claim that a hotel's size is indeed relevant to innovation, as larger firms are central innovators in tourism, whereas a small size might be translated into a smaller number of employees and fewer intellectual and financial assets, which all play a vital role in innovation. In addition, Damanpour (2010) agrees that large firms can innovate better due to having sufficient financial and intellectual capabilities, which can be used in developing and providing new services easily and quickly in comparison to smaller firms, which have lower accessibility to resources, such as financial resources (Chandy and Tellis, 2000). Financial resources can be used to fund innovation or to hire qualified people to lead the innovation (Rao and Drazin, 2002). Another important factor that puts small hotels in a weak position against bigger hotels is that a high proportion of small hotels do not operate under a well-known brand name, so they are not members of business groups. Consequently, this may hinder innovation in small hotels because chain hotels can more easily accumulate management know-how in order to maximise information flows and hence know how to utilise their valuable intangible assets, such as brand image and prestige (López-Fernández et al., 2011), in a way that serves their interests. Therefore, small hotels' dearth of assets like trademarks and brand images adds a challenge in terms of marketing and attracting new customers.

Additionally, and due to their limited finance resources, small hotels tend to display less interest in service innovation due to their slight profit margins, strict targets and lack of economies of scale, which gives them limited budgets for research and development, market research, product and service innovation, and training (Orfila-Sintes and Mattsson, 2009). Moreover, having limited assets means that less collateral can be submitted when attempting to receive external funding or loans, and this can raise concerns for bank and creditors, who might perceive small hotels as riskier than bigger hotels

(Goodwin, 2017). Therefore, borrowing might not always be a feasible option for small hotel entrepreneurs.

One more weakness of small hotels is their difficulty in hiring qualified employees due to their lack of expert teams dedicated specifically to recruiting new personnel and attracting talent. Thus, small hotels lack the time and expertise to conduct their own recruitment campaigns, which might lead to a random selection of employees (Goodwin, 2017) in some cases. On the other hand, if hotels rely on well-trained employees, eventually they will reach a point where they will have to raise their wages in order to retain these employees (Palmer, 2007). Accordingly, this lack of qualified managers and employees may affect the way the resources are managed, hence affecting the firm's innovativeness negatively (Díaz-Díaz et al., 2008).

In conclusion, small independent firms by nature have multiple strengths and weaknesses, driven by their characteristics, which can highly affect their competitiveness and innovation, either driving or hindering it.

2.4.3. Small firms' strengths and weaknesses driving or hindering innovation

Many scholars have conducted meta-analyses to find the main factors that foster or impede innovation in hospitality firms, particularly hotels. Some of these findings show that innovation is doable and can occur in these small independent hotels, whereas others show that innovation is quite challenging. Moreover, López-Fernández et al. (2011) found that a willingness to change and a strong bureaucratic framework can induce innovation, whereas Damanpour (2010) states that small businesses have a higher willingness to adapt and less difficulty in accepting and implementing changes, leading to better alignment with innovation. Although there are lower numbers of employees in small businesses, which reduces the resistance to change, this puts all the responsibility for innovation initiatives on a smaller number of individuals, who do not necessarily have predetermined plans. This may raise some challenges if they are not intrinsically motivated to innovate. The lack of bureaucracy in small firms can be an advantage and a disadvantage at the same time: the advantage is that small firms do not follow rigid rules, policies and

routines due to their democratic characteristics, which can make them more reactive to innovation. The disadvantage is that not having formal innovation procedures and rules may hinder innovation. Consequently, this can lead to a mixed effect regarding innovation (López-Fernández et al., 2011; Acar et al., 2018).

Previous studies have claimed that small firms are slower to adopt some technological advancements, such as using the internet; however, this has changed recently because small independent firms have started to recognise the importance of the internet and communication technologies as determinants for their success (Avcikurt et al., 2011). Accordingly, it is worth mentioning that adopting technological advancements can certainly enhance the productivity, efficiency and innovativeness of hotels. However, technological advancements might require investment, and this can be daunting for small business owners (Barclays, 2017). This raises the question of what these hotels do when they realise the importance of such changes in their business and how they react when they cannot afford them.

Moreover, Avcikurt et al. (2011) found that marketing is one of the critical success factors for small hotel businesses and includes "providing customer satisfaction", "promotion strategy existence", "employee initiatives", "degree of marketing research" and "using customers effectively in promotion activities". All of these activities are part of service innovation and shed light on whether small independent firms are capable of creating good marketing strategies to reach new customers and build customer loyalty, given their resource constraints and weaknesses. Customer involvement might be easier in small hotels due to their close relationships with their customers, yet it is interesting to look at whether small hotels are aware of this and engage with their customers in their promotional activities or not. Due to the lack of literature on innovation behaviours in hospitality (Alford and Duan 2017; Grissemann and Stokburger-Sauer, 2012; López-Fernández et al., 2011; Orfila-Sintes and Mattsson, 2009), it is interesting to look at how small hotels perform these activities: whether they follow the traditional way or a different one.

In terms of small hotels' social networks, whether they have expanded or narrow ones, networks are a pertinent concept to be considered when innovation is investigated. Networks show the flow of information within the firm and with other firms, and this flow keeps the firm up to date with current knowledge and alive to new opportunities. When developing new products/services, some companies may co-operate with partners, suppliers and dealers to exchange core competencies, knowledge, technology and skills to reduce the risks of introducing new products or services or targeting new markets (Palmer, 2007). Additionally, a group of firms can collaborate to offer customers a package of different but related services, such as food and travel. Some argue that when small firms see themselves as part of extended networks (suppliers, partners, competitors and customers), they can better handle their limited resource situation and reach their full potential in innovation (Gottfridsson, 2014; Peters and Pikkemaat, 2006). For example, airlines, hotel chains and rental car firms collaborate to design good marketing campaigns to promote their services together. This alliance enables them to share costs and efforts and achieve wider customer reach (Palmer, 2007). As another example, a hotel located in the city centre of a coastal city may work in partnership with another hotel that is located beside the sea so that the customers of the first hotel can enter the second hotel's beach for free. Additionally, if a firm is embedded in the right networks, it might generate more profit from the unintended learned knowledge from these relationships (Almeida and Kogut, 1999). Extended networks include formal, contractual arrangements and informal, non-contractual, flexible relationships (Piller et al., 2010). While this looks like an opportunity for small hotels to innovate, one of their weaknesses is their limited networks; therefore, do these small hotels have the required skills, knowledge and time to collaborate with others? Are they aware of these practices, or are they barely managing their own work and running their businesses? These questions are worth looking at to investigate whether small firms are using their networks as a resource to innovate.

Based on the above, it is highly important to investigate further how small hotels work in this challenging environment and how they attempt to overcome some of their size weaknesses, which are linked to resource constraints in

service innovation. Knowledge about service innovation in the hotel industry is limited, and there is a clear lack of reports and case studies (Ottenbacher and Gnoth, 2005; López-Fernández et al., 2011). It is vital to look closely at how small independent firms use their current resources to innovate and how they manage their networks and the resources offered by them to create and continuously adjust their services. Gottfridsson (2014) states that the actual process of how small firms carry out innovation activities remains unclear, and little is known about their collaborative innovation activities with other parties. Further, SMEs do not usually adopt formal NSD activities (Berends et al., 2014; Gottfridsson, 2014), so it would be interesting to look into these informal activities.

This study aims to help to close the literature gap related to understanding innovation behaviour in the hospitality industry (Alford and Duan 2017; Grissemann and Stokburger-Sauer, 2012; López-Fernández et al., 2011; Orfila-Sintes and Mattsson, 2009). This research focuses on collecting detailed information on the nature of day-to-day innovation activities, resource utilisation and managerial behaviour related to this subject. The next section covers in depth the concepts of resources and resource constraints due to the controversial views on these in relation to service innovation.

2.5. Effectuation theory

2.5.1. Causation and effectuation

Effectuation theory is “one of the most-cited emerging theories of entrepreneurship” (Matalamaki, 2017, p.1). This reflects the importance and increased acceptance of it. Since 2012, effectuation theory has received lots of attention from many scholars and has developed noticeably quickly. Matalamaki (2017) states that effectuation theory has moved from the nascent stage to the stage of development and has begun its transition towards the mature stage.

Effectuation theory was introduced by Saras Sarasvathy in 2001; she wanted to understand the decision-making behind expert entrepreneurs and what they do in their practical day-to-day business on a micro level. This theory focuses on two alternate decision-making logics or conceptual approaches employed by owners, managers or entrepreneurs: causation and effectuation. Causation is the traditional approach, whereas effectuation is the one she introduced. Causation is when actions are made based on predetermined goals and focuses on selecting between the available means to achieve those goals. It begins with the identification and exploitation of opportunity in an existing market, followed by a series of tasks that include extensive market study and detailed competitive analyses to develop a business plan. In order to implement the plan, resource acquisition and interaction with different stakeholders take place to develop partnerships. Causation is known as the “rational planning school”, emphasising the importance of systematic analysis and creating a comprehensive business plan for the firm’s growth and profitability (Matalamaki, 2017). Causation is perceived as the rational “think first” approach, whereas effectuation is the action-oriented “act first” approach (Smolka et al., 2016).

Effectuation focuses on choosing between the possible objectives that could be achieved with the set of available resources *(who I am, what I know and whom I know).* “Who I am” includes aspects such as traits, preferences, skills, abilities, passions and assets, while “what I know” consists of prior knowledge, including education, training, expertise, knowledge from life and informal

learning. Lastly, “whom I know” includes social and professional networks. The goals are constructed and evaluated concerning affordable losses, rather than expected returns. Effectuators seek to co-create these goals through negotiating with the various stakeholders who are willing to make actual commitments. These commitments add new resources to the pool of means to achieve the new goals (markets, products and firms). This logic explains how individuals end up with activities and services that differ from their initial goals when they started their operations. Effectual logic is not a “not planning” approach – it is more about doing the doable (Berends et al., 2014). It is not a theory of “anything goes” – it is a theory of constrained creativity (Fisher, 2012).

Effectuation theory assumes that managers utilise causal logic when they encounter a predictable environment, while they employ effectual logic when they face an uncertain, dynamic and non-linear environment (Fisher, 2012; Sarasvathy, 2001; Futterer et al., 2018). The use of effectuation in an uncertain environment is due to the need for quick responses to the changes in the environment and the difficulty in predicting the future (Sarasvathy and Dew, 2005). Effectuation depends more on the characteristics of the effectuator than on the outcome specification. It focuses on working with means within the effectuators’ control to face the uncertainty by doing what is doable. Effectuators are more likely to change their initial goals and visions, in addition to affecting the market and creating demand for what they generate, rather than predicting the future and acting upon these predictions (Sarasvathy, 2001; Chandler et al., 2011).

There are five main behavioural differences between causal and effectual logics (Sarasvathy, 2001): when an individual uses causal logic, they begin with a given goal, their decision-making is based on expected returns, they aim to achieve competitive advantage and conduct comprehensive market studies, they exploit existing knowledge and they try to predict the future. By contrast, when an individual uses effectual logic, they begin with a given set of means, their decision-making is based on affordable losses, they emphasise strategic alliances, they exploit contingencies, and they seek to control and embrace the unpredictable future. To illustrate these differences, Sarasvathy (2001) presents

an example of a woman building a new concept for an Indian restaurant. Using a causation approach, the woman analyses the long-term opportunities in the market and collects data on different market segment variables, for instance demographics, eating out patterns, spending habits and income levels. She conducts market research using a survey and focus groups to help her to decide the location, interior, menu, opening hours and some other operational details. In other words, she analyses the market and the competition to develop a clear plan of how the restaurant should be and to forecast the demand to have an idea of the return on investment. Afterwards, she starts trying to access the required resources that will allow her to achieve her plan. By contrast, using the effectuation approach, she begins with examining her pool of resources (without considering the market conditions), acquiring new resources and investing some money. She thinks of the possible actions that can be done with what she knows, what she has and whom she knows. For example, she may think of convincing an established restaurant to become her strategic partner, or she may know a grocery store owner and ask if she can put up a counter in the store where she sells what she cooks. If she knows that some employees at her friend's work like her food, she might start to cook at her home and do deliveries. She develops a menu that is compatible with her skills; as her skills improve, the menu keeps on changing. She does not stick to a specific goal and she leverages opportunities in the environment, such as meeting a new person who may expand her market, teach her new skills or work with her. All these factors drive this lady to change her goals and plans.

Based on the previously mentioned five main differences between causal and effectual logics, Chandler et al. (2011) developed a measure of causation and effectuation and found that causation is a well-defined unidimensional construct, whereas effectuation is characterised as a multidimensional construct, incorporating flexibility, experimentation, pre-commitments and affordable loss. Effectuation shares the pre-commitment construct with causation, yet they employ it for different reasons (Chandler et al., 2011). Chandler et al. (2011, p.387) explain that "the effectuator uses pre-commitments to reduce uncertainty, minimise cost of experimentation, and maintain flexibility. The causation approach uses pre-commitments and

alliances to acquire essential resources and implement plans." The following table shows the constructs of the different dimensions of effectuation and causation.

Table 1: Causation and effectuation items

Causation	We analyzed long run opportunities and selected what we thought would provide the best returns. We developed a strategy to best take advantage of resources and capabilities. We designed and planned business strategies. We organized and implemented control processes to make sure we met objectives. We researched and selected target markets and did meaningful competitive analysis. We had a clear and consistent vision for where we wanted to end up. We designed and planned production and marketing efforts.
Experimentation	We experimented with different products and/or business models. The product/service that we now provide is essentially the same as originally conceptualized. The product/service that we now provide is substantially different than we first imagined. We tried a number of different approaches until we found a business model that worked.

Affordable loss	We were careful not to commit more resources than we could afford to lose. We were careful not to risk more money than we were willing to lose with our initial idea. We were careful not to risk so much money that the company would be in real trouble financially if things did not work out.
Flexibility Flexibility *(continued)*	We allowed the business to evolve as opportunities emerged. We adapted what we were doing to the resources we had. We were flexible and took advantage of opportunities as they arose. We avoided courses of action that restricted our flexibility and adaptability.
Pre-commitments	We used a substantial number of agreements with customers, suppliers and other organizations and people to reduce the amount of uncertainty. We used pre-commitments from customers and suppliers as often as possible.

Source: Chandler et al. (2011, p.382)

The table presents each of the logics separately and shows that each logic consist of its own dimensions and behaviours. There are contradictory views on the relationship between the logics: some scholars look at them as polar opposites (Brettel et al., 2012; Corner and Ho, 2010), while others state that individuals may combine them (Fisher, 2012; Dew et al., 2009; Berends et al., 2014; Reymen et al., 2015). More-recent work has started to investigate the interplay between the logics and supports the synergistic effect of using both logics on a firm's growth and sales (Smolka et al., 2016). Firms can enhance their performance by planning their activities and at the same time can respond to the external environment by letting their plans evolve based on new information. Moreover, Berends et al. (2014) found that the dominant logic may shift with time, as effectual logic is present in the early venture stages, while causation is more present in the later stages. Nowadays, interest in the

interrelations between the logics has emerged, which makes the subject of this thesis very interesting in contributing to this argument. There is a dearth of research looking at the different interrelations between causal and effectual logics.

The "hybrid perspective" of combining causal and effectual logics was first mentioned by Reymen et al. (2015); it represents the idea that an entrepreneur can combine elements of both effectual and causal logics. They identified three main conditions that play a role in the shift and re-shift in the use of causal and effectual logics: stakeholder pressure, perceived resource position and perceived environmental uncertainty. This thesis addresses the gap concerning the co-existence of both logics and the conditions that trigger the combined usage of them. Additionally, Alvarez and Barney (2005) identified uncertainty level as a factor that affects which logic is used. When firms face high levels of uncertainty, a lack of knowledge and an unpredictable working environment, they usually adopt a more flexible approach to be adaptable and responsive to the surrounding changes, thus adopting effectual logic. Entrepreneurial experience has been found to act as a driver for the use effectual logic as well (Read et al., 2009a). Further, some individual-level characteristics affect the usage of these logics. One of the main resources in effectuation theory is "who I am", which includes traits, personality, preferences, skills, abilities, interests and passions. This plays a great role in how a firm operates and how it is shaped in the future (Read et al., 2016a).

The combination of passion, self-efficacy and risk perception leads to the use of causal and effectual logics (Stroe et al., 2018). Stroe et al. (2018) found that none of these characteristics alone is necessary to use one of the logics, yet different configurations are enough for the usage of effectual or causal logic. For example, self-efficacy (the extent to which a person believes in themselves and their ability to achieve certain goals) is sufficient for an entrepreneur to use causal logic. Moreover, passion and the level of risk perception affect which logic is used. Obsessive passion, which is associated with boosting self-esteem or feeling socially accepted, may lead to the adoption of causal logic when the environment is perceived as low risk. By contrast, harmonious passion, which is associated with the pleasure that is derived from performing an activity, is

central to the use of effectuation but does stand alone. To clarify, when the environment is perceived as risky, harmonious passion is needed to use effectual logic. There is very few studies that investigated the factors that influence the use of the two logics, where most of them were examined in relation to venture performance and entrepreneurship. For example, some other factors may affect firms' performance, such as the degree of commitment (Smolka et al., 2016). Owners or managers who spend more time on their businesses appear to see the effects of their hard work and harvest the fruits of their labour. Further, having previous work experience is positively associated with venture performance. At the same time, relevant prior experience is also positively associated with the sales and growth of the business (Lee and Tsang, 2001). While commitment and prior experience have not been studied in the context of effectuation theory, and those factors can influence the use of the logics and the interplay between them.

This research covers these conditions in relation to the interrelations between causal and effectual logics. Furthermore, it draws on the work of Stroe et al. (2018), who looked at the impact of individual-level characteristics on using causal or effectual logic in particular. As previously mentioned, some of these characteristics play a role in the deployment of effectuation, yet no researchers have studied which of the different characteristics underlie the usage of causal, effectual or hybrid logic. The conditions behind the combined usage of both logics are still underexplored (Reymen et al., 2015). Therefore, the aim of this study is to provide an understanding of the co-existence of both logics and identify the drivers behind the combined use of the logics. The following section links effectuation theory with the adoption of causal and effectual logics to innovate.

2.6. Effectuation theory and innovation

This thesis attempts to bridge effectuation and innovation theories. Effectuation theory has been identified as a theoretical perspective in relation to the study of innovation (Brettel et al., 2012; Berends et al., 2014; Fisher, 2012). Prior studies have found that causation-related innovation processes resulted in the best outcomes (Barczak et al., 2009; Ettlie and Elsenbach,

2007). Usually, firms base their innovation actions on causal logic and have clear goals, long-term plans, well-defined strategies and sufficient resources (Webb et al., 2010). In many situations, service innovation occurs in a resource-constrained environment, and this emphasises the role of effectual logic in explaining the behaviour of some actors when causal logic is not valid (Lingelbach et al., 2015; Perry et al., 2012). Berends et al. (2014) empirically demonstrated that small firms deploy effectual logic activities to innovate and that effectuation theory assists in understanding how small firms innovate. Small firms innovate based on the realisable and available resources, in addition to making creative use of their existing resources and dealing with their resource limitations (Berends et al., 2014), which makes innovation more attainable and doable. Another study found that "'innovation' in reality happens as small step 'bricolage' – as a 'do-it-yourself' problem-solving activity taking place in daily work situations" (Fuglsang and Sørensen, 2011, p.581). This view of innovation supports the idea that innovation activity is not always planned and does not always follow a formal process. It is more about daily adjustments that become constant, which requires flexibility and the ability to act upon the available resources. The aforementioned studies show the suitability of examining the usage of both logics concerning innovation.

The main difference between these two logics is that when firms apply effectuation, resources shape the innovation strategy, whereas with causal logic, innovation goals drive which resources to obtain (Berends et al., 2014). Unlike the causal perspective, which focuses on finding and exploiting opportunities, in the effectual perspective, opportunities are created using existing resources (Sarasvathy, 2009). Ortega et al. (2017) found that as the level of innovation increases, the effectuation perspective becomes more suitable to explain the innovation process. Further, Smolka et al. (2016) found that causal and effectual logics can be used in tandem and that this has a positive effect on venture performance. This may show that these two logics can work together to have a synergistic effect on firms' service innovation practices. The idea of balancing between planning (causal) and flexibility (effectual) is achievable by SMEs, despite their small numbers of people and resources (Prajogo et al., 2013; Brinckmann et al., 2010). This supports the

idea of hybrid logic. It is worth mentioning that this study digs deeper into this hybrid logic and looks at the co-existence of causal and effectual logics, rather than looking at them as opposite poles.

During the innovation process, the dominant logic may change, as da Costa and Brettel (2011) found that effectual logic may be found in the first stages of innovation due to the high degree of uncertainty and the unstructured process. Similarly, Berends et al. (2014) state that throughout the innovation process in small manufacturing firms, early effectuation logic takes place, then it moves towards causation logic over time. This might be due to the firm moving from the existence stage to the survival stage, which may affect the approach to managing the businesses and firm behaviours, as the attention shifts from needing to obtain customers and deliver products/services, to the relationship between revenues and expenses and lastly to growing in size and profitability (Lin, 2017).

Previous studies have linked the adopted logic with service innovation. Ortega et al. (2017) and Sarasvathy (2001) linked causal logic with exploitative service innovation, while they linked effectual logic with explorative service innovation. Exploitative service innovation is more about the refinement and extension of the company's skills, technologies, products and services, whereas exploration includes aspects such as experimentation, discovery and innovation (March, 1991). Further, explorative innovation is associated with radical, new-to-the-world innovation, while exploitative innovation is associated with extensions to existing service lines and incremental innovation (McDermott and Prajogo, 2012; Kortmann, 2015). Usually, explorative innovation is aligned with firms that have many resources because it entails a higher degree of risk, requires greater company efforts and requires greater resource commitments, whereas firms facing resource constraints usually get involved in exploitative innovation because they cannot allocate certain resources to innovation only (Sharma, 2016).

Despite the existing literature regarding effectual and causal logics in service innovation, knowledge about how they happen simultaneously and how they are not mutually exclusive in practice is very limited (Blauth et al., 2014;

Fisher, 2012). Further, Reymen et al. (2015) suggest that hybrid logic demonstrates how causal and effectual logics are combined and that the logic can shift and re-shift over time in new venture creation. While new venture creation is part of service innovation, this research takes a broader view of service innovation, looking at the development of the entire service over the years. Moreover, recent findings suggest that in SMEs, means-driven and goal-driven approaches are aligned and complement each other, rather than competing, and they have synergistic effects on business performance (Prajogo et al., 2013). Therefore, it is interesting to look at the interrelations between causal and effectual logics concerning innovation in small independent firms and the main conditions behind these interrelations. Responding to Sarasvathy's (2001) call for investigating the circumstances under which effectual or causal logic is used, this research seeks to extend effectuation theory and apply it to service innovation, rather than product innovation, and considers the combined usage of effectual and causal logics.

2.7. Summary

This chapter presents a summary of the literature review and the main research gaps, which were used to develop the research questions. As highlighted in the introduction, small independent firms are characterised by limited resources in terms of financial and human resources, in addition to limited network relations, such as suppliers and customers (see Section 2.4). Resources are the main pillar for any project's success, which include different forms and types: internal and external resources, and tangible and intangible resources, which firms utilise and manage differently to achieve their goals (see Section 2.2). Generally, in previous studies, the resource concept has sometimes misleadingly been linked to financial resources only, without taking into consideration other types of resources, which could actually be the main factors that determine the way these financial resources are managed (Liu and Siepel, 2015). Consequently, this research attempts to look at those other vital resources and question their actual contributions to firms' competitiveness.

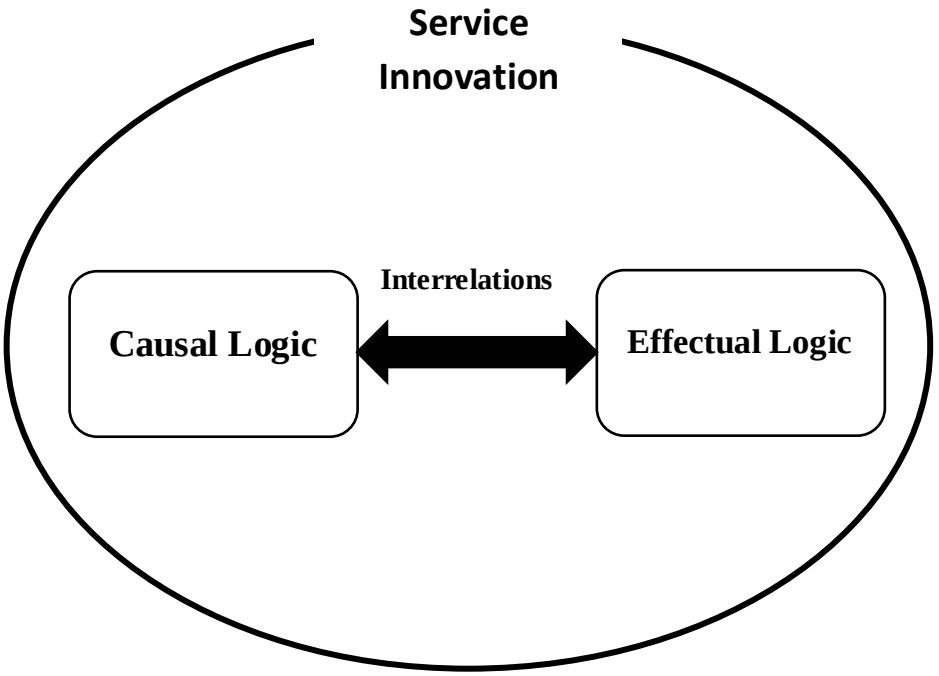
Hotels are profit-driven organisations by nature; various strategies are applied to boost their performance, one of which is innovation (see Section 2.3). Innovation, as an activity, not only includes product innovation but may also include service innovation, whereby whole industries have emerged solely due to service innovation. Interestingly, there are ongoing debates on whether product innovation and service innovation are similar activities or not (see Section 2.3.2). Given the dispute on the (dis)similarities between the innovation orientations and the overall focus on product innovation in previous studies (Coombs and Miles, 2000; De Brentani, 1995; McDermott and Prajogo, 2012; Popadiuk and Choo, 2006; Prajogo et al., 2013), this paper aims to build a better understanding of service innovation, especially in small hotels.

When analysing previous studies related to hospitality innovation, it was observed that the majority of the focus was on large hotels (Grissemann and Stokburger-Sauer, 2012; López-Fernández et al., 2011; Orfila-Sintes and Mattsson, 2009). However, according to 2016 statistics, small hotels constituted around 91.5% of all UK hotels (Melvin Gold Consulting Ltd., 2016). In addition, the notion that small hotels present interesting real-life

examples of businesses adapting to resource constraints to preserve their competitiveness (see Section 2.4) justifies why small hotels are perceived in this research as a rich field worth investigating closely.

The characteristics of small hotels can be a double-edged sword while pursuing service development attempts, having both strengths and weaknesses. For example, their flexibility, tolerance of trial and error, and more-informal connections with employees and customers give small hotels the space and freedom to pursue innovation activities (Berends et al., 2014; Damanpour, 2010; Seilov, 2015) (see Section 2.4). Accordingly, this research captures these strengths and weaknesses and compares small and large hotels, using real-life examples.

Lastly, small hotels cope with significant resource constraints in terms of human capital, time, money, networks and leadership and knowledge concerning resource management (López-Fernández et al., 2011; Rao and Drazin, 2002; Díaz-Díaz et al., 2008) (see Section 2.4). In order to deal with such resource challenges, small hotels may adopt one of two main decision-making logics: causal (goal driven) or effectual (means driven) (Sarasvathy, 2001) (see Section 2.5). In addition, these decision-making logics can be detected in the way that small hotels tend to innovate with the available resources (see Section 2.6). Based on a thorough analysis of these two logics and the interrelations between them, this research aims to focus on small hotels and to deliver a profound understanding of how small hotels adapt to their resource constraints in accordance with their innovation goals. Figure (2) presents this research focus based on the previous literature and the main research gaps, which is related to the interrelation between causal and effectual logics based on resource utilisation in service innovation in the context of small independent firms and to explain how this interplay affects service innovation.



The interrelation between causal and effectual logic is investigated in the context of small independent firms; given their characteristics and resource constraints. Small firms attempt to improve their service offerings according to their strengths (e.g. low bureaucracy, high flexibility of decision-making and strong customer relationships) and within their limitations (e.g. limited financial resources, facilities, skills, experience and knowledge and network relations) (Berends et

Figure 1: The research focus based on the related literature and the main research gaps.

It is worth mentioning that service innovation, in this research, is defined as a process of accessing resources, (re)combining them, and converting them into new services (Edvardsson and Tronvoll, 2013; Lusch and Nambisan, 2015). These resources are combined and utilised in numerous innovation types, such as product innovation, process innovation and organisational innovation, and to find new ways to solve problems.

2.8. Research questions

Based on the gaps detected in previous studies in regard to small hotels, this research aims to question the missing pieces in understanding the adopted rationale for innovation by small independent hotels. Accordingly, this research will seek to answer the following questions:

Q1) How do small firms utilise their resources to innovate under different decision-making logics (causal and effectual logics)?

i) What behaviours are exhibited under causal logic? What is the service innovation approach based on these behaviours?
ii) What behaviours are exhibited under effectual logic? What is the service innovation approach based on these behaviours?

Q2) How do causal and effectual logics interrelate in service innovation?

i) What are the characteristics of the different types of causal–effectual logic interrelations, if they interrelate?
ii) How is service innovation impacted by the different interrelations between causal and effectual logics?

Q3) Why do causal and effectual logics interrelate?

i) What are the conditions underlying such interrelations?
ii) How do these conditions drive the interrelations between the logics?
iii) How can these conditions impede the interrelations between the logics?

CHAPTER 3 METHODOLOGY

3.1. Introduction

This chapter describes the methodological approach adopted in this study. It consists of three main parts. Firstly, the research paradigm that guided the study is discussed. Secondly, the design of the study is outlined and justified, including the methodology and the methods used to obtain the data. Thirdly, an outline of the actual fieldwork, including the sample selection, participant recruitment, data collection, methods for ensuring the quality of the data, ethical issues and data analysis, is presented.

3.2. Research paradigm: ontological and epistemological assumptions

A paradigm is a set of beliefs or assumptions about the world (Guba and Lincoln, 1994). Mertens (2010) defines a paradigm as a perspective of viewing the world, as it encompasses some assumptions that direct individuals' thoughts and actions. As such, these assumptions affect a researcher's actions. According to Tracy (2013), a paradigm is a set of philosophical assumptions about the world that are related to understanding reality, structuring knowledge and gathering data. Paradigms encompass four elements:

- Ontology: what is the nature of reality?
- Epistemology: how do I know about the world, and what is the relationship between the inquiry and the known?
- Axiology: how will I be a moral person in the world?
- Methodology: how do I gain knowledge about the world, and what are the best ways for understanding the world?

(Denzin and Lincoln, 2011)

These four elements create a holistic view of how we view knowledge; how we see ourselves in relation to this knowledge and the methodological strategies we use to discover it. The different ontological and epistemological assumptions make this subject highly debatable and controversial (Denzin and Lincoln, 2011). Yet, they are essential for any scientific works, as these

assumptions have implications for the research questions, objectives, methodology, methods and data analysis (Denzin and Lincoln, 2011; Deshpande, 1983).

Two fundamental groups of philosophical assumptions are discussed here: ontology and epistemology. Ontological assumptions are concerned with the nature of reality and existence (Ritchie et al., 2013). They can be seen as a continuum from realism (belief in a single truth) to nominalism (belief that there is no truth) (Blaikie, 2007). Realism (positivism) assumes that there is a single, external, independent reality that is apprehensible by the researcher (Denzin and Lincoln, 2011; Easterby-Smith et al., 2015). The next position along that continuum is internal realism (post-positivism), which assumes that there is a single reality but that it is probabilistically apprehensible (cannot be accessed directly), and it is only possible to gather indirect evidence of it (Easterby-Smith et al., 2015). Relativism claims that there are many "truths" or "realities", which depend on the viewpoint of the observer. Finally, the nominalist ontology assumes that there is no truth and that facts are all human creations through language and discourse (Easterby-Smith et al., 2015).

The different realities associated with relativism are derived from the different meanings and interpretations of experience, which differ from one person to another (Johnson and Duberley, 2003).These varying interpretations depend on the observer's experience, knowledge and historical context (Denzin and Lincoln, 2005). The social world is extraordinarily complex and consists of many dynamics (Zinkhan and Hirschheim, 1992). Many disciplines perceive the world differently based on the context, nature and perspective of the study. All these interpretations offer different realities but seem accurate. They all provide evidence about the realities in the social world. Therefore, I believe that there is more than one reality. Further, I believe that the social world is contextual and subjective and that individuals have contrasting "realities" of the social world, which leads to multiple realities. Based on this belief, I adopt the relativist assumption, where I view the social world in an intangible, multiple, holistic, context-specific reality (Denzin and Lincoln, 2005; Blaikie, 2007). I reject internal realism, as I believe that although reality is context specific and there are multiple realities, knowledge of the world can be

accessed through appropriate techniques. Therefore, this research is not about seeking "*the* truth"; rather, it is about seeking "*a* truth" about resource utilisation in a service innovation context.

Epistemology concerns the fundamental elements of "how do we know what we know" (Deshpande, 1983, p.102). It is related to what constitutes valid knowledge and how it can be obtained (Ritchie et al., 2003). Positivists assume that everything happens for a reason and that all events and behaviours can be examined and generalised by cause–effect relationships (May, 2011; Lincoln and Guba, 2000). These causal relationships can be found through systematic observation, measurable facts and scientific research methods, such as experiments and statistical analyses (Saunders et al., 2015). However, because positivists believe in a single objective truth, they may silence some important voices (Denzin and Lincoln, 2005). In contrast with positivists, interpretivists argue for a pluralistic approach by trying to grasp a shared meaning within a context (Denzin and Lincoln, 2005); they consider that the researcher is part of what is being observed, as the experience can only be understood from the perspective of the individual.

I believe that there is no objective truth waiting to be discovered. I adopt an approach to grasp the truth with the actors involved in it. I acknowledge that these multiple realities are approached on a subjective and internal level, through the co-creation of meaning between the researcher and the researched (Seale et al., 2004). The researcher operates within the world, so it is not possible to isolate any variable or remove the influence of the social context. I also believe that within these multiple realities, there is a shared meaning of the reality, instead of believing that reality is unique, and this shared knowledge can be accessed through deep investigation using various appropriate techniques (Denzin and Lincoln, 2005; Seale et al., 2004). Interpretivists may use qualitative methods such as observations, in-depth interviews and focus groups to access knowledge (Denzin and Lincoln, 2005; Seale et al., 2004; Yin, 2013).

There are other paradigms that occupy the middle ground between positivism and interpretivism, with different combinations of ontological and

epistemological principles. Critical realism adopts the idea of "structured ontology", which incorporates three ontological positions. Relativism involves an empirical domain that is linked to the experiences and perceptions that people have. Internal realism is related to the actual domain, which comprises the events and actions that take place, whether they are observed or detected or not. Finally, realism is correlated with the real domain, which comprises causal powers and mechanisms that cannot be detected directly but have real consequences for people and society (Easterby-Smith et al., 2015; Zachariadis et al., 2013). The focus of this paradigm is to develop research that allows an individual's true conditions to be revealed; recognising these conditions helps people to take action. It also allows the identification of false beliefs that hide power and objective conditions (Saunders et al., 2015). By contrast, pragmatism is not committed to any one system of philosophy or reality. Pragmatists believe that researchers need to stop asking questions about reality and the laws of nature (Creswell, 2009) and focus on finding practical solutions and outcomes to problems by having the freedom to choose the methods, techniques and procedures that best suit the researchers' needs and purposes (Saunders et al., 2015).

Taking these assumptions into account, the philosophical stance of this research borrows heavily from relativism and interpretivism. I believe in multiple realities, as reality depends on the observer's viewpoint, and I believe that knowledge is subjective and context specific (Denzin and Lincoln, 2005). This research provides an interpretation of the world, not the interpretation. Hence, this leads to a subjective reality, rather than an objective one (Yin, 2009). I chose this approach as I believe that my view of the world is mediated through my experience and interpretations, as I cannot exclude them from how I see things happen. Additionally, the focus of this research is highly context specific; this will make it challenging to find an objective reality (Denzin and Lincoln, 2005), as the aim of this study is to provide an understanding of the different service innovation approaches in a resource-constrained context, based on firms' experiences.

Two other important characteristics of paradigms are axiology and methodology. Axiology is concerned with applied ethics and will be covered in

the sections of this thesis looking at ethical considerations, quality assurance and reflexivity. The methodology focuses on the process of gaining knowledge about the world and will be considered in the next section.

3.3. The rationale behind the use of a qualitative methodology

Choosing a suitable research methodology is directed by the nature of the research objectives, questions and underpinning philosophical assumptions (Creswell, 2009), as well as the practical issues related to the research (for example money and time constraints and the researcher's preferred ways of working). The methodology comprises "a bundle of skills, assumptions, and practices that the researcher employs as he or she moves from paradigms to the empirical worlds" (Denzin and Lincoln, 2005, p.25). In other words, it refers to the procedures and strategies used by the researcher to investigate the phenomenon of interest. In particular, the methodology entails the rationale behind the selection of methods and the action plan that will be used to collect and analyse the data empirically (Crotty, 1998; Denzin and Lincoln, 2005), as this correlates all the research processes in a cohesive rather than fragmented way.

The adopted ontological and epistemological assumptions support the choice of a qualitative methodology because it enables the investigation of subjects and the social world in their natural setting. It does not attempt to isolate or test variables. Instead, attempts are made to make sense of or interpret phenomena or behaviour in terms of the meanings people bring to them (Creswell, 2009) in order to gain a deeper understanding of the context-specific truth (Denzin and Lincoln, 2005). This is especially important in this study because resource utilisation and service innovation are largely affected by the available resources, management attitude and resource constraints of the studied context. I adopted a qualitative research approach in order to gain an in-depth understanding of the different approaches used to innovate within the study setting's natural context (Denzin and Lincoln, 2005) and to interpret the phenomenon in terms of the meanings people bring to it (Creswell, 2009).

Qualitative methodologies have been successfully used by scholars, who have generated a greater depth of knowledge regarding the co-existence of causal

and effectual logics, the reasons behind this co-existence and the changes in the applied effectual and causal logics. For example, Maine et al. (2015) used a qualitative case study methodology and an interview data collection method to look at the effects of the environment on using different logics or combined logic; Sitoh et al. (2014) and Ortega et al. (2017) used a qualitative case study methodology to generate knowledge about the co-existence of causal and effectual logics in new product creation, looking at NPD through the lens of effectuation theory to offer a wider perspective on innovation. Similarly, Nummela et al. (2014) used a qualitative case study methodology, where within-case and cross-case analysis was undertaken to look at the critical events that trigger a change in the applied effectual and causal logics. Lin (2017) used in-depth interviews to investigate the mechanisms behind effectual and causal logics over a firm's lifecycle. Therefore, these studies show the appropriateness of the methodology and data collection method adopted in this study.

I employ thematic analysis, which is relatively common in innovation research, yet it has not been used in studies of effectuation. In this study, thematic analysis is used to enable this study to achieve its goal by identify the main behaviours and service innovation approaches, while a further in-depth qualitative data analysis technique is required to find the different interrelations and the conditions behind them. The aim of this study is to broaden our knowledge about small independent hotels in terms of the ways they use their tangible and intangible resources and their networks' resources to develop new services. In this research, the context of the participating hotels is crucial because each hotel has different types of available resources, resource constraints, networks and challenges. It was important, then, to choose a methodology that acknowledges the contextually dependent nature of the phenomenon and focuses on relationships/processes, rather than outcomes and end products. This study is particularly interested in how different relationships and resource utilisation affect the NSD process, rather than looking into what hotels have developed. It aims to provide a superior understanding of the different approaches to innovation, rather than predicting any behaviour or finding a causal relationship (Denzin and Lincoln, 2005).

Within the qualitative paradigm, the case study was selected as a suitable methodology to conduct this research.

3.3.1. Multiple case studies

Yin (2009, p.16) defines a case study as "an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-world context, especially when the boundaries between phenomenon and context are not clearly evident". Denscombe (2014, p.54) clarifies this by stating that "case studies focus on one instance (or a few instances) of a particular phenomenon with a view to providing an in-depth account of events, relationships, experiences or processes occurring in that particular instance". Hence, a case study approach enabled the collection of extensive in-depth data about the research aim: explore in depth the co-existence of two different approaches to service innovation among small independent hotels.

A case study approach is widely used in social research (Denscombe, 2014). A case study methodology offers a holistic view of the social setting in order to unravel how various parts affect each other (Denscombe, 2014; Denzin and Lincoln, 2005; Yin, 2013). It uncovers the complexity of a given situation by paying attention to the interconnected relationships and social processes within the social setting without isolating any factors (Denscombe, 2014). This was highly compatible with the aim of this research: identifying the interrelations between causal and effectual logics and the conditions behind these interrelations, requiring me (the researcher) to uncover many layers of knowledge and understand how the participants perceived their resources, how they utilised them and the reasons behind this. Moreover, a case study approaches a phenomenon in its natural setting, which exists prior to the research project and continues to exist once the research finishes (Denscombe, 2014). This allows a comprehensive understanding of the complex and context-based behaviour of the sample. Yin (2009) states that a case study methodology is preferred when

a) Research questions are constructed using "how" and "why";

b) The focus of the research is a contemporary phenomenon in a real-life context;

c) The investigated subject is context specific, where understanding the context is relevant and the boundaries between the phenomenon and the context are not clear; and

d) The researcher has little/no control over the events or the participants' actions and behaviours.

These four characteristics are present in this research, as the research questions in this study start with "how" and "why". As mentioned previously, understanding the context of the participating hotels in terms of their resources and with whom they interact was extremely important to understand how and why things happened as they did. Additionally, I had no control over any of the hotels' resources, actions or interactions; I was interested in how and why actors may have varying influences on the service development process by looking into what had happened in the past and what was still happening in the present without isolating any of the variables or interfering. This was particularly relevant due to the research's aim of looking at the different conditions behind the co-existence of causal and effectual logics.

The suitability of this method to this study can be summarised in three main points. Firstly, the methodology was compatible with the philosophical assumptions of this study. The interpretive orientation of a case study supports my belief that there are multiple realities and that knowledge is socially constructed (Denzin and Lincoln, 2011). Secondly, a case study methodology supported the theoretical lens used in this study: effectuation theory. This methodology has been widely used in recent articles looking at the interplay of effectuation and causation and the mechanisms behind this interplay (Berends et al., 2014; Reymen et al., 2015; Laine and Galkina, 2017; Lin, 2017; Galkina and Lundgren-Henriksson, 2017), which is similar to the aim of this study. Moreover, this methodology is highly recommended for gaining in-depth information and learning more about the activities, interactions and relationships that are happening in a particular context (Watson and Noble, 2007). In addition, it is recommended when little is known about a particular phenomenon (Yin, 2013). This is in line with the research aim of broadening understanding of the interplay between effectual and causal logics in service

innovation in small firms, where there is a dearth of research (Reymen et al., 2015; Ortega et al., 2017; Laine and Galkina, 2017; Stroe et al., 2018). The methodology allows a lot of detail to be collected in a natural setting that could not normally be easily gathered by other methodologies (Watson and Noble, 2007; Yin, 2013).

There are a range of other methodologies, but the case study and ethnography approaches were the most appropriate ones for this research's questions, focus, ontology and epistemology. The ethnography and case study approaches have mutual principles, such as holism, relativism, constructivism and subjectivity (Hammersley and Atkinson, 1995), which were all in line with this research's approach. Ethnography aims to provide a richly descriptive and detailed account of the social and cultural setting being studied (Somekh and Lewin, 2011). Moreover, it is interested in the patterns of interactions between people (Campbell and Lassiter, 2014), and this is also relevant to this research project. Ethnography requires the researcher to be close to the participants to experience what they have experienced and to be immersed in their culture and almost become a member (Silverman, 2013). Hammersley and Atkinson (1995, p.1) see ethnography as collecting data through "participating, overtly or covertly, in other people's daily lives for an extended period of time". Here lies the boundary that explains why this research pursued a case study approach, rather than a full ethnographic approach.

Ethnographic data collection methods were used in order to grasp some meanings and insights of the participants' cultures through semi-structured interviews and observations, as this allowed me to understand experiences and reconstruct events in which I did not participate (Rubin and Rubin, 2011). I could not fully participate by becoming immersed in the cultures of these hotels due to practical issues relating to time and access constraints.

While arguing that a case study was an appropriate methodology for this research, I acknowledge certain challenges in using this methodology. One of the main concerns that researchers have with a case study approach is the inability to generalise (Denscombe, 2014; Flyvbjerg, 2006; Yin, 2013). This concern can be raised regarding most qualitative research, however, as it

emphasises particularity rather than generalisability (Creswell, 2009; Denscombe, 2014). As Flyvbjerg (2006), argues, concrete, practical (context-dependent) knowledge is more valuable than general, theoretical (context-independent) knowledge, as context-dependent knowledge leads the researcher to learn more about the investigated subject and become an expert. It is this type of knowledge that a case study generates, which has the potential to expand theory (Hartley, 2004; Yin, 2013). In other words, it relates to the extent to which understanding and context can be generalised in the pursuit of solutions to a problem that is relevant, rather than the ability to apply findings across a population or to a different setting. The value of qualitative research "lies in the particular description and themes developed in the context of a specific site generalisation" (Creswell, 2009, p.193). Another drawback is that some ethical issues may arise, such as confidentiality (Denzin and Lincoln, 2005). This concern is addressed later in this thesis.

An instrumental case study approach was employed in this research because it plays a supportive, facilitative role in gaining a better understanding of a current phenomenon. In contrast to instrumental case studies, intrinsic case studies focus on the cases themselves because they illustrate particular traits and the cases themselves are of interest (Stake, 1995). This was not the case in this research because I focused on accessing potential opportunities (instrumental cases) to learn more about the investigated phenomenon (Stake, 1995). I was interested in looking at ordinary daily activities in a detailed way, where the main interest was the activities themselves, not the specific case study. Researchers pay lots of attention to the process of choosing cases and setting the criteria for selection to fulfil the research objective. I explicitly justify the case study selection process in this thesis under the section discussing participant recruitment and sampling (Section 3.4).

Multiple case study methodology was adopted in this study instead of a single case study. Providing evidence from multiple cases is more compelling, as it gives more robustness to the conclusions (Yin, 2013). A single case is only sufficient if it offers a critical test for significant theory or is an unusual and extreme case (Yin, 2013). It is important to highlight that increasing the size of the sample is not done to achieve any sort of quantitative analysis

(generalisability from the sample to the population) (Yin, 2013). Instead, employing multiple cases is considered similar to the replication of an experiment or study, where the conclusions from one case should be compared and contrasted with the results from the other case(s) (DePoy and Gitlin, 2015). Hence, in this study, I tried to develop a deeper understanding of the participating hotels' similarities and differences in relation to their behaviours and practices in service innovation, which reflected the interrelations between and co-existence of causal and effectual logics. Hence, in this study, in-depth interviews and observations were used as data collection methods to address the research objectives in depth.

3.3.2. Research methods

Research methods are the tools that allow the researcher to find out the answers to the research questions (Creswell, 2009). In accordance with the interpretivist and social constructivist ontological assumptions, it is recommended that multiple data collection methods should be adopted in order to comprehend fully the different perspectives on the phenomenon under investigation (Yin, 2013). Each method allows the researcher to look at the subject area from a different angle to measure different meanings, expanding knowledge of the subject of interest (Denzin and Lincoln, 2005). Furthermore, using multiple methods helps in generating rich data and creates a deep, holistic understanding to capture the complex reality of the investigated subject (Denscombe, 2014). Acknowledging my objective to understand the lived experiences of people and their behaviours, believing that the actions of each individual cannot be understood independently without taking the whole system into consideration, I intended to use multiple methods in this study: namely, semi-structured interviews and observations with field notes.

3.3.2.1. In-depth interviews

Mostly, qualitative case study research methodologies include interviews, as they are suitable to generate in-depth information about a specific subject (Yin, 2013). The aim of a qualitative research interview is to comprehend the world from the interviewee's point of view and to uncover the meanings behind their behaviours, actions and opinions (Kvale, 2008; Denscombe, 2014). In the

present study, this enabled me to understand how the hoteliers defined and perceived service innovation, as it differs from one person to another. As in-depth interviews enable the researcher to make sense of a phenomenon according to the interpretations the participants bring to it (Creswell, 2009; Denzin and Lincoln, 2005), this enabled me to understand their experiences and reconstruct the context, in which I was not present (Rubin and Rubin, 2011). In a qualitative interview, knowledge is constructed in the interactions between the interviewer and the interviewee (Kvale and Brinkmann, 2009).

A semi-structured interview approach was chosen in this study for collecting primary data. According to Patton (2002, p.343), semi-structured interviews allow the researcher to "explore, probe, and ask questions that will elucidate and illuminate that particular subject… to build a conversation within a particular subject area, to word questions spontaneously, and to establish a conversational style but with the focus on a particular subject that has been predetermined." These characteristics enable the researcher to ask follow-up questions, seeking further details about a given situation (Roulston, 2010). These traits were important to this research because they allowed me to list the key themes, issues and questions to be covered in the interviews, bearing in mind that additional questions could be asked (Corbetta, 2003). In addition, a semi-structured approach is common in explorative qualitative research, as it allows the interviewee to mention some issues and aspects relevant to the topic that the researcher may not be aware of (McCutcheon and Meredith, 1993). Hence, the possibilities for the interviewer to ask questions that are not directed at the research focus and for respondents to talk about irrelevant issues are minimal. In this way, I took advantage of having an interview guide to be well prepared by thinking of all the different aspects of the research, alongside the flexibility of adding any questions that arose due to the respondents' answers. In the absence of an interview guide, problems may arise because the interviewer may not know how to direct the interview to obtain data that is relevant to the research questions or may miss some important aspects (Roulston, 2010).

Open-ended questions are asked in interviews to gain more clarification and to gather in-depth information about the research focus, where there is more

emphasis on the interviewee elaborating and speaking more widely on the issues raised by the researcher (Denscombe, 2014). Using this type of question allowed the interviewees to elaborate on, explain and give examples of the different events and situations that they had been through and the different actions they had taken to innovate by employing various ways of utilising their resources. The interview guide for this study is provided in Appendix A. However, the order of the questions was not the same in each interview: I added, omitted and/or adjusted some questions from one interview to the next as a result of the information given in previous interviews or due to the different job roles of the interviewees (Denscombe, 2014). Additionally, with time, this interview guide was improved in terms of the questions and sequence: after each interview, I thought thoroughly about the questions, and while transcribing the interviews, I thought of ways to improve the interview guide.

3.3.2.2. Observation

Field notes are clearly written, detailed notes of incidents, actions, behaviours, activities and other features of the setting being observed that produce an understanding of a culture, social situation or phenomenon (Atkinson, 2015; Lee et al., 2012). These notes offer the opportunity to better understand the research participants' beliefs, behaviours, motivations and interactions by being close to them in their everyday lives (Atkinson, 2015). Observation typically takes place in a natural, flexible, unstructured setting, which gives a better understanding of how the interactions and events are articulated (Silverman, 2013). In this study, observation assisted me in understanding the hotel sector more, as I did not have any working experience in the sector. It gave me the opportunity to understand the roles of the managers and employees and how they served their customers. The main objective of fieldwork observation is to collect data in a real-life setting, which would have occurred whether or not the research had been taking place (Denscombe, 2014). This is perfectly aligned with the aims of this study, particularly the third objective, which is to look at the different configurations of the conditions behind the co-existence of causal and effectual logics.

Observation is used as a window to capture details on the physical setting, activities, human behaviour and social environment, all of which are important and relevant to form an understanding of the study context. It permits watching and listening to the behaviours and words between different parties, which may include exchanging intangible resources. Despite the effect of the researcher's presence initially on the way that people act in a particular setting, some researchers argue that this fades with time (Atkinson, 2015). Therefore, it seemed appropriate for me to build rapport with the staff in the beginning and then at a later stage observe and study their patterns and behaviours. Observation allowed me to have a better idea of the owners' and employees' personalities and attitudes to construct the management attitude condition for each hotel. Additionally, it allowed me to look at how the management and employees worked together, how friendly the management was with the employees and how employees treated guests when unexpected incidents occurred. For example, in Hotel G, a customer found an item like a small bullet in their dessert, so I saw how the waitress worked with the manager to solve this issue. In another example, in Hotel H, I saw the physical appearance of the owner and how she was treated by the managers, so I was able to capture some aspects of her personality through my observations.

Additionally, Silverman (2013) claims that observations and interviews go hand in hand. Observation may inspire the researcher to consider some aspects that they had not previously considered. These issues can be explored further in interviews and clarifications can be sought. It also allows the researcher to understand interview answers in better and, in some cases, to see practically the issues discussed in interviews (Seale et al., 2004; Silverman, 2013). This allowed me to see some new services and watch some incidents that I could ask about in the interviews later, getting ideas about the approaches the staff used to develop services and how they worked to solve unexpected incidents. All this was valuable information to be analysed to understand the co-existence of the logics concerning resource utilisation and innovation. For example, I saw some flyers in Hotel G and Hotel I about some events and packages they had developed, so I asked about those in particular and found out where the ideas had come from and with whom they had collaborated. In another

example, in Hotel G, I saw a cutlery table in the outdoor area and thought that it was convenient for customers. Later on, in an interview, the restaurant manager mentioned that this was an idea from the employees to save time and effort and was part of the service delivery. Therefore, the observations gave me the chance to visualise the changes in their services and to ask for further details about other services as well.

Although some researchers argue that someone cannot be completely objective, only subjective, in the observation and fieldwork process, as they perceive and view the different actions and incidents from their personal perspective, yet the epistemological and ontological stance of this research acknowledges that subjectivity is present (as discussed above). Field notes generally consist of two types: descriptive, in which the researcher attempts to write their notes exactly as the different actions and conversations happen and write clear notes about the setting without reflecting any of their thoughts and ideas; and reflective, in which the researcher records their thoughts, ideas, questions and concerns based on what they observe (Silverman, 2013). In the latter, the researcher notes the outcomes of their cognitive process. For this reason, I used two sheets for each observation: one to describe what I had observed and the other to reflect on this. I use some of my notes as evidence to support my findings in Chapter 6.

It is worth mentioning that this data collection method has not been used before by effectuation theory scholars. They have relied more on in-depth interview data (Matalamaki, 2017). While in this research the majority of the findings emerged from the interview data, the observational data helped a lot in framing the findings and building more support and understanding for the interview data. Some of the conditions that drive the interrelations between causal and effectual logics were mainly captured from the observational data (see Chapter 6).

It is important to store field notes (whether from interviews or observations) in a way that is easy to retrieve, ensuring that each case study's field note is separated from the others (Yin, 2013; Silverman 2013). As I had multiple hotels, I organised the data into individual digital folders for each hotel, where

each folder had the interview audio file, the transcription and the field notes, plus a document specifying the visit's date and time.

3.4. The sampling and recruitment process

In qualitative research, case studies are opportunities to study a particular phenomenon, especially where instrumental case studies are employed (Stake, 1995). Gaining access to participants who are able to provide relevant information and insights into the subject under investigation assists in developing and explaining a particular theory or a specific phenomenon (Seale et al., 2004). Identifying and selecting cases to provide rich data about a particular phenomenon works perfectly with a purposive sampling approach (Palinkas et al., 2015), as Patton (2002) refers to purposive sampling as an opportunity to select information-rich cases. It involves spotting cases within the conditions or characteristics under study, based on the research objectives (Seale et al., 2004). Within the specific context of this study, the purposive sampling was restricted to hotels that were small (10–50 rooms) and independent. These two main criteria constructed the sample unit characteristics.

Moreover, an overview of each hotel's trendiness, chicness and interior was taken into consideration, as it may reflect the hotel's distinctiveness and innovativeness. The characteristics were identified by looking at the hotels' websites and customer reviews on third-party websites (such as TripAdvisor and Booking.com). I approached some potential participants that met the initial criteria of being small and independent and offering good services. Of those approached, the hotels' willingness to participate in this research and their availability at the time of the study were the main reasons for selection (Seale et al., 2004).

Defining the sampling unit is a crucial step in qualitative research in order to avoid messy and empirically shallow research (Seale et al., 2004). I set the three criteria for selecting potential participants in order to generate the findings that this research aims to pursue. Therefore, I paid considerable attention when I filtered the different hotels by reviewing their websites and their accounts on third-party websites, which included customer reviews and

photos. This gives a high indication of a hotel's efforts in good service delivery, innovativeness and willingness to adapt to customers' feedback. As Silverman (2013) mentions, having a look at and analysing the available public material for a particular organisation, such as company reports and websites, may provide an indication of what is happening inside the organisation. I identified this in my study because one of the hotels had started a campaign to celebrate the British sandwich, using the tagline "share your favourite sandwich recipe and win with us!" This shows that this hotel was eager to let its customers engage in the development of new services and that this case may provide significant insight and relevant information on the topic of interest.

The process of contacting, selecting and negotiating access to participants can be difficult and time-consuming. Initially, I attempted to gain access to a database that included the names of all or most of the small independent hotels in Nottinghamshire, Derbyshire and nearby cities due to where I was located. This database included details such as the number of rooms, type of ownership, time of establishment, etc. I contacted several tourist boards in different regions of the UK, such as the ones in Yorkshire, Nottinghamshire, and Lincolnshire Coast and Wolds, in addition to the websites Visit the UK and Visit Britain, but it was not possible to gain information in this way. Some of the negative responses were associated with data protection issues, which I had not anticipated. Therefore, I decided to build my own database in December 2015 using the information available in the public domain, such as on TripAdvisor, LateRooms.com and Booking.com. After reviewing all of the third-party websites, I concluded that my main source of filtering the hotels would be Booking.com because it provides information about the number of rooms and the type of ownership, both of which were important characteristics for this research's sample selection.

I started building my database by searching for hotels in a specific area. I utilised the star rating, starting with unrated hotels and proceeding through to five-star ratings. Data on the name, location, type of ownership (if available), email, telephone number, number of rooms, number of stars, rating and any other significant information about the hotel was collected. One of the practical

considerations in selecting the case study samples was convenience, as time and resources affected the selection (Denscombe, 2014). This was not the sole influence on which cases to select, as "convenience should only come into play when the decision is between equally suitable alternatives" (Denscombe, 2014, p.59). Because I was located in Nottingham, I looked at the cities and counties that were close to me to make it more convenient. I searched in Nottingham, Nottinghamshire, Leeds, Harrogate, York, Lincoln, Derby, Derbyshire, Leicester, Thrybergh, Rotherham District, Stamford, Southwell, Sheffield, Loughborough, Mansfield, Matlock, Chesterfield and Peterborough.

The potential participants were first contacted by email in January and February 2016. The email included a short description of the research project: what this research was about and its main goals; the benefits of participating in it; and the process of data collection, emphasising that high ethical standards would be maintained at all times. Out of the 138 hotels contacted initially, only two positive and one negative response were received. This emphasises one of the main disadvantages of employing a case study approach: the negotiation of access can be difficult and time-consuming (Denzin and Lincoln, 2005; Denscombe, 2014; Yin, 2013).

Follow-up telephone calls were directed to the duty managers. It was difficult to get access to these individuals through the hotel receptionist services. Therefore, the duty manager's email address was requested, and a further targeted email was sent directly to them. In this way, the possibility that the person in charge would read the email I sent was increased. It was initially anticipated that the research sample would be micro and small hotels, which have 1–50 rooms. However, after collecting data from the first hotel, which had 11 rooms, I realised that hotels with fewer than ten rooms would not have the main characteristics I was looking for, such as interactions with employees and other stakeholders. In addition, most of the micro hotels (1–10 rooms) were guesthouses, which were not the focus of this research. Therefore, the focus was narrowed to hotels that had 10–50 rooms.

There was no maximum or minimum number of participants required. According to Creswell (2009), the sample size is not important in qualitative

research, as long as the research can develop some insights and generate rich data. It depends on saturation, which is reached when the researcher has obtained a comprehensive understanding through the current sample and no new fundamental information will be acquired by increasing the sample (Palinkas et al., 2015). Nine small independent hotels were selected. Further, conducting interviews, transcribing them, developing interpretations and undergoing continuous reflection about them are interrelated and iterative processes (Creswell, 2009). Hence, I collected, transcribed and initially analysed the collected data concurrently to have a better idea about when the saturation point was reached.

3.5. The data collection and interview procedures

Data collection took place between February 2016 and September 2016. Altogether, 27 semi-structured interviews were conducted. In most cases, the interviews were conducted with the owner or manager to grasp the vision and background of the hotel, the different developments that had occurred over time regarding their services, service delivery, and their behaviours and activities. Therefore, the best person to answer these questions was deemed the owner or manager of the business. However, in some cases, when there was more than one manager, I tried to interview most of them. Additionally, in cases where the manager ran the business and other employees performed key roles, interviews were conducted with the non-management staff to gain more details about the daily activities. The number of interviews in each case was based on the hotel's size, organisational structure and the accessibility the managers gave to us. Appendix B provides an overview of the study cases, their characteristics and the data sources. In most of the hotels, the employees consisted of full-timers and part-timers.

Before conducting the actual interviews, an "information statement" was sent to potential participants that included a brief overview of the research aim, allowing them to gain a better understanding of the study and explaining to them the importance of their role in contributing to a better utilisation of the available resources to deliver new services in small independent hotels (Appendix C). The interview guide was developed based on the literature

review and an understanding of the area and was intended to achieve the research objectives. After the first two interviews, I transcribed them and reviewed them with my supervisors to get more feedback on what follow-up questions I could ask and how to improve the interview guide before the other interviews.

Conducting good interviews involves being a good listener, attentive while focusing on multiple things, non-judgmental, flexible and adaptive to newly gathered information. From my own experience, I have learnt that building a rapport with the interviewee and having a small chat is much better than doing the interview directly as soon as I meet them. In the first meeting, the interviewee gave me a small introduction about the hotel and the general services and facilities and showed me around the hotel. This was all very useful information and allowed a more productive interview to take place on a subsequent meeting. Initially, I followed the interview guide closer and missed some parts in the answers where I could have asked for more clarifications and examples. As I became more proficient, I tried to maintain a balance between following my interview guide and being attentive to the answers. I also realised that if I missed any point that I would like to cover, I could always ask for another meeting or send questions via a follow-up email.

I also learnt the importance of using my time sensibly. Early in the study, I attempted to do three interviews on the same day with episodes of observation in between. By the time I had to do the third interview, I realised I had become tired. I was not able to follow the non-verbal cues of the interviewee. After this, I did not attempt to do too much data collection in a single day but used any spare time between interviews to reflect on the data I had collected. I kept notes in a notebook to ensure reflexivity.

Twenty-seven interviews were conducted, and none of them were excluded. The interviews were recorded after gaining the interviewees' permission to use a digital voice recorder, except for one, for which I had to write down the interview notes because the interviewee did not want me to record the interview (the male owner of Hotel E). The duration of the interviews differed according to the responses of the participants. The owner/manager interviews

lasted between 40 minutes and an hour, while the employee interviews lasted around 20–25 minutes.

3.6. Ensuring the quality of the research

The quality of the qualitative research has been the focus for many discussions (Bryman and Bell, 2003); especially that it depends crucially on collecting reliable and valid data. "**Qualitative validity** means that the researcher checks for the accuracy of the findings by employing certain procedures, where **qualitative reliability** indicates that the researcher's approach is consistent across different researchers and different projects" (Creswell, 2009, p.190). Validity is based on determining whether the findings are accurate from the researcher's, participants' or readers' standpoint (Creswell, 2009). Creswell mentions eight strategies for assessing the credibility and trustworthiness of findings, and he recommends using at least two in any given study. These strategies are:

1. Clarifying researcher bias from the outset of the study;
2. Peer review or debriefing;
3. Presenting negative or discrepant information that runs counter to the themes;
4. Prolonged engagement and persistent observation in the field;
5. Rich and thick description;
6. Participants/member checking;
7. External audits; and
8. Triangulation.

I applied several strategies related to the validity of this research. An external audit was applied, as the research was supervised by two professors, who ensured that the data collection and analysis process applied was valid and credible. The second strategy was to provide rich and thick descriptions, and this was achieved by conducting semi-structured interviews that included open-ended questions and probing questions to dig deeper and get the interviewees to share more information. Another strategy applied was spending time in the field and visiting the sites more than once, as this generated a deeper understanding of the phenomenon and allowed the identification of

details that helped in developing more-accurate and -valid findings. The fourth one was clarifying the bias that the researcher brought to the study; this will be discussed in the reflexivity section.

Qualitative reliability depends on thoroughly documenting and mentioning all the procedures, decisions and steps that were taken throughout the data collection process (Yin, 2013). Another way in which this research attempted to achieve reliability was recording the interviews and reporting the field notes in a systematic way, as this ensured the traceability of the data (Yin, 2013; Gibbert et al., 2008). It is important to convince the reader that a study's interpretations are based on the data collected, rather than the researcher's biased opinions, and this was ensured by reporting the processes of data collection (Chapter 3) and analysis in detail (Chapter 4, 5 and 6). Reliability was maintained in this research through the usage of an interview guide so that the same topics were covered in all the interviews. Additionally, the interview guide allows readers to get an idea of the main questions or concepts discussed in the interviews, leading them to be more convinced with the accuracy of the answers, quotations and/or findings (Silverman, 2013).

Further, the credibility of the study was improved by reflexivity: acknowledging my understanding, attitudes, experiences and assumptions as a researcher in order to advance the knowledge (Johnson and Duberley, 2003). The term "reflexivity" is a complex concept, yet Haynes (2012, p. 72) describes it simply as "an awareness of the researcher's role in the practice of research and the way this is influenced by the object of the research, enabling the researcher to acknowledge the way in which he affects both research processes and outcomes". Additionally, Primeau (2003, p.9) states: "Reflexivity enhances the quality of research through its ability to extend our understanding of how our positions and interests as researchers affect all stages of the research process". Therefore, reflexivity can be described as the process of reflecting critically on the self as a researcher throughout the research process. Reflexivity has gained more popularity in qualitative research, in contrast to quantitative research, due to the intimate relationship between the researcher and the object of the study, in addition to the situational constraints that shape the inquiry (Johnson and Duberley, 2003). Reflexivity is not a one-

time process: it keeps going throughout the research, where reflexive cycles keep repeating (Hibbert et al., 2010).

Theoretical reflexivity is applied when the researcher revises their previous assumptions and understanding through the knowledge gained during the research process and develops new theoretical understanding (Symon and Cassell, 2012). Reflexivity emphasises the researcher moving back and forward between parts of the research process, including the theoretical lens and research questions and focus. First, I adjusted the scope of the research focus from the collaborations between hotels and customers to a broader range of actors who trigger innovation, such as suppliers, distributors and other tourist destinations. After reading more about the hospitality industry, how the services in hotels are linked to different providers and the many interactions that happen in order to achieve the final outcomes, in addition to conducting two interviews and realising how innovation occurs in small hotels, I decided to look into the whole system, instead of only customer–hotel relationships. Second, the focus of this research was to look at "co-creation" in small hotels. However, when I started with the data collection process and had an initial analysis of the interviews. I realised that these hotels did not engage in co-creation often, as they tried to innovate by using their current resources in different ways to pursue different purposes, and their networks and connections affected the services they provided. This directed my research towards effectuation theory (Sarasvathy, 2001, 2009), which is concerned with how small independent owners think and take decisions in utilising their resources to innovate. Hence, this led me to revisit the research questions and change the conceptual framing of the research.

In this research, I acknowledged that I am Jordanian without any experience of working in a hotel and a non-native English speaker. Coming from a different culture and background and not being fully familiar with the local culture might have caused some difficulty in understanding the dominant cultural customs and social structure in hotels, especially at the beginning. Therefore, it was important for me to become familiar with the social setting (hotels) by talking with some people who worked in hotels and reading more about the industry in articles, magazines and blogs. My inexperience in the hospitality

industry may look like a disadvantage; however, it allowed me to have a fresh perspective on the multitude of day-to-day activities and the enacted resource exchange processes. In addition, it allowed me to ask questions that a native speaker or someone with working experience in hotels might not have asked, yet I believed this helped me to absorb all the information from the participants, instead of taking some meanings for granted. My questions pushed them to give more explanations and enabled me to collect more in-depth data. For example, I asked: "what does that mean, exactly?", and when I did so they gave more examples and explanations, which were quite useful for the data analysis and the traceability of the findings.

Moreover, by communicating with different hotels and researchers in the same domain, I became more familiar with the culture and became more experienced, which enabled me to build stronger interview questions. Similarly, this research was supervised by two professors, who provided useful and practical guidance and recommendations that helped me to choose appropriate data collection processes and informed me of what to expect to some extent (Creswell, 2009). Further, the participants might have used some jargon or slang that I would have found hard to understand or just different as a non-native English speaker; therefore, I realised that it was acceptable to ask what they meant, and the ability to ask probing questions allowed me to understand their meanings even more. For example, when I started collecting data, I called the receptionists "front-line employees" because that was the term used in the literature; however, after talking with two managers, I realised that they called them "front-of-house employees". Therefore, I used the phrase "front-of-house employees" while communicating with hoteliers.

Additionally, I continuously questioned myself as a researcher and the research process by writing down all my thoughts about the interviews in a notebook. During the interviews, I was fully engaged with the participants: listening to what they said, checking if I had covered all the areas in my research, and asking probing and follow-up questions. Therefore, I did not have the time to write notes during the interviews. Because of this, I wrote them afterwards. These notes helped me to engage with the context again, while going back to

the interviews and listening to them over and over helped me to look at things with a new eye and also identify some new subjects and concepts.

3.7. Ethical issues in the study

Qualitative research may raise a range of ethical concerns due to the relationship between the participants and the researcher. Ethics is concerned with how participants are treated and how data is collected, transcribed, analysed and reported (Creswell, 2009). Many aspects were considered while following the research ethics requirements of the University of Nottingham review board and other social research guidelines because this research involved the participation of human subjects and their data. Special attention was given to each data collection method, as observation and interviews entail different ethical considerations. Regarding the observation method, the management's (gatekeeper) approval was requested to visit the hotels more than once. In addition, as the research ethics committee asked for some clarification about the places where the observation would take place, it was agreed that I would be in the communal areas, such as lobbies, bars and restaurants. The employees and management were informed of my presence in the hotel. In small hotels, the number of staff is limited, so it was easier to inform them of my identity as a researcher and about my research.

Ethical considerations such as anonymity, privacy and confidentiality are highly important when it comes to the employment of semi-structured interviews (Creswell, 2009; Kvale and Brinkmann, 2009). I informed the participants about the purpose of the study and assured them of their anonymity and right to privacy, emphasising that no one would have access to the data except my supervisors and me. I asked for their consent to record the interviews and take some notes, explaining in detail about the voluntary nature of participation and their right not to answer any particular question. In addition, I notified them of their right to withdraw from the study at any time without giving any reason. Although there were no major concerns that any of the research questions would cause the participants discomfort or concern, it was essential to notify the participants of their right to discontinue their participation whenever they wished. The contact details for my supervisors and

the school's research ethics offices were given to the participants in case they had any concerns or complaints. Appendix D shows the ethics review checklist.

3.8. Data analysis

Qualitative data analysis involves the organisation and preparation of data, reducing it to something manageable (various related codes under broader categories through a coding process), and finally reporting and representing the data and findings (Creswell, 2009). It is an ongoing process "involving continual reflection about the data, asking analytic questions, and writing memos throughout the study" (Creswell, 2009, p.184). Hence, the researcher may need to keep going back to the transcripts and rereading them in order to work back and forth between data and ideas. Given the study aims, I analysed the nine participating hotels in depth. The multiple case study design of the study gave me the flexibility to look at the data from different perspectives to find the similarities and differences within cases and across cases (Yin, 2013).

The focus of this thesis is to understand small independent firms' behaviours in relation to resource utilisation for service innovation. Therefore, this research focused at collecting detailed information on what lay behind the decisions that had been made to introduce or improve a service, why these decisions had been made, the process of development, and how the owners or managers had acquired and utilised resources in service innovation. The owners and managers of the businesses were the best people from which the data can be collected. In some cases, interviews were conducted with some employees to gain more details about day-to-day activities and to build some understanding of their role in service innovation. Individual-level was the main unit of analysis; owners, managers and some employees. The behaviours of each individual; within each case study, was the main entity that was analysed, because their behaviours built each case separately. Particularly, these hotels belong to small and independent segment; therefore, the behaviours of the owners or managers were the major determinant of how the resources are used in the hotel. This would be perceived completely differently in the case of branded or large hotels where the vision, mission, brand name, operating

methods, and the franchisor's expertise were given by the franchisor. Therefore, small independent hotels operate based on the individual's behaviours and these operations may change if the owners, managers, and employees were different.

Deriving themes is an effective way of analysing multiple case studies, especially when there are different contexts and the researcher is trying to find common themes among the cases. Thus, following the 27 interviews and ten hours of observation, and with a clear focus on understanding the resources and innovation in these hotels, common themes were identified from the data. Although this research looked at the similar behaviours of small independent hotels in relation to resource utilisation for innovation, it did not overlook the background and context of each case during the analysis. Thematic analysis was the main data analysis approach adopted in this study. Thematic analysis is defined as "a method for identifying, analysing, and reporting patterns (themes) within data" (Braun and Clarke, 2006, p.6). The core of this type of analysis is coding. Coding is "the process of organising the material into chunks or segments of text before bringing meaning to information" (Creswell, 2009, p.189). The following section explains the process of developing the final themes.

Firstly, the data collection, transcribing and initial coding were done simultaneously. All the interviews were transcribed from audio recordings, documented and coded in NVivo 11 for me to become immersed in and familiar with the data.

Secondly, I read all the transcripts together with my field notes case by case to understand the overall meaning and context of the participating cases and to make sense of the interviews (Creswell, 2009). During this phase, I took some notes and wrote initial codes. Generally, case study analysis involves a detailed description of the context, followed by a representation of different themes (Stake, 1995). The background of each participating case study is given in Table 2. From this stage, I was able to identify some shared characteristics among some of the participating hotels, which helped me to categorise the cases into two groups. One group, represented by Hotel G and Hotel I, shared

these characteristics: goal and vision oriented, focused on gaining competitive advantage and many perceived resources. The other group, represented by Hotel A to Hotel F, shared these characteristics: a lack of vision, a learning orientation and few perceived resources.

The inductive nature of this study, where the codes and findings emerged from the data without having a list of codes beforehand, helped me in shaping the research objectives. Due to the two emerging distinct groups, where each one was associated with one of the logics of effectuation theory, this led me to look at the interplay between these logics, including the similarities and differences. As previously discussed, the primary objective of this research was to examine through in-depth case studies the different processes of developing and improving services in small independent hotels while looking at the different case studies as a single set. However, during the data collection and analysis, it became clear that the participating cases could be classified into two different groups, based on their characteristics. This drove the study to look at the interrelations in the use of causal and effectual logics and then to look at the conditions behind the different interrelations.

The backgrounds of the participating hotels built a better understanding of their historical backgrounds, physical settings and other economic, social and aesthetic contexts. It broadened the scope of my understanding of their shared characteristics and their service development journeys. Detailed descriptions of the hotels' backgrounds, the different stages they went through and how they had developed and improved their services throughout the years are provided in Table 2. These details were mentioned in the interviews or on their websites.

Table 2: Detailed descriptions of the participating hotels

Case	Short Case Description
Hotel A	This hotel is in the city centre of central England's Midlands region. It is a trendy, elegant Victorian hotel. All the rooms are en-suite, and each room has its own unique character, as the rooms have city-themed features, such as Vienna, London, Rome, etc. It has 11 bedrooms and a bar, and it serves dinner occasionally (only for four guests or more). Hotel A is owned and managed by a married couple who do not have working experience in hotels. They had decided to change their career and open a hotel because they had an extra two rooms in their house after their children had grown up. Afterwards, they decided to buy a new building and developed a hotel with 11 rooms. There is one housekeeper in the hotel, and the hotel heavily relies on her. There is no backup plan in case this woman does not show up. This hotel is rated on Booking.com as the best value in its city. It was established in 2014. The hotel has limited space: if the owners wanted to add some new services, they would have to give up one of the rooms. They have some financial constraints that stop them from hiring new employees and some companies that may help them with decoration and maintenance.
Hotel B	This hotel is situated in the heart of a city in eastern England. It has 21 bedrooms: all the rooms are en-suite and are of different sizes. It offers luxurious, spacious rooms with good customer service at affordable prices. Previously, it was a two-floor restaurant. The owner's brother, who is an architect, suggested having some bedrooms on the second floor. The owner developed 11 bedrooms and a reception, where customers used to go through the restaurant to get up to the hotel. The hotel has performed well, contrary to what the owner expected because of the owner and manager's limited knowledge of and working experience in hotels. Due to the hotel's success, the owner decided to invest more and build an extension with ten more bedrooms and a new reception. The owner does not interfere with the manager's decisions. The manager has been working in the hospitality industry (restaurants) for 15 years. This hotel is in the middle of the city and is within walking distance to the main attractions. There is plenty of free secure parking; free Wi-Fi; 24-hour room service and reception; and a complimentary breakfast that is served in the rooms (as there is no breakfast area). It has nine employees with different roles and hours, such as a worker for the breakfast shift and a receptionist. It was established in 2013.

Hotel C	This hotel is in a spa town in Derbyshire, in the East Midlands region of England. It is a basic hotel in the process of being modernised. It has 22 bedrooms. It is located next to a big park and within walking distance of the town opera house. It has a bar and dining area, and there is free Wi-Fi and free parking. Functions and evening meals are no longer part of its portfolio. It has a plan to develop a terrace for people to dine and drink with parasols and heaters and to extend the bar area, as well as to find ways to generate money from the cellars located downstairs. The hotel is managed by a couple with the help of another six employees, who have no specific titles – they are general assistants. The year of establishment was 2002. Financial constraints are the main problem that these hoteliers face, which stop them doing many things (e.g. renovating). They reduced the number of services because of this. The manager works for many hours per day, and he cannot hire more employees because of the additional costs.
Hotel D	This hotel is situated 20 minutes' walk from the city centre of an English city in the Midlands. It has 41 modern en-suite rooms and features Freeview TVs, free Wi-Fi and free parking. It is undergoing refurbishment. There are around 15 employees. The hotel is leased out: the new lessee owns a pub but has never managed a hotel before. The manager is new and has no experience in hotel management. He is learning more about the hotel's operations by working there and asking the different employees questions. The hotel has a function room for hire but does not plan its own events. The reception and halls are in a slightly poor condition, but there are no plans for general improvement. There is a bar and restaurant, which can be rented out, bringing in extra money without extra effort. The new lessee is less inclined to spend money on the space because the building is not his. He usually spends on repairs or replacements, such as the mirror in the lift and refurbishing some rooms (he plans to slowly refurbish all the rooms). The hotel has been leased since 2015. The new lessee does not allow the manager to act freely. He interferes with his decisions and does not give the manager the full authority to enact changes in the services. Additionally, the employees feel that they have two bosses. Moreover, the manager has no budget for the hotel and service improvement: if he wants to do something, he has to ask the owner separately every time.
Hotel E	This hotel is a traditional 11-bedroom B&B townhouse. It is eight minutes' walk from the town railway station and ten miles from one of the main tourist destinations in the nearby city. The town is in North Yorkshire. A well-experienced couple have managed this hotel since 2010; they took over from her parents, who had owned and managed it since 2006. The male owner has worked in hotels for 18 years, and the female owner has worked in them for five years. After managing the 11 bedrooms for six years, they decided to extend their hotel and bought the next-door building. The owners are keen to provide good service quality. For example, in terms of food, they continuously try to find healthy substitutes for ingredients and healthier ways of cooking, like sugar-free jam and hemp oil. They work with local suppliers. There is a big section on the hotel's website about the green practices it adopts. Recently, it added electric car charging. The female owner constantly wants to learn from her friends, online research and engaging in B&B associations and trade associations.

Hotel F	This hotel is in a town in Derbyshire at the south-eastern edge of the Peak District. It offers boutique-style accommodation and has 14 bedrooms. It has been furnished to a high standard and each bathroom has been individually designed, with some rooms including monsoon massage showers and pool baths. It serves locally sourced food for breakfast and dinner on the weekend. It recently added a bar menu, including sandwiches and paninis. There is free parking, flat-screen TVs with Freeview and DVD players, and tea- and coffee-making facilities. The manager has been working there for one year and six months. He has 47 years of experience in hotels. The previous manager was a publican, who did not have any working experience in hotels. The new manager has had a noticeable effect on the pricing and promotional strategies, as well as on the hotel's services (e.g. packages), booking system (channel connections), food menu (providing freshly cooked food) and website. The main struggle for this manager is to convince the owners to spend some money or to approve certain changes, as they do not have experience in hotels. The owners refuse to invest money, which stops the manager from improving different aspects of the service. Additionally, they do not employ new employees (to maintain costs) and try to minimise costs as much as possible.

Hotel G	This hotel is an AA 4* hotel located in the East Midlands of England. It offers luxurious bedrooms, many with balconies. The rooms have elegant furnishings and stylish bathrooms, as there are flat-screen TVs in front of the bathtubs. The hotel was built in 2006 (as the last addition to the complex) and has 32 rooms, and there are around 40 employees. The complex has two golf courses, three restaurants/bars and conference/function rooms. There are three different types of restaurants/bars: one that serves fine dining (using fresh, local and high-quality seasonal produce), one that serves pub food (freshly cooked food) and one that acts as a sports pub that serves fresh pub food, as well as snacks and small sandwiches. Recently, it added a free shuttle service for transportation and a helipad for some of its guests. It has an outdoor wedding dome. It organises some trips and activities, either as a package with a stay in the hotel or as a one-day activity. The hotel has collaborated with a stylish nearby gym to allow guests to use its facilities (complimentary, and the hotel provides the transportation). The hotel is highly engaged in social media and has an external company that is responsible for its Facebook and website, whereas its Twitter account is managed internally. In terms of its management hierarchy, the first level (at the top) is the managing directors (owners), the second level is the operational manager and the next level is the heads of departments (head chef, head green-keeper, golf manager, hotel manager, bar manager and administration manager). The owners (two brothers) are farmers by profession, so they do not have any experience in hotels, but they tend to seek the best possible advice. They are always around the hotel: one of the brothers is responsible for the front of house and dealing with customers, while the other is more behind the scenes – he makes sure that things are running properly with suppliers, sets and evaluates prices, and implements environmentally friendly changes and processes. The management team meet on a monthly basis to discuss the coming events; go through the previous minutes of meetings, see where they are with them and see what they still want to achieve; and plan the coming period as a group. The hotel's main challenge is its location, as it is in the countryside not in the city centre, although it competes with city centre hotels. Although the owners have money, the managers have budgets to work with. They try to monitor costs and keep them low, as increasing them might reduce profits or increase room prices, which would both have negative effects in the long run. Additionally, it cannot have more than 32 rooms because of governmental rules.

Hotel H	This hotel is ten minutes' walk from a city centre in the Midlands region of England. It offers an elite and luxurious service with 27 rooms, free Wi-Fi, a lively bar and a stylish restaurant serving fresh food. For extended breaks, there are long-stay rooms or serviced apartments offering reduced weekly rates. There is a function/conference room for private functions/parties; it also organises its own events on its nice terrace. It provides good-quality services and uses well-known brands for coffee, tea and other ingredients. It reopened in 2015 under new ownership. To raise its profile, the hotel associates itself with places such as a particular theatre and arena (sponsorship). It attracts celebrities, hosts national events and has hosted the crew of a TV programme. It utilises its social network to promote the hotel. It highly engages with customers on social media websites such as Facebook and Twitter. It aims to be the first five-star hotel in its city. It has plans to add new services (e.g. a spa), but because of the high costs, it is considering these services thoroughly. There are two managers instead of one general manager. One is responsible for the front of house and Food & Beverage, while the other is responsible for technology and systems such as the hotel system, the booking system and marketing strategies (online and offline). Both managers have years of experience in their domains. The owner (managing director) does not have any experience in the industry; hence, she allows the managers to take most of the decisions. Recently, the hotel introduced a reception manager position to put someone in charge of the policies and procedures for turning the hotel into a five-star hotel. There are other managers, such as an event coordinator / duty manager, a restaurant manager, a housekeeping manager and a sales manager. The number of employees is around 40.

Hotel I	This hotel is in the heart of one of the tourist cities in the Midlands region. It offers sumptuous rooms and elegant decor with world-class amenities. It has 42 rooms. It has a fine dining restaurant under the supervision of a well-known reputable chef, as well as a cocktail bar that has an impressive selection of spirits and liqueurs and an in-house pub. Additionally, there are two newly refurbished and stylish conference rooms of different sizes. The hotel has collaborated with a nearby gym so that guests can use the gym's facilities. It has collaborated with reputable brands such as HUGO BOSS and the main indoor arena in the city. It reopened in 2015 under new management but with the same hotel name. The hotel is selective in choosing which events to sponsor or which marketing tools (parties) to use. It thoroughly considers the external parties or events it associates itself with and those events' or external parties' target markets and perceived images. It has established professional and social networks by participating in networking events. To build its profile and brand image, it has employed a reputable external company (PR) to manage its presence on social media websites such as Facebook, Twitter and Instagram. Additionally, it attracts celebrities and has appeared in magazines. The general manager is responsible for most of the decisions, and she has 24 years of experience in hotels. The owners get involved in situations where a big investment is being considered. There are many managers underneath the general manager, such as the restaurant manager, reservations and sales manager and front-of-house manager. They meet on a weekly basis to discuss the hotel's current situation, suggest changes and look at modifications, as well as plan coming events. They face the same situation as the other hotels: a limited budget to maintain the profitability of the business. Additionally, the general manager sometimes struggles to manage the tension between the owners (who do not have close relationships with the employees) and the employees. Moreover, the general manager may not always agree with the owners' point of view, which leads to some tension between them. Lastly, the hotel is working on improving its image by informing people about its prestigious service, as its reputation went down before the hotel was closed for several months.

The group of hotels presented by Hotel G to Hotel I was more aligned with the causal logic in effectuation theory, while the second group (represented by Hotel A to Hotel F) was more aligned with effectual logic, based on the shared characteristics identified in this stage. These general groups acted as the unit of analysis in this stage.

Thirdly, the initial coding was done using NVivo software. The interview data and field notes were coded and categorised based on combining similar codes under higher categories. These higher-level categories gathered all the lower-level concepts in terms of shared properties, features, events or situations

(Strauss and Corbin, 2008). I collated the codes that were relevant to each other to develop potential themes. These themes mainly related to different behaviours and practices in terms of resource utilisation and service innovation in regard to understanding what areas they were being innovative in; who was involved; what triggered the development of a specific service; the roles of networks, resources and goals; and the drivers behind the innovations. I continued to identify and compare codes to make sure that they were coherent and internally consistent (Braun and Clarke, 2006). These initial codes are presented in Appendix E.

The developed themes were grouped to generate aggregated theoretical dimensions. This was the stage where I identified the different behaviours associated with the different causal and effectual logic groups. The conceptual themes were developed using thematic mind maps, as proposed by Braun and Clarke (2006). An extract of the thematic mind map for one of the behaviours of the causal logic group is shown in Figure 2.

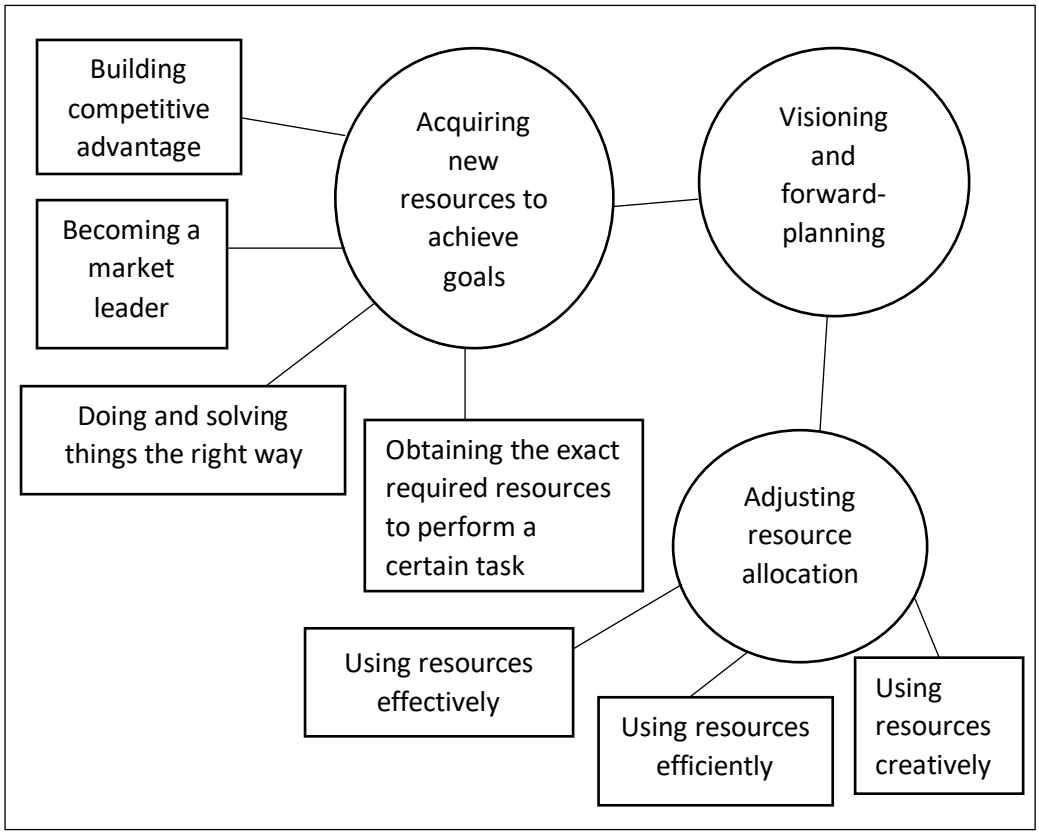


Figure 2: Extract from the thematic analysis

Adopted from Braun and Clarke (2006)

Fourthly, I noticed some similarities between the two emerging groups of logics, based on their behaviours and service innovation approaches. Some of the cases that were aligned with causal logic had similarities with some in the effectual logic group, and vice versa. Knowing that themes were the common pattern in relation to behaviours in the whole group, I needed to find out more about the similarities between the two groups and the differences in the same logic group. I looked again at each case study and dug deeper into the reasons why the hotel had acted in that way. I kept thinking "why" a specific behaviour had been done by looking at the data from different perspectives and paying considerable attention to the differences in the contexts of the cases. I considered the conditions underlying the similarities and differences between the two different groups. In this stage, I analysed the data manually, where I copied the categorised data into Microsoft Word documents to develop general conceptual themes by exploring the differences and similarities. The manual coding at this stage helped me to overcome the data fragmentation that could have happened through further analysis using NVivo. I did not want to break the data down more – I wanted to look at the reasons behind the developed themes in terms of behaviours and service innovation approaches, without isolating data from the context. Doing this manually really helped in this aspect. Thus, the unit of analysis in this stage was each hotel separately, bearing in mind the group of logic with which it was associated. This stage helped me in achieving my third research objective, which was associated with looking at the different interrelations between causal and effectual logics and what causes these interrelations.

3.9. Summary

This chapter has provided details of the philosophical stance of this research and the rationale behind using the qualitative multiple case studies methodology. Taking the view that there are multiple realities and that knowledge is subjective, the study adopted semi-structured interviews and observations with field notes to explore the different logics of resource utilisation for innovation and the interrelations between these different logics. The suitability of the research philosophy, methodology and data collection methods for the research aim and objectives was presented. The data was collected from nine different small independent hotels; 27 interviews were conducted in total, using a purposive sampling method. The recruitment method, data collection process, ethical aspects and methods for ensuring the quality of the research were discussed in the chapter. The process of data analysis was outlined with an extract of a thematic mind map. The next chapter explains the data analysis process in detail and presents the findings related to causal logic.

CHAPTER 4 ANALYSIS AND FINDINGS: CAUSAL LOGIC

4.1. Introduction

The aim of this study was to examine the co-existence of causal (goal-driven) and effectual (means-driven) logics based on resource utilisation in service innovation in the context of small independent firms. The purpose of this first chapter of analysis and findings is mainly to introduce the causal logic group by firstly providing a contextual understanding of the causal logic case studies. Secondly, the chapter discusses the different behaviours aligned to resource utilisation that are associated with causal logic in relation to service innovation. Thirdly, it presents a linkage between this group's characteristics and behaviours with the causal logic principles that are presented in effectuation theory. Fourthly, this chapter addresses the nature of the causal logic group's service innovation approach and the domains of and the reasons behind the group's service innovation engagement. Finally, a summary of the chapter is provided.

4.2. Contextual understanding of the causal logic group

This chapter introduces one of the groups that the research sample was divided into: the group more aligned with causal logic, represented by Hotel G, Hotel H and Hotel I. This group shared common characteristics that were inductively found in the data. These shared characteristics were goal and vision oriented, focused on competitive advantage and many perceived resources.

It became clear that three of the participating cases had more in common than the other cases in terms of their business strategies and operational processes. The main shared characteristic among these three hotels was being goal and vision oriented, having strategic business plans. They had predetermined goals that they strived to achieve. Hotel G had set a vision to be a four-star hotel and to provide better services and larger rooms than the other hotels in its area, whereas Hotel H aimed to be the first hotel with a five-star rating in its city. Hotel H aimed to maintain high service standards in all its offerings. Further, the three hotels had more-complex organisational structures, which

were clearly designed. The structures largely consisted of three levels. They had clear systems of who reported to whom. The hotels were organised, held meetings regularly (on a weekly or monthly basis) to discuss their current and future business plans, and produced documents such as minutes of meetings in order to have written records of tasks and to facilitate follow-up activities. This might be associated with organising and implementing control processes to ensure they meet their objectives. Planning had a major role in this group, as it would be problematic to have a long-term goal without a clear plan and clear tasks to achieve that goal.

The second characteristic was a focus on gaining competitive advantage. This mainly related to recognising and fulfilling a need in the market by developing new services. Gaining competitive advantage was associated with anticipating customers' needs and preferences and tailoring the service accordingly, in addition to being first-movers and providing better and newer services than competitors. The hoteliers in this group analysed the market and identified their strengths and weaknesses to improve their competitive positions. Moreover, they engaged in different aspects of service innovation based on their market analysis, such as introducing a new service or applying a new promotional tool to reach a new market segment.

The third shared characteristic was their many perceived resources, as these three hotels operated in low resource-constrained environments. Their perceived resources included intangible and tangible resources. The intangible resources were the extensive knowledge and experience that the managers had gained while working in the hotel industry for many years. The tangible resources were sufficient financial resources, the right items and good space. All the managers in this group were well experienced, and this characteristic could be due to the owners' belief that a manager with years of experience would be more capable of managing the available resources – tangible and intangible – to achieve their desired vision. The hoteliers in this group enhanced employees' knowledge and skills by training them closely. In addition, they always sought the best advice from external parties to fill any knowledge gaps to perform their jobs better. Their many perceived resources allow them to work with other companies that are pioneers in their

fields, from which they could receive the best advice and be directed towards achieving their goals.

These three characteristics grouped these three hotels into one group. The following section addresses the behaviours of these hotels in terms of resource utilisation for service innovation. Afterwards, a reflection on how these three hotels are linked with the causal logic principles mentioned in the effectuation theory presented by Sarasvathy (2001), based on their characteristics and behaviours, is provided.

4.3. Causal logic service innovation behaviours

This section discusses the most common service innovation behaviours aligned with resource utilisation that were present in the causal logic group. The hotels that were more aligned with causal logic adopted a planning-based approach, where they had set action plans outlining their main long-term goals and the different activities related to these goals. These activities and behaviours were mostly around utilising their resources in order to have the ability to implement their business development strategies, which included service improvements and service innovation plans.

The three main service innovation behaviours that were found in these hotels were visioning and forward-planning; collaborating with external parties and making use of external resources; and analysing services' effectiveness and expected returns. Firstly, visioning and forward-planning behaviour consisted of two main themes: acquiring new resources to meet goals and adjusting the allocation of resources. Secondly, collaborating with external parties and making use of external resources consisted of co-operating to use external parties' resources to broaden their services, improving internal intangible resources via external parties, building brand images and brand awareness, engaging customers in improving their services, and reaching new customers. Thirdly, analysing services' effectiveness and expected returns did not consist of other sub-themes. These behaviours are discussed in turn in the following sections.

4.3.1. Visioning and forward-planning

This theme mainly related to a firm's behaviours in pursuing its vision. It is about obtaining the exact right resources to perform certain services and adjusting the allocation of existing resources to achieve the firm's vision and goals. The two main behaviours underneath visioning and forward-planning are discussed more fully in the following sections.

4.3.1.1. Acquiring new resources to achieve goals

One of the most common behaviours in this group was acquiring new resources to meet the hotels' goals. Planning mainly occurred when long-term goals were set to achieve competitive advantage, offer better quality and improve their current statuses by being first-movers or market leaders in their areas. This necessitated obtaining new resources to assist in achieving these determined goals in relation to service innovation. The hotels worked to acquire exactly the required resources and allocated the right physical spaces in the hotels to produce and provide the innovative services in "the right way" in order to meet their visions and goals.

In order to create competitive advantage, hoteliers in this group analysed their surrounding environments to evaluate their competitors' offerings and to recognise any new services they had introduced recently. For example, Hotel G wanted to offer a service that was considered relatively new to the area. It had the approach of "what can we introduce that is not found in other hotels?" The idea of an outdoor wedding area was mentioned in a monthly meeting while brainstorming ideas. This idea was considered a new service for Hotel G and its competitors. The operational manager said:

Extract 1

> *"I think 3–4 years ago, we wanted to be market leaders to have weddings outside, so we had the wedding dome built because you have to get married under a permanent structure. And now we are licensed for outdoor weddings."*
>
> (operational manager, Hotel G)

In the previous example, the managers decided to look for a new service that was not found in other nearby hotels. The hotel needed specific tangible resources to offer the service of outdoor weddings and to work on all the different aspects of this new service. It set architects to build the dome and gardeners to create the setting of the entire outdoor area. In addition, it had to get a licence that allowed it to do outdoor weddings. It had to spend money to be able to offer this new service to the area. Moreover, Hotel G has a contingency plan in case it rains to use one of its conference rooms as the wedding venue. This shows how Hotel G considered all the aspects to develop this new service and what new resources it needed to be a market leader.

Similarly, Hotel H wanted to offer a spa facility, as it realised that there was no such facility in the nearby area, so it wanted to have its own. The operational manager mentioned:

Extract 2

> *"One big project that we are looking at is creating a spa here because we have got lots of area outside here, which is underneath. I think it will not be just for the ones who are coming in for the hotel but also for local residents who have got a bit more expenditure, you know – someone local who can come and use the facility. It would be nice to have a spa because there is nowhere like that really around here that offers this kind of facility. So, you know, that would give us kind of a unique selling point."*
>
> (operational manager, Hotel H)

These two examples show the hoteliers' intentions to differentiate themselves from their competitors and gain competitive advantage by acquiring new resources. Their many perceived resources helped them in obtaining these physical resources.

Moreover, the owners and managers of Hotel G analysed the market and realised the dilemma that their hotel's location was hard to reach using public transport, and they were aware that their competitors were in the city centre. In order to solve this issue and improve its competitive position, the hotel started

offering a transportation service from the local airport and train station to the hotel. The owner mentioned:

Extract 3

> *"We have a free shuttle service, which goes between the hotel and the railway station back and forth, which is a complimentary service, and we do to and from East Midlands International Airport. We ask our guests to let us know what time their flight is. We check this online and we are there to meet them at the airport, a personal service bringing them back to the hotel. This earns quite a lot of loyalty from lots of firms because they know we put up a good service – we bought a Land Rover Discovery, so it is quite posh, quite a nice vehicle to be brought back in, and it has got [name of the hotel] written down it so you know that this is a fairly new service that we offer. It can seat up to six and is a complimentary service."*
>
> (owner, Hotel G)

He elaborated:

> *"We thought of Land Rover because we are a little bit rustic: it is a four-wheel drive, so if you get snow, it is fine. Land Rover is essentially an English vehicle and it is made [X] miles down the road and we are an English company, so it seems a natural thing to have one of those. Also, I think they are safe, really tough and good in snow, and it is a local business."*
>
> (owner, Hotel G)

As presented in the previous example, the hotel had to obtain a new resource (a car) to perform the required task: transportation. It had predetermined criteria for the new resource that would support the hotel in achieving its goal. It selected a prestigious local brand that offers cars that are convenient, practical and good quality and suit all types of weather. Therefore, the owner evaluated the different options and chose a resource that served the hotel's goal based on its criteria. It

appears that the hotels that were aligned with causal logic attempted to meet predetermined criteria when obtaining new resources.

Some of the required resources might be intangible, such as knowledge, skills and experience. The idea of employing certain people because of their skills or characteristics is a behaviour that reflects acquiring a specific resource to achieve a vision. For example, Hotel H wanted to be the first in the area to get a five-star rating. To be able to achieve this, a new reception manager with a wealth of experience was employed.

Extract 4

> *"The reason for my employment was that there are no policies and procedures behind this reception, and they want to get five stars, so to do that, they need to have policies and procedures in place to deal with these issues. They want me to implement all policies and procedures. I have to write them, and they want me to check what the issues are behind this reception and then move forward with them."*
>
> (reception manager, Hotel H)

The management in Hotel H wanted to write down the rules and regulations to ensure that their service standards fit the five-star rating and to add any new services that would be required to attain that rating. In addition, they wanted to spot the pitfalls in the hotel's services and address them. Another example was Hotel I's goal to be perceived as a prestigious hotel, and one of its means to achieve this was to employ a reputable, well-known chef.

Extract 5

> *"He [the chef] brought all the skills he has developed in the last ten years, specifically over the last two years with [well-known Michelin-starred chef], and he wants to build a name for himself. From my point of view, we [the chef and the hotel] need each other, you know... He writes the menu for us, cooks it and presents it nicely. The quality of the food is pretty good – in fact, I would say fantastic, but I'm modest... and he [the chef] has been given an opportunity that not many people get, so he is the*

head chef of a new hotel that is willing to put his name next to the food. It would have been easier to get a chef and not mention their name. We are heavily involved in local media, so we have a platform to let him out and show his face to the public. We both needed each other."

(restaurant manager, Hotel I)

The previous example demonstrates how Hotel I's management wanted the chef's reputation, as well as his skills and capabilities to produce high-quality, great-tasting food presented artistically. They realised that this would encourage more people to visit their establishment. It is hard to attract highly skilled employees without having good financial resources. This indicates that the availability of financial resources allowed this type of behaviour.

The hoteliers in this group obtained new resources, whether physical resources or human resources, based on predetermined criteria to achieve their visions. The discussion now turns to how these hoteliers adjusted the allocation of their resources to ensure the maximum use of their existing resources.

4.3.1.2. Adjusting the allocation of resources

The second common behaviour in this group underneath the umbrella of visioning and forward-planning was adjusting the allocation of resources to utilise them to their fullest without affecting the service standards. The owners and managers of these hotels mentioned that to maintain the business's profitability, they must manage their resources and expenses wisely. This required the owners or managers to use their resources effectively, efficiently and creatively. The difference between efficiency and effectiveness is that the former is about doing the same services with fewer resources, while the latter is using the same resources to offer more services. All the managers were trying to allocate their hotels' resources and set goals to provide their services in the best possible manner. This behaviour was adopted in all three hotels of this group. For instance, one general manager mentioned:

Extract 6

> *"I try to maximise as much as possible. I think of the resources exactly as what they are, so they have to be efficient and they have to be cost-effective, so an employee has to be very productive, just like everything else, like a bulb. A bulb has to last a lot of time, so that's why we are changing to LED bulbs, so they can last a little bit longer."*
>
> (general manager, Hotel I)

From the previous example, it can be noticed that both tangible and intangible (human) resources had to be efficient, as well as used to the fullest. The hotels in this group aimed to deliver distinguished service quality, and this may raise some challenges, especially when they want to offer a premium service without increasing their prices. Based on what these hoteliers shared, some of these challenges were increasing the prices of consumable products and the minimum wage. These hotels did not want to raise their prices, as it may affect customers' satisfaction and their willingness to pay the rates. Therefore, to maintain and increase their profitability, the hoteliers set goals for their resource utilisation to maximise resource usage and to offer more services using the available resources. Adjusting the allocation of resources was done for three reasons: using their resources more effectively, more efficiently and more creatively.

4.3.1.2.1. Using resources more effectively

Most of the hotels that were aligned with causal logic showed a tendency to plan how to use their resources more effectively: using the same resources to provide more services. This occurred when the hoteliers considered different ways to use the resources they had in multiple ways, such as to develop and improve services and to reach new customers. For example, Hotel G planned its agenda for the coming months by looking at the different possibilities of using its resources to generate money and attract customers to the hotel in quiet times. The operational manager of Hotel G mentioned the following about developing new services:

Extract 7

> *"I think keeping abreast of the competition is another big challenge. Whilst I believe we have a fantastic product, you always have to be looking forward, reinventing yourself, coming up with new ideas, trying to do things differently. I think the challenge is to always try to see what we can do differently this year."*
>
> (operational manager, Hotel G)

As previously illustrated, the management in Hotel G aimed to stay ahead of their competition by thinking of new services and doing things in new ways. This required them to do some planning to utilise their resources effectively, and the management had done that by planning new events.

Extract 8

> *"Our Christmas brochure is now out, so we had to think of new things to do. Trying to get more customers in for the Christmas period. We started doing Santa breakfasts on Saturday mornings, where the children will come, see Santa, get presents, have breakfast and then go home. They have been very popular because by 12 o'clock, it is over and done, so people can go and get on with the rest of the day. We use the room in the morning and then can turn it round for dinner and dancing at night-time, so you are maximising your available space. We did a children's story session just as the schools broke up, where we had Sophie Snail, who is a local author who writes children's stories, come and read a story, and then we had an afternoon tea and then Santa came as well to give them all presents. That was popular, so this year we will have a storytelling session and a puppet story. Last year, we did the Snow Ball for the first time. That was really popular, so we are doing one this year as well, and because of that we are doing one in January because there is a thing called Burns Night, so we are having sort of a Burns Ball, so you always try to think of new things to do."*
>
> (operational manager, Hotel G)

This previous example illustrates how the hotel management considered using their available resources more effectively, where the operational manager mentioned that they planned their events in a way to use the available space to the fullest by using the rooms for more than one event throughout the day, to generate more money. They also introduced an afternoon tea with storytelling to target people at different and quiet times. Moreover, they added new services and improved what they already had to enlarge their target market. For instance, the management added some new events in January, such as Burns Night, as they considered that people had spent their money in December and may not want to go out for parties, while in January they may have the money to do so. This all falls under the aim of using resources effectively.

Similarly, Hotel H's operational manager was thinking of using the renovated terrace all the time, instead of only when the weather was good.

Extract 9

> *"We are hoping to get the terrace done by the beginning of May. A lot of work has been done, so we have more seating areas and heated areas up there as well, so we can kind of utilise that all year round. Because at the minute, when it gets cold, you know not many people get out there, but perhaps some heated areas will make it more functional."*
>
> (operational manager, Hotel H)

This small idea of having heated areas outside the hotel would bring more people in, as the hotel would have the advantage of a warm outside area, which would make customers happier and more satisfied.

Maximising resource utilisation further includes adding multiple usages to a particular resource, where the reason behind obtaining the resource in the first place is different from the new additional usages. As mentioned in *[extract 3]*, Hotel G bought a new six-seater car to offer its guests a transportation service from and to the local airport and train station to compete with hotels in the city centre. Afterward, the management thought of other ideas of how they could utilise the car, including using it to transport people from the hotel to the local

gym, which was a recently added service. In that way, it had added a competitive advantage for the hotel, as guests had access to a gym where the entrance fees and transportation were covered by the hotel. This directly fit into crafting and perfecting the provided new service. The idea of offering access to gym facilities was quite useful and inspiring, yet it would be hard for customers to get the benefits of it if the transportation was not available at Hotel G due to its location. The operational manager mentioned:

Extract 10

> *"If you are staying here and you say 'I wish you had a gym'... Oh, we can take you to a gym and it is only ten minutes away, and then we will pick you up and bring you back again. We already have the car."*
>
> (operational manager, Hotel G)

The previous example shows how Hotel G added another service to an existing resource (the car) to add more value to the hotel's services. Similar can be done with intangible resources, such as making the most use of gathered information. For example, Hotel H looked at a loyalty card as a way to build regular customers at the same time as bringing more people in to generate more money. The operational manager mentioned:

Extract 11

> *"We will start doing a loyalty card. We will call it a 'privilege card' and it will be like a smart card that has all the customer's information on, and we will be able to track what they spend when they are here, whether they are coming on the weekends or whether they are spending a lot on beer. We could do specific promotions like 'get a free drink when you come in' or 'get your favourite drink free'. If they are spending on food, we will give them a discount on food or something, so that is going to be really valuable because that is something we have not been able to do up until now because we are literally putting a new system in today. Actually, it is a hotel system and it is a restaurant booking system as well to capture customers' details when they book at the restaurant, and then we can use their email addresses or telephone numbers and perhaps we can text them in the future and send messages."*
>
> (operational manager, Hotel H)

The previous example shows the way the manager was looking at a new service (a loyalty card) as a resource to collect information about customers that could be used in different ways. It was about using the collected information for some future direct marketing and to provide customised offers to customers to induce repeat custom. Because of the hotel's strategic planning, it was trying to use the resources it had in multiple ways.

4.3.1.2.2. Using resources more efficiently

The three hotels in this group tried to offer the same services or add new ones by using fewer resources. In order to do that, they changed the service outcome, the delivery process or the way the service was presented. For example, the restaurant manager in Hotel I realised that the hotel had a similar number of employees for the morning and evening shifts. Preferably, the number of employees on the breakfast shift needed to be lower than the number of employees on the evening shift, as the restaurant generated more money in the evening. Therefore, the manager changed the way the breakfast

was presented to reduce the number of employees. This behaviour reflected a change to the service delivery and the service outcome for the sake of reducing the utilised resources. The restaurant manager mentioned:

Extract 12

> *"We only get £7 for a breakfast, and I just said: that is not enough money to employ five staff for breakfast. So we had to sit together and we had to say: 'look this is not working. Not everything can come from that kitchen – we have our limitations. Let us bring out a buffet, but we do not want a hot buffet with old beans in it and sausages'. So, we limited it to nice fresh fruits, fresh cereals, homemade granola, croissants and pastries. It is not a massive buffet, but what we have found is that while guests are being seated, waiting for their coffee or their tea, they do not mind grabbing a croissant, which gives us time to service everybody. We do not get 70 people sitting down waiting with nothing in front of them. We serve hot food from the kitchen, so guests come down and help themselves from the buffet. When they have done that, we can go and say: 'would you like to have any hot food?' It is about 10–15 minutes: we bought ourselves 10 or 15 minutes by offering that."*
>
> (restaurant manager, Hotel I)

The previous example presents how the manager was concerned about service quality, costs and profit. The number of employees and the amount of money charged for breakfast could be viewed as resource constraints; the manager had to find a way to maintain the breakfast quality standards while using fewer employees. In order to achieve this, the food was altered to a mix between a buffet and a hot plated breakfast in order to maintain the high standard, which entailed providing hot cooked food while increasing efficiency. This presents how the management adjusted their resources to provide good service quality in an efficient way.

Generally, among these hotels, a considerable amount of attention was paid to human resource utilisation, as human resources are one of the most important

and expensive resources in hotels. The hoteliers amended the different roles of employees and created an atmosphere where the employees could share their knowledge and expertise to improve their abilities and services. At the core of this behaviour was role switching, which was highly noticed in these hotels. Role switching mainly consists of employees changing their roles to learn each other's duties and responsibilities, so each one of them is capable of doing what the others can do. This took place in these hotels by employees being asked to do more tasks than those listed in their job descriptions or by moving employees to entirely different roles, such as working in different departments. The general manager in Hotel I highlighted the following:

Extract 13

> *"I have said I want everybody to be efficient, so the more knowledge they have, the better they are for the business, and the better they are for themselves because they learn something new. All the senior staff in either food and beverages or other departments can make a check-in, everybody can answer the phone and take reservations and that sort of thing, and this is what I want. Because if it is a quiet day, anyone can cover the receptionist for her lunch break or for her dinner break, so this is what I want. Cross-training is important."*
>
> (general manager, Hotel I)

As mentioned in the previous example by Hotel I's general manager, and as also mentioned by one of the owners of Hotel G, role switching was vital to the hotel, as it helped the employees to acquire new knowledge and learn new ways of thinking. This new acquired knowledge could be put into practice and make a difference in the service development process. This happened via cross-training, as highlighted above, but this was not always the case – the manager may set formal training for employees. It also happened in an unplanned manner as a response to how the business operated. The bartender in Hotel I mentioned the following when asked about his job title:

Extract 14

> *"What is my title? I'm not entirely sure because it changes all the time."*
>
> (bartender, Hotel I)

The bartender knew his main duties but did not have a distinct title. He was mainly responsible for serving customers drinks and making sure the bar was clean and tidy. However, he added that he also cleaned the public areas sometimes. He had been the driver behind some changes in the workflow, as he had transferred some of the work that had to be done by the night staff to the morning staff, in order to maintain high standards. His explanation for this was that in the morning, there were fewer customers, so the staff had more time to perform their duties to a high standard. As for the night-time, customers can get more attention from the employees on duty, as they have fewer tasks to do.

Although these examples fit more into utilising current resources in an efficient way, rather than service innovation per se, they are still elements of innovation in service delivery. The third way of adjusting the allocation of resources is using resources creatively.

4.3.1.2.3. Using resources creatively

In these three hotels, a large part of adjusting the allocation of resources was to maximise the usage of the available resources by using them in a way that differed from their original intended uses. For example, employees, as human resources, performed some duties that were not part of their job descriptions to provide insights in formalising the new outcomes of services. For example, a waitress mentioned:

Extract 15

> *"Usually, the chefs try stuff out, and it could be quite adventurous sometimes, and then they will get us to try it. The chefs will let the waiters, the bar staff and some of the higher managers try the food."*
>
> (waitress, Hotel G)

The previous example shows that the chefs in this hotel asked the waiters and waitresses to help in developing new dishes, which may not be perceived as a common behaviour. It was quite a creative and practical way to gather some feedback using existing resources in order to produce a better version of the service, instead of asking other professional chefs or consultants. The chefs relied on the opinions of waiters and waitresses, which can be associated with the usage of resources in a way that was totally different from what they were originally used for.

Changing how resources are used may happen in a spontaneous way. Initially, this may occur in response to a sudden event or unexpected problem and subsequently may become a standard solution to these types of problems. To reach this point, the solution needs to be shared among employees. If the information is not shared with other parties, then changing the usage of the resource will be limited, as it will be a one-off change. The following example illustrates this: an employee suggested using the wedding buggy to transport an elderly lady.

Extract 16

> *"If the employees know that somebody in the hotel is having difficulties or we have a lady, she has just stopped coming to us, a lady who lived locally but she is disabled, she does not walk very well. She used to come here for the weekend. She has come for the weekend but her walking now is so bad she cannot get in and out. So, what we used to do was drive her from here in the wedding buggy that we use to the restaurant. So, she did not have far to walk. And it was the girls who said 'we need to get her over to the restaurant'. So, we had to do whatever we could to get her round there. And we would use the wedding buggy again if the same situation was faced again."*
>
> (operational manager, Hotel G)

In this example, the ability to help in moving an elderly customer between the different parts of the complex was considered a service. Although the service was simple and might not be advertised, if a customer enquired about the facilities for disabled people, the hotel may mention this. Moreover, this new creative way of using the wedding buggy and informing other employees about this suggestion helped the hotel to offer this service to less-mobile customers. Further, this presents how unplanned service innovation begins spontaneously and then becomes integrated into ordinary processes. Despite this, the idea of using resources in different ways than for which they were intended was not very common in this group. It happened only occasionally and not in the main offered services.

Another way that these hotels used their resources creatively was when they recognised new resources and started thinking of some options to utilise them to add new services. In Hotel G, although the management were organised and tended to plan their events for the coming months and evaluate previous ones, this did not stop them from adding new packages to attract more customers using their available resources. The existing resources allowed them to offer extra services at minimal or zero cost. The following example demonstrates how this hotel introduced a new package for customers utilising a natural resource that was already there.

Extract 17

> *"We have got the Bluebell Walk coming up. We own hundreds of acres of woods, and we have got beautiful English bluebells, which are quite rare, so we do a weekend where customers come for the day, do a walk and have dinner, so we just try to find ways to fill the rooms really."*
>
> (owner, Hotel G)

Further, the operational manager also mentioned the following regarding this event:

> *"We own woods on the opposite side of the golf course, and when the bluebells are out, it is spectacular. The owner takes the walk; everyone wears their walking boots. They walk cross the golf course and walk through the woods, looking at the bluebells. Then they come back for lunch. It is just another way of trying to generate revenue with what we have."*
>
> (operational manager, Hotel G)

In the new package the hotel added to its services (the Bluebell Walk), Hotel G utilises the resources at hand creatively (woods and the owner, who guides the walk) to generate revenue without any additional cost. It did not add services directly related to sleeping in the hotel: it was more to generate money and fill the restaurant. Sometimes, the presence of new resources, skills or information may help in enriching a hotel's services when the hotelier recognises them as a useful resource and tries to use them creatively. Due to the small business's flexibility and being less bureaucratic, Hotel G had the ability to deviate a bit from original plans and add packages and trips to utilise its free and available resources.

Moreover, the hoteliers in this group engaged in some events and activities in their areas as a promotional technique to attract more customers in non-traditional ways. For instance, the event management and reservation manager in Hotel I mentioned that they tended to keep an eye on certain websites to

check the events in their city to make sure that they incorporated such events and tried to get some benefits out of them. This could reflect how these hoteliers adapted to the external environment. For example, this hotel came up with the idea of offering a 50p discount on drinks if customers had tickets for a specific concert in the city.

Extract 18

> *"50p discount off your drink in [our pub] – that was the pub manager's idea. He is very creative, and he comes up with these things."*
>
> (general manager, Hotel I)

From the previous example, it can be perceived how the hoteliers had to think creatively to seize the different external opportunities to innovate in their hotels by engaging in some promotional activities, even when they were not directly related to the external events.

This concludes the discussion of the visioning and forward-planning behaviours. The second main service innovation behaviour of the hotels that were aligned with causal logic was collaborating with external parties and making use of external resources, and this is discussed in the following section.

4.3.2. Collaborating with external parties and making use of external resources

This theme presents the behaviour of looking at external parties as a source for accessing new resources to innovate. The data revealed three types of collaborations with external parties: gaining access to free resources; transactional agreements, where money or other resources were exchanged; and both parties sharing goals, risks and money. Collaborations acted as a bridge to access a bigger pool of new tangible and intangible resources to engage in service innovation or to overcome resource constraints.

The hoteliers collaborated with external parties to use their resources to enlarge their range of offered services. They enhanced their resources and improved their resource positions and statuses by performing these different

collaborations. The hoteliers imposed specific criteria on these collaborations. The criteria included the third party's brand image, target market, core values, price, location, easiness to work with and flexibility in terms of delivery times, as well as the hotel owner or manager's personal preferences. These criteria were important in the three types of collaborations, as they allowed the introduction of new services, improved employees' knowledge and skills, developed new communication and marketing activities, and built a sense of belonging for customers. Therefore, this behaviour of the hotels was divided into four practices: co-operating to use external parties' resources to broaden their services, improving their internal intangible resources via external parties, building a brand image and brand awareness, and engaging customers in improving the service and reaching new customers. These are discussed in the following sections.

4.3.2.1. Co-operating to use external parties' resources to broaden services

The data revealed that these hotels collaborated with external parties to widen their range of offered services due to the tangible and intangible resources provided. For instance, in Hotel G, some customers raised their desire for a gym. Afterward, the management considered their request and collaborated with one of the gyms in their area to offer their customers this service.

Extract 19

> *"Once we did react, we used to get comments from customers who were staying saying that they wished we had a gym or a spa or something like that. So, what we have done now is that we have an arrangement with [gym name]. They can use the gym there, so we will take you down to the gym, give you a towel and bring you back again. There is no charge. We have negotiated a cheap price. So, if you are staying here and you say 'I wish you had a gym'... Oh, we can take you to a gym and it is only 10 minutes away."*
>
> (operational manager, Hotel G)

The previous example illustrates how this collaborative partnership gave the hotel the opportunity to offer a gym service, which allowed Hotel G to expand

its services. By collaborating with a local gym, Hotel G wanted the facilities of the other business to be perceived as part of its resources, enabling the hotel to offer a gym service. The criteria for choosing this gym were based on the gym's competitive pricing, location and good services.

Similarly, Hotel I developed a kids' club service by collaborating with a local company to get discounted prices for the hotel's guests. The guests in this instance did not know about or pay attention to the collaboration; it was more for them that this service was being offered. In return, Hotel I helped the company by bringing customers to it and also offered the company a discounted rate for hiring the hotel's conference room for activities. Generally, where collaborative behaviour took place, it focused on the hotel and the other business exchanging resources for the benefit of both.

The second behaviour related to collaborating with external parties was approaching external parties to improve internal intangible resources.

4.3.2.2. Approaching external parties to improve internal intangible resources

The owners and managers in this group of hotels were trying to keep developing their skills and enhancing their knowledge due to the high competition and rapid changes in their environments. These enhancements and developments were achieved by approaching external parties in professional (paid) and informal ways. Most of the hotels in this group sought professional help to enhance their knowledge and develop their skills to adjust their services, rather than seeking informal help.

The recognition of who may help the hoteliers from their social networks played a major role in the process of service innovation. Due to the lower numbers of managers and employees in smaller hotels, it is not always easy for them to discuss and brainstorm ideas with other experienced managers. For instance, in Hotel I, the general manager asked her acquaintances to come and try their service to give feedback on how the service could be improved. In this example, their opinions acted as the missing intangible resource that the general manager wanted. This was a pre-stage of service innovation, as getting

feedback is one of the main sources to engage in service innovation. The general manager said:

Extract 20

> *"I have friends who work in the industry who I ask: 'can you come and stay, have dinner in the restaurant, review my place and see, you know, what else we can do better?' So, I do that, yeah, I ask for all the favours I can."*

(general manager, Hotel I)

The previous example presents how hoteliers ask people in their social networks to collaborate with them to receive their knowledge and experience, which helps in developing the management's knowledge of different aspects of service innovation, such as improving the services provided. Social networks may provide a great opportunity to engage in service innovation activities by providing ideas, knowledge and feedback. Another example of approaching an external party to improve the internal intangible resources professionally occurred in Hotel H:

Extract 21

> *"Well, because we are not a chain hotel, [the name of the head chef] is the head chef, so he has no other head chefs to get ideas from. If you were at Marriott or Holiday Inn, you would have different staff, and [the owners] do not come from a catering background, so the chef does not necessarily put forward his catering knowledge and they do not necessarily understand what his needs are because they do not know how to cook. So, we have a consultant who comes in who is a chef to bounce off ideas with [the head chef] – he can bounce ideas off her. She is just an external agent who has fresh ideas."*

(operational manager, Hotel G)

These hotels knew their weakness in having lower numbers of employees, which could affect their ability to craft their services by brainstorming service

development ideas. Therefore, they reacted by seeking external help to improve their internal knowledge and skills.

Moreover, enhancing employees' knowledge and skills was achieved by approaching suppliers to utilise their knowledge to train employees. The existing relationships with suppliers were an already available resource that these hoteliers used to enhance their employees' knowledge. This improved the service without having a direct tangible effect – it was more about enhancing the customer experience.

Extract 22

> *"We bring suppliers in. For example, our coffee supplier or whiskey supplier will come in and spend a couple of hours with the staff to deliver to them some new knowledge because they have got a lot of knowledge that I don't have. Product knowledge for me is the most important thing: if someone knows about the spirits they are serving behind the bar or the food they are serving from the kitchen that impresses a guest. I can train holding plates, I can train serving drinks – I can train that, that is not a problem, and it is the easy bit of the job. We can all do what we are told: going and getting more drinks, going and getting more food. If you can explain why that food is on that plate, why that liquid is in that glass, that impresses people more because it shows we have taken a bit of time and we want to teach people more or that we are proud to show what we know about the product."*
>
> (restaurant manager, Hotel I)

The example demonstrates how the restaurant manager approached suppliers to enhance his employees' knowledge to impress his guests with their detailed knowledge about the hotel's products or services.

The third behaviour of collaborating with external parties was building a brand image and brand awareness via these parties.

4.3.2.3. Building a brand image and brand awareness

Building a brand image and brand awareness was one of the main behaviours in the hotels associated with causal logic. This behaviour can be linked with their characteristic of focusing on gaining competitive advantage. They liked to be known in their markets as hotels with luxury brand images, and they tried to build that image by associating with certain brand names and collaborating with external parties to reach the other business's customers. In this behaviour, the main resources that were interchanged were brand names and customers.

For example, Hotel I had a partnership with HUGO BOSS to give pens as complimentary gifts to guests and to inform them of any HUGO BOSS promotions. Sharing the same target market was one of the main principles for this partnership, as well as building brand awareness. The event management and reservation manager elaborated on this as follows:

Extract 23

> *"HUGO BOSS can put us on their newsletter for their VIP clients. If they have got any VIP sales coming up, we can put leaflets in our suites for our guests so that they can go. It is usually quite a closed event for the VIP customers, where there is a new sale and they can have a look around and have a glass of champagne. So, they will invite our guests with their customers as well to the event, and that is something we worked on together. They do give kind of money off, so it might be like 50% off when you spend so much that our guest can use in the shop, so kind of a money-off voucher as well, and that is something our guests can take with them when they are shopping. Then if we have any kind of offers on, they can promote them to their guests and their database – they can email out and promote our hotel as well."*
>
> (event management and reservation manager, Hotel I)

This example illustrates how the customers of Hotel I could use this added service, which includes a pen and a discount at the HUGO BOSS store. The advantage of this collaboration to Hotel I is that it can use HUGO BOSS's database and inform potential customers about the hotel.

Further, some of the collaborating behaviours included obtaining free resources to implement new promotional techniques. These hotels had particular relationships with other parties: either formal sponsorship of events or barter deals, such as receiving good rates in exchange for listing the hotel names on their websites. For instance, Hotel H had started to partner with external parties to build its desired brand image and to reach out to new customers.

Extract 24

> *"We are actually looking for sponsorship at the moment with Nottingham Theatre Royal and Nottingham Playhouse to kind of raise our profile with them. Basically, what we are trying to do is kind of reciprocal deals, so we will offer them discounts on accommodation but in return they will give us advertising – we will be in their magazines or their show brochures, on their websites and social media as well."*
>
> (operational manager, Hotel H)

This example presents the professional network's role in reaching new customers while at the same time raising brand awareness. These hotels looked at as opportunities to build brand awareness. For example, Hotel I took part in an event and worked with another company to generate money, as well as get exposure to more guests.

Extract 25

> *"We are also doing a cocktail event at Jo Malone down the road tonight, the perfume store. They are launching a new fragrance, so we have created a cocktail to serve as part of their launch of the new fragrance. They wanted us to create a cocktail for them to serve in the night, so one of our bartenders will be down there to kind of be part of the event and serve the cocktails as well. We can, like, give leaflets out and, like, have a banner and things, so they know it is [name of the hotel] providing the drinks, so we can work in partnership to do that. And they can obviously advertise that here as well, so we are all working together to advertise. We advertise their event, and they advertise, and we are doing the drinks as well."*
>
> (event management and reservation manager, Hotel I)

In the previous example, the available resource in Hotel I (its own mixologist) enabled the hotel to develop a new cocktail and collaborate with another business. This shows how an available resource allowed the collaboration and how mutual benefit was an integral part of that collaboration. This group of hotels seized opportunities to communicate with new customers and present what they had to offer. They were very keen to select businesses that shared the same target markets as them. Similarly, Hotel I collaborated with its whiskey supplier to organise a whiskey-tasting night. The hotel's objective was to bring more customers into the bar and hotel, and the supplier – in turn – informed the hotel's customers about his drinks so that they could order more.

Extract 26

> *"We have got whiskey events coming up with one of our suppliers to do whiskey-tasting nights, so they are coming to obviously supply the whiskey and host it, so that is something we work together with them on as well. We created a menu to go with the whiskey, so they are bringing a host with them to kind of introduce the whiskey with each course. So instead of wine tasting, it is whiskey tasting… it is more like trying new ideas, as well as seeing if it is popular. If it works, then we can do it again, or if it is not that popular, then we would probably not do it again, so we find out why it was not popular and see if we need to change things."*
>
> (event management and reservation manager, Hotel I)

This example discloses clearly how both parties worked together and shared ideas to introduce such an event to build a joint market and build brand awareness towards their hotel and whiskey products.

The fourth behaviour concerning collaborating with external parties in this group was engaging customers in service innovation activities.

4.3.2.4. Engaging customers in improving the service and reaching new customers

A recent trend in the causal logic group encompassed customers taking part in improving the services, rather than only being a source for suggestions and feedback. The data revealed that customer engagement had been extended to cover the service design process, as well as marketing and promotional activities, where the engagement involved the hotels and customers interchanging intangible resources. For example, in Hotel I, the general manager decided to give up her office to have another available room that could be utilised for other purposes (part of adjusting the hotel's resource allocation, using its resources effectively) and then decided to turn it into a small conference room. Afterward, customers asked if they could have a gym, and she mentioned the following:

Extract 27

> *"We have examples of certain customers who wanted a gym. One of the staff said: 'what if we just put some treadmills and little machines upstairs in the director's room?', which is the second conference room that we now have, which was the general manager's office. I thought: 'actually that is not a bad idea'. I am going to ask the guests who do want to have a gym if a couple of machines will solve that problem, so that is something we are doing directly with these particular clients."*
>
> (general manager, Hotel I)

Here, the approach of the general manager was that she was happy to listen to employees' and customers' ideas, as she realised that they may enrich the service with their knowledge, ideas and expertise. In particular, the customers' role had been extended to cover further explanation and collaboration, which may affect the hotel's entire service or part of its services. Hence, unplanned service innovation occurred when the manager tried to respond to the guests' suggestion, as well as the employees' suggestion.

Furthermore, it was revealed by the data that customer involvement was sometimes optional, as there was more focus on the promotional aspects of service innovation, using customers' social network activities as a valuable intangible resource. The following example shows how customers were engaged in promoting the hotel and informing their social networks about the hotel, allowing the hotel to reach more customers. From her previous job, the hotel manager got the idea of having yellow ducks that have the hotel name printed on and asking customers to post pictures of the duck in different cities on Facebook or Twitter. In that way, she pushed customers to engage in promotional techniques aiming to reach new customers.

Extract 28

> *"Next to the duck, there is a little card: 'I hope you enjoyed your stay. Please take me with you on your travels and tweet us where you have been', so now people take the duck all over the world and put pictures on Twitter. They are not really cheap – it is just a good way of getting*

our name about. People say: 'so what are these ducks about?' and it just creates a bit of interest among people who do not know about us. 'What is it about the ducks?' 'Oh, we got them from [X] hotel.'"

(hotel manager, Hotel G)

As presented in the previous example, customers were involved in promoting Hotel G on social media. The same approach was used to involve customers in promoting the hotel, such as sharing the page, tagging friends or sharing some of their knowledge. This could illustrate the new role that was given to the customers to reach new customers. Similarly, Hotel G gave customers the chance to provide suggestions on its menu as a change in the offered service. For instance:

Extract 29

"It is British Sandwich Week, so the other restaurant manager came up with the idea around the competition for the customers to come up with a sandwich, just to raise our profile, and it worked really well. We had a winner each day for the days and then an overall winner. The overall winner will be on our menu next year, which is quite nice. And when we change our menu in October, their sandwich will go on. Well, it is a really good idea because it gets the customers involved, and we have got some really strange ideas but then we have got some really good ideas. It makes it a little bit more light-hearted and a little bit more personal in that, and customers would think 'yeah, that's a good one.'"

(restaurant manager, Hotel G)

The previous examples show that the role of customers has become more promotional, as well as a source for new and creative ideas. In another example, in Hotel H, local theatres and arenas had given some tickets to the owners or managers to attend shows or promote them because of their relationship. The operational manager mentioned:

Extract 30

> *"In the past, we have done competitions, for instance a competition on our Facebook page where we asked for their email address, so in that way we can market back to them. Or we have done 'like our Facebook page and get a chance of winning concert tickets', and we started that with Motorpoint Arena because we are able to take tickets through Motorpoint."*

(operational manager, Hotel H)

In the previous example, Hotel H developed a new marketing tool to reach new customers using existing customers on social media by distributing free resources. It tried to utilise its social media base (a resource) and other available resources to ask customers to collaborate with the hotel and do some direct marketing.

Overall, this section discussed the sub-behaviours that the hotels aligned with causal logic had adopted in relation to collaborating with external parties. The following section addresses the third main behaviour of this group.

4.3.3. Analysing services' effectiveness and expected returns

This behaviour included the hoteliers' continuous analysis of the performance of new services and the analysis of the expected returns when a large investment was involved. If large investments were involved, the hotels were required to pay considerable attention to all the details and the return on investment. This principle was discussed by the operational manager in Hotel H regarding building a spa facility *[extract 2]*, where he mentioned that it would be a brilliant idea, especially as there were no spa facilities nearby, yet the management had to evaluate if they would get a good return on investment.

Further, the hoteliers were concerned about spending money on services and events that would generate money. For instance, in Hotel G, the operational manager mentioned the events they organised (e.g. wedding showcases and wedding fairs).

Extract 31

> *"Usually, when we have a wedding showcase, we will get three or four bookings that night, new bookings, so it is worthwhile doing. I think it was the fact that the wedding fairs were so busy but we did not get any bookings from them, so we thought: 'what is the point of doing them if we are not getting bookings from them?' So we decided to try the showcase. I think we had heard about it somewhere else. Just to have the room set up. So we probably will do three this year: we do one straight after early January, and we just have done one now."*
>
> (operational manager, Hotel G)

The management in Hotel G had tried both wedding showcases and fairs and had realised that one of them was more beneficial than the other, as it resulted in more bookings. Therefore, wedding fairs were discontinued, and the wedding showcase was retained. This shows the different variations that this hotel had implemented to promote its services as a wedding venue, choosing the one that was more useful. In the three hotels of this group, all evaluated the success of their services in order to retain or discontinue them. Another example that was mentioned previously was the whiskey event at Hotel I *[extract 26]*, which the hotel wanted to try for the first time and then see if it was successful or not to check if the hotel should do it again without collaborating with the whiskey supplier or what factors could be improved.

Further, the managers in this group put significant time into considering large capital sum investment decisions. They had sufficient financial resources, but they did not like to invest their money in services that would not provide them with considerable rewards. For example, as Hotel H's management were considering building a spa facility as a unique selling point, the operational manager mentioned:

Extract 31

> *"We have to make sure we are going to get our return on investment and generate extra revenue."*
>
> (operational manager, Hotel H)

Similar to what the previous quotation illustrated, one of the owners of Hotel G mentioned that when the owners were spending lots of money, they liked to rely on others' knowledge and experience due to their different backgrounds, as the owners were farmers by profession, and preferred to analyse the expected returns so that they would not lose money.

These were the main three behaviours exhibited by the hotels associated with causal logic. The next section provides a small summary linking the characteristics and behaviours of these three hotels with the causal logic principles that are presented in effectuation theory.

4.4. The linkage between the characteristics and behaviours of the causal logic group with causal logic principles

This section addresses the linkage between these three hotels' characteristics and behaviours and the causal logic principles that are presented in effectuation theory, as covered in the literature review section (see Section 2.5) (Sarasvathy, 2001; Fisher, 2012). This was used as a basis to look at the interrelations between the causal logic group and the effectual logic group. These principles are starting with ends, gaining competitive advantage, analysing expected returns and predicting the future (Sarasvathy, 2001).

4.4.1. Starting with ends

The three hotels in this group (Hotel G, Hotel H and Hotel I) were vision and goal oriented. Such visions can present the ends that they wanted to achieve. In order to achieve their visions and to be known as prestigious hotels, these hotels acquired new resources to meet their goals and used human resources (such as employees and celebrities), as well as other recognisable parties (such as theatres and opera houses), to reflect that image. They placed high importance on social media and promoting themselves, selecting third-party

partners carefully to reflect the required brand image. Moreover, these hoteliers set appropriate goals, performed their jobs in specific ways, offered specific services, took part in certain events (such as sponsorship) and decided which external parties to collaborate with to achieve their goals and visions. Hence, these characteristics and behaviours can be associated with this principle. Moreover, their many perceived resources allowed them to obtain physical and intangible resources to perform the previously mentioned behaviours.

4.4.2. Building competitive advantage

The hoteliers in this group aimed to gain competitive advantage in comparison to their competitors. They sought to add new services and to obtain new resources to have superiority over their competitors. They tried to add personalised services based on their target markets. This was mainly related to recognising and fulfilling needs in their markets while developing new services. They tried to develop their services based on customers' needs and the gaps in the markets to be first-movers and market leaders and to offer better services than their rivals. This was all associated with the gaining competitive advantage principle.

4.4.3. Analysing expected returns

The three managers of the hotels in this group spent significant amounts of time considering their investment decisions, particularly when investing large capital sums. These hotels had sufficient financial resources, but they did not like to invest their money in services that would not provide them with considerable rewards. It is worth mentioning that although these hotels appeared to operate within less-resource-constrained environments than the effectual logic group of hotels, they still faced some resource constraints. For example, these three hotels had sufficient financial resources, yet they still had budget constraints, as they needed to maintain the profitability of their businesses and monitor their operating costs in an attempt to minimise them. These three hotels also had resource constraints associated with location, space and time. However, despite these constraints, the hotels still had sufficient amounts of tangible and intangible resources to offer new

expensive services. When they did this, they tried to analyse the services' effectiveness and expected returns to ensure profitability, as these hotels would not add expensive services if there was no expected extra income. These characteristics and behaviours can be associated with analysing the expected returns principle.

4.4.4. Predicting the future

The hoteliers in this group set their visions and goals and engaged in service innovation activities based on their market analysis to fill the gaps in the market and their predictions of customers' preferences, all of which reflect that the behaviours of these hoteliers were based on future predictions. In this way, they predicted the future and acted upon it, rather than trying to control the future and offering what they could based on what they had.

Overall, the previous section summarised how the characteristics and behaviours of these three hotels can be associated with the four main principles of causal logic. The following section covers the outcomes of the causal logic group's behaviours in terms of service innovation.

4.5. Causal logic service innovation

The data indicated that radical innovation in the research sample was minimal, as introducing new exceptional services and entering new markets was not present. There were no breakthrough services or methods. The hotels in this group did not show any explorative innovation: pursuing new opportunities in the spirit of invention and experimentation. The data suggested that innovation in these hotels had more to do with the essence of exploitation. This exploitation focused on fine-tuning and extending existing services using their current resources, skills and knowledge.

The data suggested that proactivity was the approach behind the exploitative innovation. The main driver behind their proactivity was their eagerness to achieve their visions. This proactivity included taking the initiative in innovation decisions and looking for opportunities to innovate. The two broad domains that their exploitative innovation took place in were, firstly, service and process innovation – offering new and luxurious services and service

quality improvements; and, secondly, organisational innovation – building communication channels and marketing activities. Further, the data demonstrated that the main reasons behind the exploitative proactive innovation were financial reasons (generating additional revenue and reducing costs), customer satisfaction improvement, customer loyalty improvement, reaching new customers, building customer involvement and influencing customers' decisions to choose their hotels.

However, the data suggested that two out of the three hotels (Hotel G and Hotel I) presented some reactive exploitative approaches in responding to customers' requests and internal and external opportunities. The service innovation activities in these two hotels were a mixture of being proactive and reactive, yet higher proportions of their innovation activities were associated with being proactive. Therefore, the general service innovation approach in the hotels that were aligned with causal logic was a proactive approach, while the less dominant one (a reactive approach) was visible with lesser intensity. Nevertheless, in the three hotels, financial reasons were the main driver behind being proactive and reactive. Other than that, Hotel H was associated with exploitative proactive service innovation only, while Hotel G and Hotel I showed more interest in listening to customers' requests than Hotel H. Hotel H added the services that customers mentioned only when they fit with the hotel's vision.

The following tables illustrate some examples of the two main groups of service innovation outcomes, starting with the dominant proactive approach and then presenting the reactive one.

Table 3: Examples of the two main domains of service innovation in an exploitative proactive manner

	Hotel G	**Hotel H**	**Hotel I**
Service and process innovation: adding new services and improving service quality	- Putting TV screens in front of the bathtubs - Changing the food from frozen to freshly cooked - Always trying to associate with high-quality brands for tea, coffee and toiletries - Using local suppliers to raise the food quality - Offering an outdoor wedding area - Implementing green ideas and recycling - Offering free shuttle transportation	- Adding mini-bars to generate extra money - Renovating the terrace to accommodate more people and adding heating to make it more attractive - Changing the breakfast from a buffet to a plated breakfast to give customers a better experience - Raising the standards of the food and dishes - Using local suppliers to raise the food quality - Offering a concierge service	- Changing the menus and offering different menus to fill the quiet times, such as a brunch menu - Changing the way breakfast is served from cooked to half-cooked half-buffet to reduce costs - Using big toiletries containers in the toilets for financial reasons - Using local suppliers to raise the food quality

Table 4: Examples of the two main domains of service innovation in an exploitative proactive manner

Organisational innovation: building communication channels and engaging in marketing activities	- Planning parties such as Christmas and New Year events - Developing packages and including tickets for tourist spots - Planning activities such as storytelling sessions and Santa breakfasts - Initiating a customer competitions such as a British sandwich competition - Giving a nice gift to customers and asking them to take it with them and tweet about it on Twitter	- Having its own community and offering discounts to locals - Engaging with customers through social media competitions based on likes and shares - Participating in community events such as farmers' markets - Sponsoring events - Offering personalised promotions based on customers' preferences	- Offering customised promotions based on events in the area - Organising its own events - Selling virtual coupons either directly or through other websites

Table 5: Examples of the two main domains of service innovation in an exploitative reactive manner

	Hotel G	**Hotel I**
Service innovation: adding new services	Responding to customers' requests by adding: - Magnifying mirrors in the bathrooms - Complimentary sparkling water - Access to a local gym - Steak knives to cut the steak easier - Newspapers in the bedrooms	Responding to customers' requests by adding: - Coffee machines in the bedrooms - Complimentary still water - Different items in the mini-bars - Shaving kits - Access to a local gym
Organisational innovation: building communication channels and engaging in marketing activities	- Collaborating with tourist spots to offer packages or trips - Building new packages using free resources, such as the bluebell woods	- Offering loyalty cards - Organising a shared event with the hotel's whiskey supplier - Collaborating with other businesses to reach customers, such as HUGO BOSS, whereby complimentary gifts from HUGO BOSS are available in the hotel suites

4.6. Summary

This chapter discussed the group of hotels that were aligned with causal logic. It identified their shared characteristics: goal and vision oriented, focused on gaining competitive advantage and many perceived resources. Afterwards, this chapter presented the common behaviours of the hoteliers in this group in relation to resource utilisation, which were broadly classified as visioning and forward-planning, collaborating with external parties and making use of external resources, and analysing services' effectiveness and expected returns. Visioning and forward-planning behaviour consisted of two main themes: acquiring new resources to meet goals and adjusting the allocation of resources. The second main behaviour, collaborating with external parties and making use of external resources, consisted of co-operating to use external parties' resources to broaden their services, improving internal intangible resources via external parties, building a brand image and brand awareness, engaging customers in improving the service, and reaching new customers. The third behaviour, analysing services' effectiveness and expected returns, did not consist of sub-themes.

Furthermore, the chapter presented the outcomes of these behaviours in terms of service innovation. It showed that they adopted an exploitative service innovation approach whereby they tended to engage more in incremental innovation and adding services that were new to the hotel but not new to the industry and did not require customers to learn something new to use the services. Moreover, the participating cases were proactive in their approaches to service and process innovation: they added new services and improved their service quality. They also implemented organisational innovation by building communication channels and engaging in marketing activities. While two out of the three hotels showed some reactive approaches based on customers' requests and unanticipated opportunities, their intensity was lower than that of the proactive approach.

This chapter presented the analysis and findings related to causal logic; the next chapter discusses the analysis and findings regarding effectual logic.

CHAPTER 5 FINDINGS AND ANALYSIS: EFFECTUAL LOGIC

5.1. Introduction

The previous chapter addressed the findings related to the participating hotels that were aligned with causal logic. This chapter provides an overview of the other group in this research: the hotels that were aligned with effectual logic. Firstly, this chapter provides a contextual understanding of the effectual logic case studies. Secondly, it discusses the different behaviours that are associated with effectual logic in relation to resource utilisation for innovation. Thirdly, this chapter presents a linkage between the hotels in this group and the effectual logic principles that are presented in effectuation theory. Fourthly, it addresses the nature of the effectual logic group's service innovation approach, their different service innovation domains and the reasons behind their engagement with service innovation. Finally, a summary of the chapter is provided.

5.2. Contextual understanding of the effectual logic group

This chapter introduces the second group of the research sample: the group of hotels that were more aligned with effectual logic, represented by Hotel A, Hotel B, Hotel C, Hotel D, Hotel E and Hotel F. The data suggested a different set of shared characteristics among this group of hotels than that found for the hotels that were more aligned with causal logic. These four characteristics were a focus on existing resources, a lack of vision, a learning orientation and few perceived resources (operating in high-resource-constrained environments).

The first shared characteristic was a focus on current resources. Their current tangible and intangible resources were the drivers of their new service concept developments, their service improvements and their outreach activities. They did not take customers' preferences and needs into consideration – the focus was on what the hotels could offer. These hotels tended to utilise the available resources and move forward with their services without considerable planning of the required resources, solely depending on what they had.

Further, the first characteristic can lead to the second common characteristic, which was a lack of vision, whereby the six hotels in this group did not have clearly formulated strategic service ambitions. They engaged in little planning and left the details open. They did not gather information about the market, customers and competitors because they were means driven. Therefore, they improved their services without taking into consideration the market needs and gaps or obtaining the required resources. They tended to think that they could offer what they could and then create the demand for it.

The third shared characteristic was their learning orientation. They allowed their personal life experiences and their self-taught skills to be the main pillar for their service development. They did not have benchmarks for their required intangible resources, such as experience, skills and knowledge. It was more "learn while they go" and improving while offering services to customers. Many sources helped in their learning journeys, such as family, friends, other small independent hotel owners and the internet.

The fourth common characteristic among this group was their few perceived resources. They operated in high-resource-constrained environments where they had constraints on their financial resources, space, number of employees, skills and knowledge.

All the previous four characteristics affected each other. For example, the few perceived resources (characteristic number 4) caused these hotels to be characterised by a lack of vision (characteristic number 2), as it would be hard for them to set long-term visions and try to achieve them without the required resources. That, in turn, may lead them to start with what they have and move forward from that point (characteristic number 1), while in doing so they continue learning to improve their competitiveness (characteristic number 3).

These four shared characteristics were the main reason for categorising these six hotels into one group. The following section addresses the behaviours of these hotels in terms of resource utilisation in service innovation. Afterwards, a reflection on how these six hotels are linked with the effectual logic principles mentioned in the effectuation theory presented by Sarasvathy (2001), based on their characteristics and behaviours, is provided.

5.3. Effectual logic service innovation behaviours

This section discusses the main common service innovation behaviours that were found in the group of hotels that were aligned with effectual logic. Most of the behaviours were found to be linked to developing and improving their services based on utilising their available resources, rather than based on clear plans or long-term objectives.

The data suggested four main behaviours aligned to resource utilisation in this group of hotels: scoping innovation to be realisable within the available resources, embracing unanticipated opportunities, offering their services using minimal resources, and collaborating with external parties and making use of external resources. These behaviours in terms of resource utilisation are discussed in detail in the following sections.

5.3.1. Scoping innovation to be realisable within the available resources

In order to offer and develop new services, the hoteliers in this group had to make use of the resources at hand. Their innovation was scaled within their available resources, such as their immature skills and the ones they developed by living their lives, following their personal preferences and using free, cheap and discarded resources to innovate. The other scope of innovation was adapting their services based on their available resources and finding creative usages for them to overcome resource constraints and solve issues in their service delivery or service development. In both ways, they always tried to seek out ways of offering new services by using and reshuffling the resources at hand. These two main ways of using the available resources to scope their innovation are discussed in the next section

5.3.1.1. Starting with existing resources

The hotels' starting point for any development of service concepts and existing services was their current tangible and intangible resources. The hoteliers' behaviours relied on what they already knew and what they had to innovate. They started with the skills they had developed by living their lives, their own personal preferences and the free, existing and discarded resources that they recognised and intended to use.

5.3.1.1.1. Using their intangible resources: their skills and personal knowledge

Analysis of the data depicted that the hoteliers in this group of hotels accepted the fact that their skills could be used in their current states to offer and improve their services and that, over time, these skills would get better. They had more room for improvisation and the usage of immature (primitive) skills. For example, in Hotel A, the female owner had a new service concept idea after her kids left the house and she was left with two extra rooms. To serve her guests, she had to use her cooking skills, which she had learnt from being a mum, and her artistic side in food presentation.

Extract 33

> *"The cooking was just my cooking for the family; I have three children, so you are kind of a cook. For example, I do my hash brown completely different to how English people make it, and people ask me: 'what is it?' I say it is potato pancake. So, I did not learn, I did not take any courses. I would love to go to some French pastry maybe or whatever course. But it is hard to find the time, and they are very expensive."*
>
> (female owner, Hotel A)

The previous example presents how the female owner of this hotel used her day-to-day skills as an intangible resource to deliver a service for her guests. She showed an interest in taking proper cooking lessons, yet she recognised the limitations in her resources in terms of time and money, which made her continue with using what she had. She kept using the same cooking skills even after moving to another building and opening an official hotel there.

Similarly, the owners of Hotel E had not taken any formal cooking courses: the female owner relied on her existing life skills and had taught her husband how to cook the breakfast.

Extract 34

> *"Years ago, I used to be in the scouting movement. They are boys who all are hungry, and they want to be fed – you learn to cook, cook breakfast very quickly. Then, ironically, I taught my mother, who used to do breakfast here, and people wrote about her breakfast. And then I came here full time and taught [her husband] [laughs], so I would not say I had any formal training or the like – we did not go to college or anything like that, from that point of view – but it is just more you learn from the job."*

(female owner, Hotel E)

The previous example shows how they allowed their personal life experiences and self-taught skills to be the main pillar for their services, and the skills that they had learnt in previous years became a resource that they could use to serve their customers.

Likewise, some of the hoteliers' self-taught skills related to technological skills. For example, the manager in Hotel F improved the hotel based on his knowledge and skills, without seeking any external help.

Extract 35

> *"Everything was working against the hotel. The website was- actually, the website improved from what I class a Mini to a Mini Cooper, so it is like the next stage of a Mini, basically. Without money, I could not go beyond that. But it runs sufficiently, it tells the customers what we can do, what we cannot, who we are, what we are and how we can help."*

(manager, Hotel F)

In the previous example, the manager used his limited knowledge and improved the existing channels for communicating with customers, as part of the marketing and promotional aspects of service innovation. This was done using the new manager's knowledge and skills: if the new manager did not have these skills, this would not have changed. Hence, the service

improvement and innovation were mainly scoped by the owners' or managers' skills and knowledge.

Furthermore, the hoteliers in this group preferred to do things by themselves to avoid spending money with any providers, and that was one of their ways to serve their customers using their existing resources. This led them to use their personal preferences and tastes to engage in service innovation. For example, Hotel E's owners bought the next-door building and wanted to renovate the rooms. The female owner knew that there were better designers, yet they did it themselves because they believed it would be easy to do and much cheaper.

Extract 36

> *"Well, it tends to be me and him, to be honest, because there are good designers but they want to charge you like a thousand pounds a bedroom for their opinion, and it is just I can make that decision myself and it is about thinking about what the guest needs, you know. They need a desk because our customers tend to be single business travellers – that is the main market – and then weekends it is couples, couples on holiday. So it has to be a bedroom that works for both sets of people, and it has to be not too masculine and not too feminine either because, like, my single men travellers do not want a pink bedroom, they will walk into that and they will be like 'ooh, what I have got here?', so it is trying to get that balance of neutrality in there."*
>
> (female owner, Hotel E)

As previously illustrated, these hoteliers were not bothered about having a great design: they preferred a practical design that fit the needs of their prospective customers.

Additionally, this group of hotels tended to do small things based on their personal tastes. For example, in Hotel B, the manager mentioned the romantic packages and how the team had designed the rooms for romantic occasions:

Extract 37

> *"I do things as if they were done for me personally because obviously I like that as a woman. It would be really nice if somebody did that for me."*

(hotel manager, Hotel B)

This also reflected that these managers did things as they liked them to be, which was mainly scoping the innovation based on their skills, knowledge and personal preferences.

5.3.1.1.2. Using free, cheap and discarded tangible resources

Another aspect of scoping the innovation based on the available resources was recognising free, cheap and discarded resources that could be used to innovate. For example, the owners of Hotel A started a bar on her premises because they had an available room (an existing resource), whereby the femae owner relied on her own skills in pouring drinks and making cocktails. As she did not have any employees and had no experience in serving customers, she thought she would work as a bartender, as she as a person was an existing resource. Moreover, she intended to learn over time and to pursue easy and cheap solutions using the resources at hand to solve problems or challenges. She elaborated on this as follows:

Extract 38

> *"I was thinking because it is only me and I may be busy here and there, so everything in the bar is basically under a lock, so you can see but you cannot take. What you can do, we have designed a little corner. At the moment, it is just a notice that the bar is open for you and just ring the bell, so I put a bell there, a normal old-fashioned office bell. A lot of people feel uncomfortable with this bell, as it is like more or less using me like a slave, and I laugh about it and say 'use it' because it is the only practical solution. So, I said for customers that they have to learn to ring the bell."*

(female owner, Hotel A)

The bell and the noticeboard in the previous extract show examples of the discarded resources that hoteliers may use. They used them without taking into consideration their customers' opinions, as for them this was part of being practical and a way to be able to offer a new service.

Moreover, some free, discarded resources were used to change the hotel's atmosphere and provide a place for guests to relax or meet using unnecessary furniture. For example:

Extract 39

> *"This area [a free space that has some sofas] still needs to be developed. I need pictures and paintings and things like that up here – the two old sofas have come from other rooms. That is fortunate. That red one was downstairs – it was brought up here, I think. It did not look wrong downstairs, but I want to develop up here. I want all this gone – I want this to be done properly."*
>
> (recorded tour with the manager, Hotel F)

The previous example illustrates how the new manager in Hotel F thought of using available and discarded furniture that other people might not use to add a new lobby on the upper level. In this group, discarded resources were used as opportunities to innovate. Other times, discarded resources were used to improve the overall service. In Hotel F, there was a room with a bathtub in the middle, and the manager thought that it might not be very comfortable for a couple to have a shower in this way. To solve this issue, he put in a partition, which he described thus:

Extract 40

> *"I put that in. I found it in what we call 'the dungeon'. It is a junk area where we keep everything, so I found it there and thought 'right, that's what I want.'"*
>
> (manager, Hotel F)

Although it was a very simple addition, it had created a service improvement.

Moreover, another available free and cheap resource was to learn via the internet, as the hoteliers could find a huge amount of free information online that could help them in improving their services slowly. The internet acted as a free learning tool and could help them to close the gap between their knowledge and what they needed to know. The male owner of Hotel E mentioned the following:

Extract 41

> *"Now I'm working on finding new suppliers for seaweed, as it is very good for health and it is very sustainable instead of using salt, as I want to add it to the breakfast."*
>
> (male owner, Hotel E)

When asked where he got all this information from, he mentioned:

> *"From the internet. I can find everything on the internet."*
>
> (male owner, Hotel E)

His quotation shows that he had used the internet to gain knowledge and to improve the hotel's services. The internet had helped this hotelier to gain knowledge about healthy choices and to find healthier substitutes for ingredients and healthier ways of cooking to offer better versions of the hotel's services. The data showed that other hoteliers had used the internet to learn how to fix items and get information about food allergies.

This section covered the behaviour of the hotels that were aligned with effectual logic in terms of using what was available to innovate, whereby their existing resources defined the boarders of their innovation. The next section gives another perception of these boarders by presenting the behaviours these hoteliers performed to adapt their services based on their resources and being creative in finding ways to utilise these resources to overcome their resource constraints.

5.3.1.2. Adapting their services based on the available resources and using these resources creatively

This section discusses the adaptability of these hoteliers based on their resources and their ability to use these resources creatively to innovate and overcome their resource constraints. Most of the hoteliers in the causal logic group had tried many practical and creative ways to develop new services, improve the quality of current services and find better service delivery processes. In some situations, the hoteliers wanted to offer a certain service but did not have the required capabilities, skills or financial resources. In order to offer the service, they had adjusted the service outcome to be compatible with their available resources. For example, in Hotel F, the manager wanted to provide freshly cooked food instead of frozen food, but it was expensive to employ a good chef. Consequently, he changed the menu a bit and developed it in a way to be compatible with the new chef.

Extract 42

> *"I was interviewing chefs for this hotel. I looked at his CV – he did 18 years as a chef, alright, but he had been a taxi driver for 22 years, so he hadn't worked in a kitchen for 22 years. I said: 'fine, you came for a weekend job, but you are my new head chef. We can work together. You are a happy person; I like happy people.' I said: 'I will create you and give you what you need to go forward. What have you got to lose? You are unemployed.' I created him and I designed the menu to fit him, rather than the other way around. Now he is better to the point that he has become a real chef. Don't get me wrong: we will never earn a Michelin star because he is not a great chef. However, what we do, we do well. We cook the food well, and everything is fresh. He is never going to be great, but he does what is said on the menu. He gives you a good steak and he gives you good chips and peas and stuff like that, and he makes lovely sauces for the chicken. The menu was designed by me to do well with the capability of the chef and the kitchen."*
>
> (manager, Hotel F)

This previous example illustrates that the manager was concerned with the applicant's personality more than his capabilities, as he believed he could change the menu to fit the chef's capabilities and he knew what to expect from him. This hotel and the other ones in this group were not greatly concerned with having well-known or moderately skilled chefs. Mostly, they focused on offering decent food.

Moreover, one way these hoteliers changed service outcomes was to change the way breakfast was served. This reflected the hoteliers' usage of resources and their responses to their environments. For example, in Hotel D, there was one woman who was responsible for breakfast, matching the offered services with the available resources. The hotel had recently started to change its breakfast type based on occupancy. It would serve a buffet when the hotel was full and a cooked breakfast when it was not.

Extract 43

> *"I think it was the hotel owner. It started when a rock festival was going on in the city. It was Donington, I think, something like that – I don't know the place. But, yeah, we were fully booked and we were extremely busy, so that is why he thought it would be easier if we made a buffet, so we did it. Since that time, we have done it any time we are fully booked and we are busy."*
>
> (receptionist 1, Hotel D)

Moreover:

> *"If we are busy, we serve a buffet because sometimes when we are fully booked, the hotel is busy. Obviously, if one lady is serving the breakfast, she has to run all the time, and that is why we thought it would be easier and better for people to just make a buffet so everyone can help themselves. As there is only one breakfast chef, anyone who isn't busy goes and helps. The manager will do reception, and then the girl who is doing the reception will go and help Chef. But usually we can see before. Chef usually asks if we are busy tomorrow or something, so she knows if she should prepare a buffet or take orders."*
>
> (receptionist 2, Hotel D)

This presents how the hotels adapted outcomes to the resources at hand; afterward, the hotel made this a routine to make it useful. Paying attention to the occupancy of the hotel became part of the team's daily routine to know how to serve breakfast. This was accompanied by the manager being a receptionist on that day. These two behaviours helped the hotel to save efforts and thus money by reducing the number of employees needed for each shift. This example suggests that the hotel's flexibility as a small independent hotel allowed it to make changes in response to unplanned circumstances, whereas this action could not be applied easily in bigger industries without causing resistance or without notice.

Moreover, these hoteliers considered changing the outcomes of services when customers requested something specific and adapted services based on what they could do with what they had. For example:

Extract 44

> *"People don't want usually to get up very early on Sunday morning, except contractors and people who work in the city. For the majority of them, half seven is the latest, and it can be as early as half six sometimes. I wrinkle my nose and say: 'can I make you a packed lunch or breakfast?' And the majority of people agree because it is a really good one, it is not less at all. It is not hot, it will not be hot by the time*

they will be eating it, but it is really nice: a big large bun with everything in it and there are fruits and juice and everything, so it is not less – it is probably more, but it allows us not to get up at 5 o'clock."

(female owner, Hotel A)

This shows how the hotel tended to find simple solutions to situations or customers' requests. It did not complicate things or try to do them in the best way. The hotel staff tried to perform their work, achieve their goals and do what they were asked for in a simple, convenient way.

Additionally, Hotel E had an extension plan to add another 16 bedrooms. The management wanted to add these rooms without renovating the kitchen or hiring new employees because they could not afford it. In order to buy the next-door building, they had to get a mortgage, and they prioritised the bedroom renovations over the kitchen renovation. Hence, the idea of a packed breakfast (a takeaway breakfast) was a solution to not having a newly renovated kitchen or a new employee. This early packed breakfast acted as a solution to the hotel's unchangeable situation, which had been given as a suggestion by a customer a long time ago.

Extract 45

> *"We are not doing the kitchen because we have got 16 bedroom renovations to do. So, it is going to be a big project, so we will be very busy for a while. The breakfast room and the kitchen in the next-door building need a lot of work – kitchens especially are very expensive – so it is partly a budget thing. We were thinking initially that next door will be more of like a budget option, more of like a Travelodge kind of option. All the bookings will be run through here, so you can say to people 'oh you can have full service or you can have it £5 cheaper', and a lot of people, especially people who travel a lot, they don't want a full English breakfast – they prefer a packed breakfast. Eventually, when we have got some money, we are going to redo the basement and redo the kitchen, and then we will offer full service there as well."*
>
> (female owner, Hotel E)

The previous example illustrates how this hotel in a resource-constrained environment tended to do things in a more convenient way than going a step further and attaining certain goals. For their extension plan (the next-door building), the owners intended to offer a full service in the current building, with a cooked breakfast and trendy double rooms (for two people), whereas in the extension, they intended to offer a kind of budget service, with a packed breakfast and single rooms. They changed the entire service concept to adapt to the resources at hand. This had not necessitated them to hire a new employee or do the required kitchen renovation in the new building. They thought of this because the female owner mentioned that quite high amounts of their guests were single workers who stayed for more than one day: maybe five days a week for a couple of weeks. Therefore, they did not want a cooked breakfast every day and preferred a cheaper place to stay. The owners tried to match what they had with what their customers wanted.

Moreover, in Hotel C, the small rooms affected the service design and service atmosphere. The owner mentioned finding ways to make guests feel like they were not in very small rooms.

Extract 46

> *"I have been creative. Upstairs in the bedrooms, we have created a particular way of designing the room without knocking walls down, maybe a bit better space wise. The room sizes are exactly the same but it is a case of: it is a small room and it has wardrobe doors, so let's remove the doors and just keep it as a hanging space, so it just cuts down the amount of space that has been lost to doors."*
>
> (male owner, Hotel C)

This shows it was not uncommon to enter a room in this hotel and find a wardrobe without a door, yet this made the room feel bigger, which was better in the owner's opinion than having a wardrobe door but feeling that the room was smaller. Here, creativity was used in changing the service physical atmosphere.

The other side of being creative in using the existing resources was to engage in the unintended usage of resources. The hoteliers in this group sometimes used their customers to ensure the fluidity of the service. The hoteliers inconvenienced the customers with some requests for the sake of being able to maintain the service. Unfortunately, participation was involuntary for the customers. For example, in Hotel B, the receptionist asked the customers to collaborate in informing the hotel what breakfast they wanted the day before, as well as to put the tray outside their room and to leave their room around 12 o'clock so that it could be cleaned. While this was not quite convenient for their customers because they were helping in the operation of delivering the breakfast service, it had to be done in order to continue the service flow. Similarly, Hotel A asked customers what and when they wanted to have breakfast, as the breakfast room could not fit all the guests in and because the hotel was a two-person operation, so they needed to know what ingredients to get ready. Therefore, this group of hotels tended to offer their services even if they could not do so properly or tried to find other ways to promote their hotels and ensure the service flowed nicely.

Similarly, the idea of using resources for different reasons than usual was also applied to tangible resources. For instance, in Hotel B, the receptionist was also the person in charge of the breakfast shift, which added challenges for the receptionist to accomplish both tasks fairly and simultaneously. Usually, CCTV monitors are located at the reception desk in a hotel, yet in this hotel, they were in a different location: the kitchen. This allowed the hotel to adapt to the situation of not having a breakfast room.

Extract 47

> *"We have got lots of CCTV cameras, so we can see if there is a guest at reception. So, when you go and do a breakfast, you always need to have half an eye on the screen."*
>
> (receptionist, Hotel B)

This example illustrates how innovation can be applied using the available resources in a different way from originally intended. It shows how the hotel adapted to its lack of resources (employees) by using a particular tangible resource (CCTV monitors).

Hence, scoping innovation to be realisable within the available resources involves using what is available to innovate and finding creative ways to use the existing resources, as well as finding ways to overcome resource constraints. The other main behaviour of this group of hotels related to service innovation is discussed in the next section: embracing unanticipated opportunities.

5.3.2. Embracing unanticipated opportunities

This theme is about reacting to new information, people and events to innovate, whereby the information, people and events acted as new resources that could be used by the hoteliers to improve their service offerings. New information can be gathered from customers, employees, suppliers or any random person. The analysis of the data depicted that this group of hotels was quite responsive to any new information they were exposed to, and they

engaged in service innovation because of that information (access to new resources).

The following example presents how information from a friend brought a new chance to reach new customers. The friend mentioned a service unrelated to hotels: electric car charging. In return for offering electric car charging, the hotel's name had been listed on the car company's website (a new way of reaching new customers). This was part of the hotel's promotional techniques and efforts to find new customer contact points in terms of service innovation.

Extract 48

> *"A new service that we are adding is electric car charging. It is actually something that's been tested in America, and some of our bed and breakfast friends called us telling us that Tesla are doing free chargers that you can apply for, and they should be here now. It is completely free: you have to pay for the electrician to put it in, but that is all. So we said: 'is there any chance to do this in the UK?', like we will be really keen to have one... Before we realised we could get a free one, we did have a look at it because there is no other accommodation in [name of city], other than [other hotel], which is outside of town, that has an electric car charging point. So, if you have an electric car and you want to stay in [name of city], we will be the only place that you could choose, so that would be good marketing, yeah. Plus if you do have a Tesla, they put you on their website, so say you are travelling, you can look up where all the points are, so we get free advertising there as well."*
>
> (female owner, Hotel E)

This previous example presents how the hotel used what was available and tried to take advantage of it. This group of hoteliers preferred using free resources because of their resource constraints. This was related to their flexibility and eagerness to develop their hotels and services and reach new customers. Moreover, the hoteliers exploited the resources in their surroundings to develop new offerings. It was not that they tried to acquire these resources:

they just happened to be there, either inside or outside the firm. It only took these hoteliers to recognise these resources' presence and then utilise them. This type of service innovation took place when the hoteliers did not have any service plans and tried to find a way to adapt to their resource constraints. For example:

Extract 49

> *"I advertised somewhere that I was looking for a cleaner, so she came to me and I talked to her and she said: 'I'm a hairdresser with no job'. I said: 'ooh, well then, come to Mama.'"*
>
> (female owner, Hotel A)

She also said:

> *"She [the cleaner] is underrated: she would never be able to establish herself as a hairdresser unless somebody gave it her as a gift. She is very well trained but has no money to open a salon, no money even to hire a chair, no money for that at all. She is very poor. So, I offered her that, and she would do... obviously, I would charge for either the place or she would give me a percentage. I didn't even think about it. Today we have so many rooms occupied, so my idea was to cut from the big room and to make it a salon."*
>
> (female owner, Hotel A)

This example shows how the female owner decided to add a hairdresser's corner because she knew that her cleaner had the skill, and it would be an added-value service for the hotel. It was mainly associated with the idea that while there might be no profit, there would be no loss. It was an unplanned opportunity that arose, and the hotelier responded to it and used it. This shows that the services provided in a hotel may change due to encountering random new people or new information.

Furthermore, customers' and employees' suggestions may bring out some new insights and information that hoteliers have not considered. This new information may change the offered services. Due to their flexibility in making

decisions, small independent hotels usually do not follow certain rules or procedures like chain hotels do; therefore, their ability to make changes is stronger. As mentioned above, employees may provide information that the manager did not know about, and this may help the hotel to offer what customers want. For example, a lack of knowledge about small bottles of sparkling wine might have led Hotel F to stop serving this wine. Although this may sound like an unimportant service, it was important in the eyes of the guest who asked for it. Therefore, sharing information and expanding networks to receive new information played a major role in the hotel's service innovation.

Extract 50

> *"When I first came here, they opened a bottle of Prosecco and never sold another glass. The bottle went off, and they were stuck with nothing, you know. So then Alice [an employee] said: 'buy the small ones', you know, and I said: 'okay, I will try that', and now that is quite successful because it has worked for us. Because we can open a small one for them and that is theirs and give them a glass, and we don't lose out."*
>
> (manager, Hotel F)

This information just changed the hotel's shopping list. It did not require an intensive assessment process. This presents the ability of employees to add services and give customers what they ask for in a very simple way, just by providing information to the manager.

This section discussed the ability of these hoteliers to use any new information or meeting new people to change their service offerings or service delivery due to their flexibility. The third behaviour in terms of resource utilisation for innovation in this group was to offer their services using minimal resources.

5.3.3. Offering their services using minimal resources

This theme is associated with the hoteliers delivering their services and engaging in service innovation activities using the fewest possible resources. The analysis shows that the hoteliers engaged in service innovation by offering some services using minimal resources. For example, Hotel C's owners wanted to maintain the number of employees and ensure the fluidity of the service; therefore, he replaced the employees with some instructions, which mainly used cheap resources like paper. He described this as follows:

Extract 51

> *"I think tiny things like we put letters in the room explaining as much as we possibly can about how we operate. So people come downstairs in the morning for breakfast, and on their first morning they walk in and say: 'where do we have breakfast, where do we sit?' Well, each table does not have a table number: it has a room number, so the room number is their table number, so we do not have to have somebody stood at the door telling them where to sit, so that means that person can be doing something else."*

(male owner, Hotel C)

The previous example shows how the hotelier implemented a simple method to make sure that the service was flowing nicely, whereby he reduced the number of employees per shift and maintained an easy service flow. This was noticed in most of the hotels in this group, which tried to find easy, cheap and simple ways to maintain their services or add new services. For example, in Hotel E, the owners added a new service: reception selling. The products used in the hotel were presented on a table at reception for sale.

Extract 52

> *"We brought in reception sales, where everything we do, we sell a version of it, so hand wash, cereals, jam, local stuff. We sell more ketchup and brown sauce than anything else – they're very popular."*

(female owner, Hotel E)

The hotel introduced the service to increase revenues, as the hotel could not afford mini-bars in the rooms but could have one wooden table to present and sell products. This service idea already existed in the area: it could be found in some four- or five-star hotels. However, the hotel introduced it in a way that fit the available resources and constraints, operating at minimal cost. The hotel offered what it could and tried to generate profit at the least possible cost.

Further, the data suggested that the hoteliers perceived their employees as a human resource that was already there and should be used to the fullest. This behaviour was depicted by the high workload per person and the fact that employees were asked to do tasks that were not listed in their job descriptions. This allowed the hotels to have fewer employees per shift and in general. Furthermore, the hotels tended to find ways to deliver their services with less effort and time, which may save money directly or indirectly by affecting the number of employees. In Hotel F, the owner and manager mentioned the following:

Extract 53

> *"They are called 'general assistants'. They do not have specific titles, such as 'receptionist', 'waitress' or 'housekeeping' – they are 'general assistants', so they can help in all areas of the hotel. They normally start at half past seven, 8 o'clock in the morning, serve breakfast, clear down after breakfast and then go upstairs and service the bedrooms. They are also capable of checking guests out of the hotel, and then sometimes in the evenings I may have somebody working on checking guests into the hotel."*
>
> (male owner, Hotel C)

The previous example presents the way these employees were perceived as resources by this hotel. Sometimes what they were asked to do enhanced the service and went the extra mile in providing a good service to customers. Besides that, the hotels in this group always looked for multi-tasking employees. In Hotel A, the female owner mentioned that the bar was generating lots of revenue and that if it stayed like that, she might employ a

multi-tasking employee or a concierge to help her in doing many tasks without having any defined job.

Saving money was a common behaviour in all the participating hotels in this group. They tried to find several ways to reduce costs and increase profits. One of the hotels changed the way it bought toiletries to be more efficient in its service delivery and service offering. For example:

Extract 54

> *"We have changed that, actually. It used to be sort of like individual shower gels that you have in your room all the time. Now we have a container of shower gel in the shower room. It does look very professional, very smart. But it means that it is there constantly, rather than having lots of little ones about, so that works well, and customers have been happy about that."*
>
> (receptionist, Hotel B)

This shows how the hotel changed the outcome of a service (small or large bottles) to be more efficient; instead of wasting many little bits of shower gel or shampoo in small containers. It changed the service delivery and service outcome.

The last type of behaviour associated with service innovation was collaborating with external parties to broaden their service offerings and build customer awareness.

5.3.4. Collaborating with external parties and making use of external resources

This theme emerged due to the hoteliers' tendency to collaborate with external parties to be able to offer new services that would not be possible by themselves. This mainly occurred in two ways: co-operating with other parties that shared the same space and collaborating with other businesses to build awareness of the hotel.

5.3.4.1. Co-operating with external parties that shared the same space to offer new services

This behaviour was mainly present when the hotel and the other business were sharing the same space, as the collaboration allowed them to offer services that they would not be able to offer by themselves. For example, in Hotel H, the manager mentioned the following:

Extract 55

> *"There is a bar downstairs and at the far end [next to our bar], [external party] has a function room next to ours. Whenever we get large functions of 200+ people, we open the full bar area – everybody can get down and we can cater for that amount of people. We inform each other about any coming events. We keep fairly good communication. I see them every day and if they have got any reservations, for instance if they have got a function that is happening, they will give me the actual dates and I will put it in my diary. It all depends on the number of people coming to the function."*
>
> (manager, Hotel H)

The previous example clearly illustrates how collaborating with an external party may help in providing services and overcoming constraints such as space.

Similarly, in Hotel B, there was no breakfast room and the manager was keen to serve breakfast. The receptionist described the following solution:

Extract 56

> *"Breakfast is only in the rooms. The building is attached to the restaurant next door. It is a separate business, but once a month, particularly if we have got three rooms booked, and, you know, three different guests and they all want to have breakfast together, they may have it in the restaurant because at the moment we do not have a breakfast room."*
>
> (receptionist, Hotel B)

This example illustrates how the manager wanted to serve breakfast, despite the hotel's lack of a breakfast room. Through collaborating with the restaurant next door (an external resource), the hotel found a solution to offer a seated breakfast to bigger groups. This was part of adding a new service that could be offered in special circumstances.

Similarly, the owners of Hotel C started to build a bar and dining area, yet they did not have a clear plan of how they wanted to manage it. The male owner said that he would prefer to lease it out to another business because he could not afford to hire new employees, or he would like to make a deal with a catering company to manage the area and share the profits.

Another reason for collaborating with external parties to utilise their resources is to reach new customers.

5.3.4.2. Building customer awareness

One of the main shared characteristics for this group of hotels was the high-resource-constrained environment. For them to overcome these constraints and still reach new customers, they collaborated with other businesses. In Hotel F, the owners did not allocate a budget for marketing, which limited the manager's ability to promote the hotel. This put the manager in a situation where he had to find ways to promote the hotel without spending money. Therefore, the manager used external resources to overcome this financial constraint.

Extract 57

> *"I've always been a fan of local attractions. I was talking to the Heights of Abraham and they said: 'oh, you can sell our tickets, and we will give you 20%' – okay, fine. So, I sat down and thought about it. Now, the company doesn't want to spend money on marketing. I can't get them to advertise. I have Sunday lunch that is dead because they won't advertise. How are people meant to know about us if we don't advertise?... Then I thought: 'right, I've got it. I will use the Heights of Abraham. I will give customers my 20% discount.' And I have tried to bring it in slowly, advertising it on TripAdvisor and sites like that. And I have got five to six hits on Booking.com. 'They sell Heights of Abraham tickets at a discounted rate'. Booking.com has got there now, so on our website now, it is a promotion – it is the only way, a cheap way, of promoting the hotel."*
>
> (manager, Hotel F)

The previous example shows that the manager had to use an external party's resources to encourage people to choose the hotel and to learn about its services. When this manager thought of collaborating with this tourist destination, he recognised that the owners did not assign a budget for promotions (which added a financial constraint); he thought of this collaboration as a solution to this constraint.

The same idea occurred in Hotel E when the owners learnt about the opportunity of collaborating with Tesla: having the hotel's name listed on Tesla's website and in return having an electric car charger on the hotel's premises *[extract 48]*. Such collaboration presented the idea of reaching new customers based on co-operating with external parties to use their resources.

This concludes the discussion of the behaviours of the effectual logic group in terms of resource utilisation. The next section presents the linkage between the characteristics and behaviours of the six hotels in this group and the effectual logic principles that are presented in effectuation theory

5.4. The linkage between the characteristics and behaviours of the effectual logic group with effectual logic principles

The main principles associated with effectual logic were covered in the literature review section (see Section 2.5). These are starting with means, applying the affordable loss principle, establishing and leveraging strategic partnerships, leveraging contingencies and controlling the future (Sarasvathy, 2001; Fisher, 2012). These principles can be linked with the characteristics and behaviours of effectual logic as follows.

5.4.1. Starting with means

This principle can be linked with two of this group's shared characteristics: a focus on current resources and a lack of vision. In addition, all their behaviours were associated with scoping their innovation according to their available resources. They did not have any future plans that they were trying to achieve. Their tangible and intangible resources were the starting point for their service innovation activities.

5.4.2. Applying the affordable loss principle

This principle could be associated with these hotels' learning orientation, as they did not invest in any formal learning opportunities – it was more about the hoteliers learning as they worked. This in itself could reflect the idea of applying the affordable loss principle, as it shows that they did not mind investing their time and efforts in their hotels but did not try to obtain the right resources to do the job, and this in return allowed them to use less money to operate the businesses. Moreover, their behaviour of offering their services using minimal resources could also be associated with this principle, as it reflects their tendency to improve their services using only what they had, as this did not present any risks of losing resources. It was more about operating with the existing resources due to their few perceived resources.

5.4.3. Establishing and leveraging strategic partnerships

This principle can be represented by the behaviour of collaborating with external parties to make use of their resources either to offer some new services or to reach new customers, as the hotels used external parties to

overcome their resource constraints. These collaborations gave these hoteliers access to new resources that they could use to innovate. Although some of these collaborations were co-operations and others were partnerships, both types showed the necessity of working in harmony with and adapting to the other party to help one other.

5.4.4. Leveraging contingencies

This principle relates to the behaviour of reacting positively to and embracing unplanned opportunities as they arise. The hotels reacted to new information, events and people; they responded to the external environment by engaging in service innovation, even if the outcome was not the best version – "good enough" was good enough for this group. They were keen to add new services based on any unanticipated opportunities because any new service was a good service to them, and they did not have any strategic plans.

5.4.5. Controlling the future

The previous characteristics and behaviours reflect how these hotels believed they could control the future, rather than predicting and act upon it. They did not leverage contingencies, which entails embracing unexpected events and turning them into profitable opportunities, thereby getting unanticipated outcomes, as opposed to achieving a predefined goal. These hoteliers acted based on what they had and believed that whatever they offered could create demand, even if there was no demand. Mostly, this did not come from being confident of what they offered; it was mainly because this was the only thing they could do. They developed and improved their services based on what they had, rather than what customers preferred or to fill a gap in the market.

This section presented how the behaviours and characteristics of the six hotels in the effectual logic group were associated with the main principles of this logic. The following section covers the outcomes of the group's behaviours in terms of service innovation.

5.5. Effectual logic service innovation

The outcomes of the different service innovation behaviours associated with the effectual logic group were scoping innovation within the available resources, embracing unanticipated opportunities, offering services using minimal resources, collaborating with external parties and offering services in acceptable forms, rather than offering them in their best versions. The hotels in this group did not show any explorative innovation in pursuing new opportunities in the spirit of invention. They focused more on the essence of exploitation: fine-tuning their services and using their current resources (including skills and knowledge) to innovate. The outcomes of the service innovation were quite simple and new to the hotels, rather than breakthrough innovations that were new to the industry.

The data suggested a reactive exploitative service innovation approach as the key driver of NSD in the effectual logic group. The various new services or facilities were mainly introduced in response to internal and external opportunities. These opportunities were mainly customers' suggestions, new events or new access to resources. This might be due to one of the main effectual logic principles: being resource driven. Moreover, it was found that the goal behind their reactive service innovation approach was making customers happy, satisfied and less frustrated, as well as financial goals such as reducing costs and/or increasing revenues. Financial reasons acted as drivers for these hotels to be both proactive and reactive.

Although an exploitative reactive service innovation approach was the main approach of these six hotels, two of the hotels (Hotel E and Hotel F) showed a proactive approach in adding new services and building new communication channels, which represented service innovation and organisational innovation, respectively. Only these two hotels showed interest in promoting themselves and reaching new customers. They engaged in promotional techniques, but these tended to be free ones – they preferred not to spend money. The hotels were efficient in terms of financial and human resources by being proactive and reactive.

The following tables illustrate some examples of the three groups of service innovation outcomes, starting with the dominant reactive approach and then looking at the proactive one.

Table 6: Examples of adding new services in an exploitative reactive manner

Hotel A	**Hotel B**	**Hotel C**
- Offering a packed breakfast instead of a cooked breakfast due to customers' requests - Opening a hairdresser's corner because the cleaner was a hairdresser - Offering a bar service due to the availability of existing resources	Responding to customers by: - Offering complimentary water bottles - Collaborating with a nearby restaurant to offer breakfast to bigger groups	Responding to customers by: - Adding bathroom hooks - Starting to build a dining and bar area due to space availability
Hotel D	**Hotel E**	**Hotel F**
- Listening to a friend's suggestion and buying two used vending machines - Offering Indian food in the restaurant based on the preferences of those who had shown interest in hiring the restaurant	- Offering a packed breakfast instead of a cooked breakfast due to customers' requests	Responding to customers by: - Selling crisps and small bottles of Prosecco

Table 7: Examples of adding new services in an exploitative proactive manner

Hotel E	Hotel F
- Offering healthier options for breakfast - Offering reception sales - Introducing green ideas	- Offering small complimentary chocolates - Improving the food quality from frozen to fresh, yet trying to adapt the menu to the chef's skills

Table 8: Examples of building communication channels in an exploitative proactive manner

Hotel E	Hotel F
- Selling one-night stays via vouchers sold in retail shops - Listing the hotel's name on Tesla's website (the owner reacted to new information, but her persistence was what led her to reach Tesla)	- Developing packages - Selling discounted tickets for tourist destinations to guests and using this as a promotional tool by having a pop-up on Booking.com about this - Organising events such as steak nights - Improving the hotel's website

The previous tables covered the service innovation outcomes in the effectual logic group. The third set of outcomes related to process innovation, which was mainly concerned with increasing efficiency. This process was both proactive and reactive across all six hotels.

5.5.1. Efficiency

This fits into the hoteliers' tendency to reduce operational costs. It mainly related to making small adjustments to save time, money or resources. For example, Hotel D changed the way it served breakfast based on the occupancy on the day *[extract 43]*. Additionally, most of the hotels had changed their booking systems so that they required less effort, saved time, and facilitated information handling and flow (no double efforts and no double bookings). This changed the way the customers booked the rooms and the way these hoteliers operated, but they had made these changes because they had little time, which was a limited resource.

Moreover, another example of changing internal processes to be more efficient was when Hotel B changed the way it bought toiletries to be more efficient, which was part of the service delivery *[extract 54]*,. In addition, the hotel introduced some green practices to be more efficient. Similarly, Hotel F changed its food menu to match the chef's capabilities while still offering decent food, as the hotel could not afford a better chef *[extract 42]*. This was all part of changing the service processes and outcomes to reduce running costs or resource usage.

5.6. Summary

This chapter discussed the group of hotels that were aligned with effectual logic. It identified their shared characteristics: a focus on existing resources, a lack of vision, a learning orientation and few perceived resources. It presented the main behaviours of the hoteliers in relation to resource utilisation, which were broadly classified as scoping innovation to be realisable within the available resources, embracing unanticipated opportunities, offering services using minimal resources, and collaborating with external parties and making use of external resources.

Afterwards, the chapter presented a small summary linking these characteristics and behaviours with the effectual logic principles that are presented in effectuation theory. Finally, it presented the outcomes of these behaviours in terms of service innovation. It showed that the hotels adopted an exploitative service innovation approach in an incremental way, where the hotels were more reactive to new resources and customers' requests in their approaches to adding new services, increasing efficiency, building communication channels and engaging in marketing activities. While two out of the six hotels showed a proactive approach in looking for different opportunities and ways to innovate, the intensity of this approach was less than that of the proactive approach.

This chapter and the previous one presented the causal and effectual logic groups' characteristics, behaviours and service innovation approaches. The next chapter discusses the interrelations between the two groups and the conditions underlying such interrelations.

CHAPTER 6 FINDINGS AND ANALYSIS: INTERRELATIONS

6.1. Introduction

The aim of this chapter is to show the interrelations between causal and effectual logics in service innovation in a resource-constrained environment. The previous two chapters addressed the different characteristics of the participating hotels based on their adoption of causal and effectual logics. These two groups (causal and effectual) were analysed in terms of their behaviours in relation to resource utilisation and service innovation outcomes and approaches. This chapter discusses the overlap between the previous two chapters: the presence of both logics in the same participating case. Firstly, the chapter presents four interrelations between causal and effectual logics. Interrelation, in this research, is defined as the presence of one logic behaviours or both dominant logic behaviours and opposing logic behaviours. The classification of these four interrelations is based on the differences and similarities between the behaviours related to resource utilisation and service innovation. Secondly, it shows the conditions underlying such interrelations. Conditions, in this research, are defined as the factors behind the hoteliers' adoption of one of the different four interrelations. Finally, a summary of the chapter is provided.

6.2. Interrelations between causal and effectual logics

This section discusses the co-existence of both logics in the same firm. The previous two chapters presented these two logics as separate. However, the data analysis unravelled similarities between hotels in the causal logic group with others in the effectual logic group. At the same time, there were some differences between hotels in the same logic group. These similarities and differences within and across the groups led to four types of interrelations: two of these types were dominated by one of the logics and the other two types were hybrid with different natures based on the dominant logic.

1. Hybrid logic – dominated by effectual logic: developing (Hotel E, Hotel F)
2. Hybrid logic – dominated by causal logic: mobile (Hotel G, Hotel I)
3. Dominated by causal logic: complacent (Hotel H)
4. Dominated by effectual logic: stagnant (Hotel A, Hotel B, Hotel C, Hotel D)

The characteristics of the two types of hybrid logic are discussed in the following sections, whereas the last two were covered in the previous two chapters.

1. **Hybrid logic – dominated by effectual logic: developing (Hotel E, Hotel F)**

This hybrid logic group, represented by Hotel E and Hotel F, showed both causal and effectual logic behaviours, but the behaviours associated with effectual logic were more dominant. This type of hybrid logic was found in the hotels associated with effectual logic, which were mainly characterised as having few perceived resources. They showed some behaviours that were similar to those associated with causal logic. Although this group of hotels innovated based on the available internal resources, they tried to use the available internal and external resources to the fullest and collaborated with external parties to build new communication channels and reach new customers. Hence, this group of effectual hotels had a different perception: being both internally focused and externally focused. This means that these hoteliers looked beyond what they already had and what could be done using their internal resources to focus more on what other external parties may provide as resources that may help them to improve their services. This tendency to look at external resources was more present in the hybrid logic classification dominated by effectual logic than in the other effectual logic hotel group.

The “developing” hotels were aware of the importance of building new communication channels and reaching new customers, which was missing in the other hotels associated with effectual logic (“stagnant” hotels). Moreover, they were motivated to find new services that they could add to their hotels on

their own, instead of reacting to the surrounding environment and customers' requests only. Therefore, this hybridity reflected a broader range of service innovation, as they were reactive to customers' requests and any new resources, gaining access to new resources through their effectual logic nature. In addition, they were proactive and initiated innovation by themselves to attract more customers (organisational innovation) and increase efficiency (process innovation). These hotels were concerned with building customer loyalty, which other hotels in the effectual logic group did not show any interest in.

The "developing" type showed hybridity through a path moving from effectual logic to causal logic, yet what stopped these hotels from fully sharing the same principles and behaviours of the causal logic group were their financial resources.

2. Hybrid logic – dominated by causal logic: mobile (Hotel G, Hotel I)

This hybrid logic was found in the hotels associated with causal logic. At the same time, they shared some behaviours with the hotels associated with effectual logic. The hoteliers in this group were highly efficient in using all of the available resources without compromising service quality, and they ensured they provided what customers wanted. They focused on both efficiency and quality, yet the priority was quality: they always tried to offer a good-quality service, rather than a "good-enough" service. Their tendency to consider efficiency allowed them to see how they could use their internal resources and any new resources to the fullest. After that, they attained new resources if the internal ones were not enough.

They had the required tangible and intangible resources to achieve their visions and to offer high service quality, yet they were highly efficient in improving their quality and adding new services. This behaviour of incorporating high service quality with efficiency led these hotels to perform some behaviours related to effectual logic, to a smaller extent, such as making creative use of the available resources, adapting their services to the available resources, unintended usage of resources and embracing unanticipated opportunities. (these behaviours were mentioned in Sections 5.3.1.2. and 5.3.2). Performing

these behaviours and practices from both logics increased the scope of service innovation. The hotels had their own service innovation plans based on customers' preferences and the opportunities to fill gaps in the market. Moreover, they showed some reactive approaches by responding rapidly to unplanned opportunities, such as customers' suggestions, new information and the availability of new internal resources. They happily added some services that were unrelated to their long-term goals, as long as they fit with their hotels' atmospheres. The hoteliers in this group were proactive by nature in achieving their goals, and they reacted to unplanned opportunities and the available resources to deliver new or improved services, build communication channels and increase efficiency. This reactive approach to the available internal and external resources allowed the effectual logic activities to arise.

Overall, this group of hotels did not want to be effectual: they were happy with their current positions, yet they had wider exposure in relation to the available resources. It looked like they wanted to borrow some effectual logic characteristics to innovate while keeping their causal logic characteristics and behaviours. They knew that their engagement with their causal logic activities and some effectual logic activities offered a broader range of services and presented them with the benefits of both logics. This group was characterised as mobile because they could borrow characteristics from the other group without losing their own logic's characteristics and behaviours.

Figure 3 summarises the four types of interrelations between both logics by presenting the similarities and differences in behaviours and service innovation approaches.

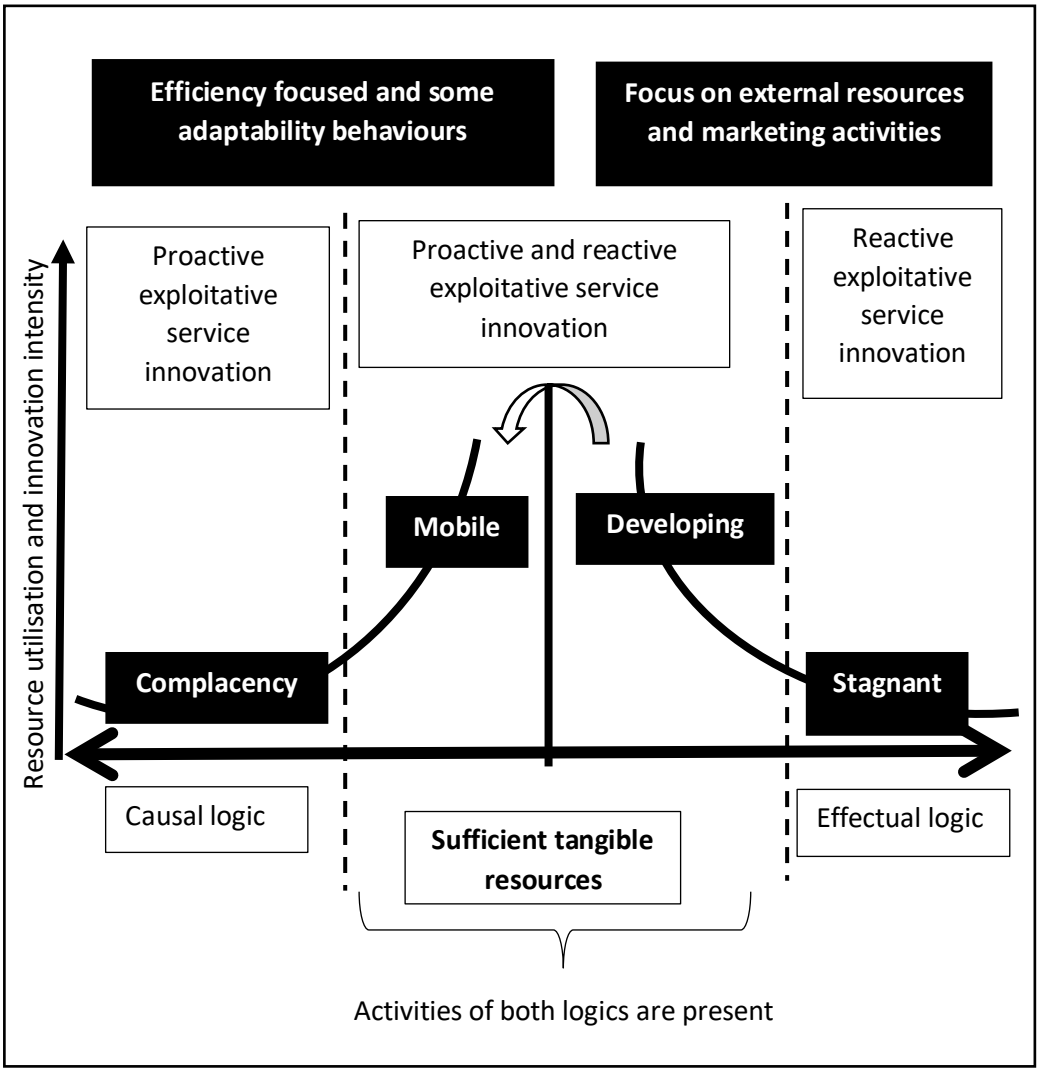


Figure 3: The relationships between causal and effectual logics, service innovation outcomes and strategies, and resource utilisation

In Figure 3, the "complacent" and "mobile" types are associated with causal logic, while "stagnant" and "developing" are associated with effectual logic. Both "mobile" and "developing" represent hybrid logic groups. As mentioned previously, the availability of and the willingness to use tangible resources were the main determinants between effectual and causal logics. It was noticed that for "developing" hotels to fall into the "mobile" group, they had to obtain tangible resources to be able to share fully the same principles and behaviours as the causal logic group. The main differences between the groups of the same logic are presented in the boxes at the top of the figure, whereby these behaviours made the sub-group of hotels in that logic group similar to that of

hotels in the other logic group. Further, the service innovation approach in each group is presented by the middle boxes (reactive and proactive service innovation approaches).

These four interrelations emerged due to certain conditions. From the previous discussion, it can be depicted that behaviours in relation to resource utilisation and resource availability were the first two conditions behind such interrelations. Afterwards, an in-depth analysis unravelled two additional conditions: intangible resources and management attitude. The nature of the resources consisted of two sub-conditions: resource availability and intangible resources. Table 8 to Table 10 illustrates the configuration of the conditions underlying the interrelations between the logics. Table 11 illustrates the different service innovation approaches based on causal–effectual interrelations. Afterwards, a detailed explanation of these four interrelations and the drivers behind them is presented.

Table 9: The first condition underlining causal–effectual interrelations: behaviours and practices

	Hybrid Logic – Developing	Hybrid Logic – Mobile	Causal Logic – Complacent	Effectual Logic – Stagnant
Efficiency vs. quality	● Focus on both, giving priority to efficiency	● Focus on both, giving priority to quality	● Focus on high quality only ● Create a prestigious image	● Focus on efficiency only
Internal vs. external resource focused	● *Fully* utilise their internal resources ● Collaborate with external parties to expand their available resources (free of charge)	● *Fully* utilise their internal resources ● Seek to obtain new resources to achieve service innovation if needed	● Seek new resources for service innovation, rather than *fully* utilising their internal resources first	● Generally, *fully* utilise their internal resources, with one exception detected* ● Consider external parties only if they share a nearby location (location advantage assists in innovation)
Focus on marketing and reaching new customers	● Engage in marketing activities but only free ones	● Highly focus on marketing and reaching new customers	● Highly focus on marketing and reaching new customers	● Do not consider engaging in any marketing activities

* Only one hotel within this group was found to be not fully utilising its internal resources, due to a lack of passion and social skills (Hotel D – see Section 6.2.4).

Table 10: The second condition underlining causal–effectual interrelations: nature of resources

	Hybrid Logic – Developing	Hybrid Logic – Mobile	Causal Logic – Complacent	Effectual Logic – Stagnant
Resource availability	● High resource constraints ● Insufficient financial resources	● Low resource constraints ● Sufficient financial resources	● Low resource constraints ● Sufficient financial resource	● High resource constraints ● Insufficient financial resources
Intangible resources	● Perfectionist personality ● Persistence, enjoyment and dedication (sense of belonging) ● Intensive social networking abilities and moderate professional networking skills ● Previous working experience in hotels	● Morale, personality and determination ● Persistence and dedication (sense of belonging) ● Positive managerial interpersonal skills and intensive professional and social networking abilities ● Previous working experience in hotels	● Knowledgeable and arrogant personality and determination ● Dedication ● Lack of managerial interpersonal skills but have professional networking abilities ● Previous working experience in hotels	● Generally passionate personality, with one exception detected* ● Persistence, enjoyment and dedication (sense of belonging) ● Positive managerial interpersonal skills and limited professional and social networking abilities, with one exception detected* ● Do not necessarily have previous working experience in hotels

* Only one hotel within this group had a lack of passion and social skills (Hotel D – see Section 6.2.4).

Table 11: The third condition underlining causal–effectual interrelations – management attitude

	Hybrid Logic – Developing	Hybrid Logic – Mobile	Causal Logic – Complacent	Effectual Logic – Stagnant
Management attitude	● A positive attitude associated with informal future plans	● A positive attitude associated with the humbleness of the management and owners	● A positive attitude associated with a show-off attitude	● Either a positive attitude associated with a mental barrier or a careless attitude

Table 11: The different service innovation approaches based on causal–effectual interrelations

	Hybrid Logic – Developing	Hybrid Logic – Mobile	Causal Logic – Complacent	Effectual Logic – Stagnant
Service innovation approach	● Proactive and reactive, yet the dominant approach is reactive ● Engage in both traditional and *creative* service innovation activities	● Proactive and reactive, yet the dominant approach is proactive ● Engage in both traditional and *creative* service innovation activities	● Proactive ● Engage more in traditional service innovation activities	● Reactive ● Engage more in traditional service innovation activities and based on the available resources

6.2.1. Hybrid logic – dominated by effectual logic: developing

This hybrid logic dominated by effectual logic was identified in Hotel E and Hotel F based on different conditions. Firstly, it was based on their behaviours: they focused on both efficiency and quality, but priority was given to efficiency. The focus was on using their internal resources to the fullest, where they also considered external parties to collaborate with to expand their service offerings and engage in marketing activities. Secondly, it was based on the nature of their resources: they had many perceived resources (including intangible resources). They had perfectionist personalities, persistence, enjoyment, passion, dedication (a sense of belonging), social networking skills and previous experience, all of which played major roles in their adopted approaches. Thirdly, it was based on their management attitude, which was positive and associated with having informal plans. These three conditions together played a role in moving the hotels from being aligned with the effectual logic group to be more aligned with causal logic.

The "developing" hotels used their intangible resources to attain additional tangible resources to become more-strategic thinkers. Although the main difference between the causal and effectual logic groups was tangible resources, the bridge from effectual logic to causal logic used the previously mentioned intangible resources. Owners or managers in this group were keen to develop themselves and achieve better performance, and this was one of the main conditions behind this interrelation.

For brevity purposes, this section covers only one of the hotels belonging to this group in detail (Hotel E), while the other hotel's related analysis (Hotel F) can be found in Appendix F. These two cases share the same conditions underlying this interrelation. Moreover, although I have categorised the different conditions and provided small explanations for each, they did interrelate and overlap. In such cases, I have explained the small connections between them.

Management attitude / owners' attitude

The main contextual difference of this group was that these hotels had informal plans in mind. The informal plan for Hotel E was to provide a budget service for the new extra 16 bedrooms, while in two years' time the owners wanted to provide a full service and open the kitchen to the public *[extract 45 and extract 63]*. This informal plan unintentionally acted as a driver for the hotel to keep going forward. Besides, the attitude was a positive one because the owners could see a bright future for their hotel, as they aimed to make many improvements and changes in the coming years. Further, this positive attitude associated with an informal future plan and other intangible resources was behind the hybrid nature of the hotel's logic.

Intangible resources: perfectionist personalities

Personality reflects the qualities of people: how they are. In Hotel E, the owner was not happy with all the good reviews she was receiving because she believed that she was not offering an extraordinary service; therefore, she wanted to improve her services. This reflects part of her perfectionist personality to improve her service to the extent that she was satisfied with it, not her customers.

Extract 58

> *"We keep getting five-star reviews, and I'm not that happy about that. The people who give you the five-star reviews, they tend to be people who you have barely talked to… you want to flatter yourself that you are amazing, but actually I consider us nice: nice to good. And you get that 'excellent' and you think: 'where is this coming from?' I believe there are so many things left we want to improve."*
>
> (female owner, Hotel E)

The previous quote presents the female owner's perfectionist personality as a driver for her to make things better. She did not believe in what people said: she wanted to see the good in her work by herself. This owner added many new services because of her perfectionist personality and proactivity, including green ideas, stickers for healthy choices, electric car charging *[extract 48]*,

reception selling *[extract 52]* and offering budget and full services in the same hotel after the extension to reach more people *[extract 45 and extract 63]*.

Intangible resources: enjoyment and dedication

Another intangible resource was enjoyment associated with a perfectionist personality, where the hotelier did things because they wanted to keep enjoying their work in their hotel and offer the best service they could. They thrived on gathering new information, looking for ways to add services to their hotels and building communication channels, which also came from being dedicated to their hotels. This dedication was evidenced by the owners continuously searching for new ideas. One of the owners of Hotel E mentioned:

Extract 59

> *"I try to use local produce more than supermarket produce. I try to find healthier substitutes, such as which oil to use to cook sausages so they taste better, are more efficient and are healthier."*
>
> (male owner, Hotel E)

This quotation presents the owner's intention to offer new services or make changes because they liked to do so, besides being more efficient.

Moreover, enjoyment can be seen in the following example, alongside the perfectionist personality of the male owner:

Extract 60

> *"Like grocery shopping, food, we do it every day because [my husband] likes to see every tomato and every egg and everything. He likes to do it by himself to make sure it is good. You can have companies that deliver, and you can just save time. But he doesn't trust that, so he wants to see it. For him as well to go to the shop, to get out of the house, and sometimes we walk, and it is one of those things we do to have some nice time together and look after ourselves. Basically, I think there should be a more efficient way of doing that, but it is balancing the efficiency with our personal preference of liking to do things, so we keep enjoying what we are doing."*

(female owner, Hotel E)

This small example presents how the owners considered how they provided their services while wanting to keep enjoying what they did and offer good services. The previous example presents two of the hotel's intangible resources: the owners' enjoyment and perfectionist personalities.

Intangible resources: networking skills

Another condition that helped in improving and broadening the range of offered services was networking skills. The owners of Hotel E were always keen to improve their services and skills by reaching out to friends and other small hotel owners. Further, the female owner took part in online forums and read magazines to enhance her knowledge and skills. One of my notes after finishing the interview with the female owner was: "Her network (her friends who already have small hotels, B&Bs or Airbnbs), taking part in different forums and reading online about small hotels have a huge effect on the offered services and the hotel's engagement with service innovation". She mentioned:

Extract 61

> *"I search online and I speak with my friends, because we are a bit [some words missing] to be honest. So whenever we find anything interesting or exciting: 'oh, I have found this new thing' [in a tone of excitement], 'it does this', this gadget washes the car or whatever, but*

so from that point of view it is like having a hundred people who are all looking out for things that are helpful to you, which is great."

(female owner, Hotel E)

The previous quotation demonstrates the excitement of the female owner about knowledge sharing and getting new helpful ideas about hotels and services. This highlights the importance of networking skills. Another example of how her networking skills influenced the addition of new communication channels is illustrated in the following example, which is also associated with another intangible resource: persistence.

Intangible resources: persistence

Persistence was another intangible resource that helped this group of hotels to recognise their existing internal and external resources and utilise them to innovate. Due to their limited time, as they worked for many hours, being persistent involved trying hard to make things work. For example, the owners of Hotel E showed persistence in their continuous efforts to contact Tesla to have electric car charging at their premises *[extract 48]*. The female owner mentioned how hard it was to contact the company, and it took her weeks to get an answer. Due to her social networking abilities, she had learnt about this opportunity from a friend in the US, and she took this forward. She mentioned the following about contacting Tesla:

Extract 62

"I emailed Tesla and said: 'what about British people? Can we have some too?' We had not heard anything back and then they were selling Tesla, they had reps in town and they had cars, and you could have a look at them. We said: 'look, we have emailed them and have not heard anything back. Do you know anything about this?' And we chased and then a guy said: 'yeah here is my card'… like this is the thing to chase, like ringing this person. And I would say on top of that we are quite limited with time, so you might have five minutes here to look at something and then the phone rings and you forget about it."

(female owner, Hotel E)

This previous example hints at the owner's persistence in adding services in her hotel. After she admitted that it was hard to follow up with Tesla, she described her actions in "chasing" the company. Particularly, the owners' time was tight, and they had many things to do. She did not give up quickly, and this was her being persistent. Another aspect of being persistent is to overcome challenges in offering services. This is shown in Hotel E's owners buying the next-door building, where extra 16 rooms were added to their duties without hiring any employees and without renovating the kitchen *[extract 45 and extract 63]*. In order to be able to do this, they decided to change the service in the new extension to have it more like a budget service with a packed breakfast, which was an idea suggested by a customer.

At the beginning, the female owner mentioned that this budget service would be offered because it was what her customers preferred, but then when she elaborated more, it was obvious that it was because of the hotel's limited resources. The owners could not offer the full service. The fact that they did not want to hire new employees made them value more the idea of a packed breakfast, as preparing the breakfast the night before would not require them to hire an extra employee. One of the owners mentioned that after renovating the kitchen and basement *[extract 45]*, they might expand the hotel. This idea was originally suggested by a customer, and it evolved and became the core of their informal plan. The female owner described this plan thus:

Extract 63

> *"Because it would have a restaurant in it, we could start serving external customers. For example, Holiday Inn charges £15 for breakfast. We could offer it at, let's say, £10. Across the street, there is a business park, so in that way they may come by crossing the road. It would also mean we could employ a breakfast chef, as that would be worth doing. This will probably be in two years. That is what I am estimating."*
>
> (female owner, Hotel E)

As previously presented, the owners wanted to change the type of provided service from a budget service to a full service once they had sufficient financial resources. This reflected their persistence in trying everything to offer what they could and become better for the future. They used their skills, time and dedication to generate the required financial resources that would enable them to achieve their future plans. They did not have a clear plan: they had different options in relation to the employment of other employees, performing a kitchen renovation and offering breakfasts to the public (not only their guests), yet this presented their dream or aim of having much more than what they had, but they were being restricted by their financial resources. The way to obtain the required financial resources in this hotel would be by using the intangible resources of the two owners.

Intangible resources: working experience

Another intangible condition was having working experience in big hotels, as it affected the hoteliers' behaviours, how they looked at their businesses, how they promoted their businesses and how they looked at external resources as a gateway to reach bigger pools of resources. For example, one of the owners of Hotel E mentioned in the interview that they had both worked in the industry for 30 years and had many mistakes, which they had learnt from, and that had shaped and affected what they were doing in their hotel. From all the previous quotations, the owners' intangible resources (perfectionist personalities, enjoyment, dedication, persistence and networking skills) were behind their eagerness to improve their hotel continuously. Moreover, their positive attitudes and optimistic but undetailed future plans allowed the owners to engage in different behaviours to build communication channels and learn what external parties could offer in terms of resources that may boost innovation.

The following section on interrelation discusses the type of hybrid logic that was dominated by causal logic.

6.2.2. Hybrid logic – dominated by causal logic: mobile

This hybrid logic represents the hotels that showed combined behaviours of both logics, yet the dominant ones related to causal logic. It was represented by Hotel G and Hotel I. This section presents Hotel I as a representative of this hybrid logic, while the discussion of Hotel G (which shares the same conditions) can be found in Appendix G for brevity purposes. Similarly, I have labelled the intangible resources to make it easier for the reader, yet they do interrelate and overlap. In such cases, I have explained the small connections between them.

Management attitude / owners' attitude

The management attitude condition (a positive attitude associated with management humbleness) could be perceived in different situations where the managers were positive towards their businesses and were down to earth with their employees. In Hotel I, this positive attitude was reflected in the managers' appearances and demographic characteristics. The managers were young and lively, and the staff were friendly. The general manager looked professional and nice and had a prestigious look, but she was helpful and down to earth. This was all obvious in the way she treated her staff and the way she spoke to me. An example that presents her humbleness was that she did not mind sharing a space with other employees in order to turn her office into an additional conference room.

Extract 64

> *"We have two conference rooms now. We only had one, as the other one was the old general manager's office, which I made into a conference room because I thought: 'I don't want to be in there. I can share the office with everybody else, and we can turn that into a conference room and we can hire it out.' So, we have already used it and we have taken a room hire for it, so everybody is pleased about it, and we are selling it already for the future, so."*
>
> (general manager, Hotel I)

This illustrates that the general manager was not focused on her status and being perceived at a superior level to her staff: she was humble and close to her employees. Further, due to her closeness to her employees, her managerial interpersonal skills were an intangible resource that improved the general atmosphere of the hotel, which might have encouraged employees to innovate.

Intangible resource: managerial interpersonal skills

The event management and reservation manager of Hotel I mentioned that the general manager liked to be close to employees and make sure they were all happy, and this was part of the manager's good managerial interpersonal skills.

Extract 65

> *"[The general manager] is quite an encouraging person for everyone here to push everyone and make sure everyone is doing their best and supporting everyone in their roles as well, so she is definitely a good kind of role model for everyone who works here. She makes sure that everyone's progressing and doing what they want to do really. She is active herself, so she gets involved in reception as well and she gets involved in the restaurant, so she knows what everyone is doing and she knows how everything is meant to be run. So if she sees that one person is not that happy, she can talk to them and see if there is anything she can suggest to make them enjoy their job more as well."*
>
> (event management and reservation manager, Hotel I)

As mentioned above, the general manager liked to make sure that all her employees were happy. Similarly, the restaurant manager mentioned the following in relation to employees' happiness:

Extract 66

> *"It is about being on the floor: it is about me being down here, it is about me working a shift with them on the bar, being in the restaurant. I have got key people in key areas, so I have got my assistant manager, I have got the head bar tender, I have got supervisors, you know. It is their job to feed back to me: 'this person is doing well', 'this person is*

not doing well'. If anyone is not happy we ensure that we solve the issue because I believe happy employees mean happy customers."

(restaurant manager, Hotel I)

These two examples show the managers' good managerial interpersonal skills, which reflected the close relationship between the management and the employees and how they were concerned with the happiness of their employees. Both managers were tactful and considerate. This in itself had an effect on the employees' dedication and gave them the freedom to provide suggestions to the management to improve the hotel's services. For example, the general manager mentioned *[extract 27]* that one of the receptionists had suggested using the extra room they had as a gym, and I believe the employee did this because of this close relationship.

Intangible resources: dedication and moral personalities

Dedication among employees can emerge due to good managerial interpersonal skills. It can also be shown by the managers themselves, as the management in Hotel I considered the hotel their second home: they put lots of efforts into looking for different ways to innovate and be more efficient to maintain the hotel's profitability. The general manager mentioned the following:

Extract 67

"I see it as my own business, and I feel as if it is my own house. Of course, I want the staff to look after the glasses because they break and if I was at home, if they were my own, I would look after them, I would not neglect them. So, I have tried to instil that in the staff to make sure they treat the hotel as if it was their own."

(general manager, Hotel I)

This previous example presents the manager's dedication and how she tried to affect the employees' behaviours and instil in them the same feeling that she had. In turn, this affected the resource utilisation process. This dedication affected the behaviour of the general manager, as she tried to make the hotel's

operations and services more economical, which was all immersed in her personality and who she was. She had high standards and a considerate personality. Moreover, her moral personality came from her being empathetic and loyal. This was depicted in the way she added new services with no costs and in the way she treated employees and customers. For example, regarding offering her guests access to a gym facility, she mentioned:

> *"I have to work that out, so I have to negotiate with the gym, how much potential revenue like and submit that, so they can give me something back, so I'm just working on it. That's what I look at. Obviously, it must be beneficial for both parties, but I don't want to spend any money. But I don't mind if they have a reduced rate for my guests to use. You see, even at a reduced rate, they are still getting extra income".*

(general manager, Hotel I)

As shown in the previous quotation, the manager wanted to add new services without any additional costs, and this was part of who she was (her personality) and how she dealt with service innovation, and this was a main factor that led Hotel I to be "mobile" and borrow some effectual behaviours. At the same time, it shows her dedication through her concern to add a gym facility, even if it was not required from her by the management. She wanted to do this just to make customers more satisfied.

Similarly, the restaurant manager mentioned the following when I asked him about the skills he had improved over the years:

Extract 68

> *"Efficiency – the more people you can serve at a higher quality and volume."*

(restaurant manager, Hotel I)

For him, this was the most important skill he had developed over the years. This "efficiency" behaviour was noticed in the example of changing the breakfast from being all cooked in the kitchen to a combination of a buffet and cooked in the kitchen to lower costs *[extract 12]*. Efficiency in adding new

services and changing service outcomes and service operations could be linked to the hotelier's personality and dedication to their job. This behaviour encourages hoteliers to borrow some effectual logic characteristics, such as trying to use their networks and add services for free, as well as changing service outcomes to adapt to their resources.

Intangible resources: networking abilities and persistence

As another intangible resource, the management's social and professional networking abilities can help in framing and shaping the hotel's services, which could be linked with some effectual logic behaviours. Although the general manager of Hotel I had extensive working experience, she was still humble and eager to learn, and this could have been due to her personality and her dedication. She believed that there was always room for improvement, and she asked others for help and feedback in order to shape the hotel's services *[extract 20]*. That previous example illustrates the general manager's humbleness and her tendency to utilise her networking abilities, to some extent, to improve the services in the hotel. It demonstrates how she used her social networks to get exposed to new ideas, rather than being restrained by her own knowledge. Further, the hotel's management go to networking events and socialise to promote the hotel.

6.2.3. Dominated by causal logic: complacent

The hotels in this group were mainly goal driven and focused on adding new services that were guided by their visions. They engaged in some innovation activities, yet they mostly followed the book in relation to their innovation behaviour. They were mostly traditional, not being creative or efficient. They tended to obtain new resources instead of paying considerable attention to what could be done using their internal resources. Hence, they were not using their internal resources to the fullest. This type of logic was represented by Hotel H only.

The managers in this hotel focused on acquiring the best resources to perform the desired job before evaluating their internal resources and whether they were capable of performing the new service or not. This could be mainly associated with their lack of efficiency and at the same time their dedication to

achieving their goals. For example, Hotel H's management hired a new employee to be responsible for obtaining a five-star rating for the hotel. Although the hotel had the largest number of employees out of all the hotels in this study, and it did not have the highest number of rooms. This in itself shows how the hotel was not efficient and the management were not considerate of their existing employees. Particularly, the receptionist mentioned that her full-time shift could be done in three hours, so the rest of the time she would like to do more work – this shows the hotel's tendency not to use its internal resources to the fullest. Hence, in their behaviours and practices, the management focused on providing superior quality, rather than trying to provide good-quality services in an efficient way. However, this could reflect their determination in doing what they wanted and following their own vision. The conditions behind adopting this logic (besides their behaviours) were related to their intangible resources.

Management attitude

The management of Hotel H, including both the owners and managers, had a positive attitude, which was represented by their vision of their hotel being the first five-star hotel in the city, as well as believing that they could achieve this *[extract 4]*. This positivity was associated with a show-off attitude, which influenced the general hotel atmosphere. This show-off attitude was behind their focus on a prestigious image and superior quality, rather than efficiency. With no intention of balancing between them, this led to a lack of focus on the full utilisation of internal resources. Another example that the front-of-house and restaurant manager mentioned illustrated their show-off attitude – offering a prestigious service without being efficient:

Extract 69

> *"We changed breakfast: it used to be a buffet, so the customer would get down and have an egg with bacon and sausage and all that. I changed that to a plated breakfast, so the customer will come and get a better experience. We changed that basically for the customers' needs, so they get a better deal. We changed it to offer better quality, rather than food wastage or minimising costs. Once something is sat and*

warm, it produces water and it becomes slimy and it is not crispy anymore, so it is not nice to me."

(front-of-house and food and beverage manager, Hotel H)

The previous example illustrates that the management did not consider other options that were more economical and could be better quality than the previous services. They did not change the service because customers were unhappy: it was more because the manager wanted to do it. He believed that his customers were already paying a high price, so he wanted to offer something special.

My notes about the owner when I saw her were: "She was quite posh. She was wearing a fur jacket and proper make-up and had undergone some plastic surgery, which gave me the impression that she was arrogant and thought she was elite. Also, she had the attitude of walking and thinking she was better than the rest." As a researcher, I think that appearance is not an indication of the inner self and entire personality but it presents part of a person's personality. Therefore, all this played a role in demonstrating this show-off attitude.

Intangible resources: knowledgeable and arrogant personalities

Another condition behind Hotel H's adoption of causal logic was its intangible resources in terms of the management's knowledgeable and arrogant personalities. This was mainly depicted by the hotel's managers, who were well experienced, yet their wealth of knowledge made them more arrogant. This personality type had advantages and disadvantages. The advantage was that the managers knew what they should do and the procedures for operating different hotels, so they could address the challenges they faced and improve the hotel. On the other hand, the managers were not open to suggestions and feedback from other employees or their social networks; they mostly depended on themselves. This is illustrated by the front-of-house and restaurant manager talking about setting new rules and changing the menu:

Extract 70

> *"I did it myself. Because I have done it for years and years, it came as second nature. So, I went in there, looked at the procedures we had in place, which was none, so then I developed the rules and procedures, which take about 200 pages on."*
>
> (front-of-house and food and beverage manager, Hotel H)

This demonstrated his arrogant personality of not considering other opinions or suggestions – he just did what he knew. Similarly, the operational manager mentioned that working in hotels was an easy job, as he had the required knowledge and skills to do his part of the job. When I asked him if he ever asked any of his social networks for help or suggestions, he said the work did not require that and that he, the other manager and the owner were enough to bounce different ideas off each other. This demonstrates their lack of social networking skills and a missing part in improving the hotel's services.

Intangible resources: dedication

Besides their knowledgeable personalities, the management of Hotel H were dedicated to reaching their goals and obtaining the required resources that would enable them to do so. They did not mind putting effort and money into achieving their goals and building their brand image. They had employed a new reception manager to help them in achieving their five-star rating goal *[extract 4]*, they were thinking of building a spa facility *[extract 2]*, they were always thinking of ways to build up the hotel's profile by associating with other places *[extract 24]*, and they wanted to change their local neighbours' bad image of the hotel by engaging in nearby events. All these behaviours reflected the managers' dedication to the hotel's goals.

Intangible resources: professional networking skills

The management of Hotel H had strong professional networking skills, whereby they associated with other businesses to build the hotel's profile. Their professional networking skills can be illustrated by them partnering with local theatres and a concert venue *[extract 24]*, and they have hosted TV programme cast and crew, such as for *X-Factor*. This was all done by using

their professional networking skills to build awareness of the hotel's brand, which was their primary goal.

Intangible resources: a lack of managerial interpersonal skills

Although they had good professional networking skills, the data suggested that the management of Hotel H lacked managerial interpersonal skills. This included how the employees were treated and how they perceived that treatment. One of the receptionists told me that she did not feel that all the employees were treated equally, as some of them were the owner's children or friends, so they could do whatever they wanted without having fair accountability. This affected the employees' morale and their tendency to suggest ideas to improve the services in the hotel.

The receptionist told me not to record what she was saying on this matter, so I wrote it as a note. "The son and the daughter of the new owner are the ones who are in charge. And one of the managers is in a relationship with the daughter. The daughter is 21 and the son is 17 or 18." This presents the unprofessionalism of the hotel. The receptionist elaborated on this as follows:

Extract 71

> *"I feel that procedures need to be implemented for people who don't do the work correctly because I feel it is bad for the business. We are not running a charity: we are running a business, and in order for a business to excel, everybody needs to be on the same page. We all need to have the same objective, and the objective is to turn the hotel into a five-star hotel. For customers to receive five-star treatment, we all should be doing our jobs correctly. We cannot do that if we have got some people who think that it is OK to show up 15 minutes late. We cannot do that if you have got people who do not finish what they should do before passing it on to another person that is on the next shift. Because what happens is I am on in the morning and I haven't done what I was supposed to. You come on in the afternoon and I forward everything to you – that is going to irritate you. So if I irritate you, you are not going to be in the best mood, so you will not be able to deal with the customers so well because you are not in a very good*

mood. This is all because some of the staff believe they can do this because the rules are not implemented for everyone in the same way."

(receptionist, Hotel H)

The previous example demonstrates the unprofessional way of managing the hotel and the lack of managerial interpersonal skills, as the employees did not perceive that the management treated them fairly, which negatively influenced the employees' morale and their role in service innovation. This lack of managerial interpersonal skills may stop the employees from giving suggestions to improve the services. The receptionist further elaborated on this:

Extract 72

"I do not feel like there is much space right now for me to give suggestions. I mean, I have got lots of suggestions, there are lots of things that need improving and a lot of things that need implementing, but I thought, like, it is pointless to mention it now. I feel why would the managers listen to me or why all of a sudden should they change things for me, you know? I feel if there is something that can help with the service, for example pens; we never have pens here [on reception], you know. Everyone comes in and they want to sign sheets, so they need a pen. Or they may ask for a stapler. It would be better if we had permanent pens and some stationery."

(receptionist, Hotel H)

In the previous example, the receptionist mentioned an example of a very simple adjustment to the reception that would help with the service flow. The lack of managerial interpersonal skills stopped the receptionist from sharing her ideas to improve the service because she thought that the managers would not listen to her and she was unimportant.

6.2.4. Dominated by effectual logic: stagnant

This group included Hotel A, Hotel B, Hotel C and Hotel D. These hotels were more aligned with effectual logic, whereby they highly depended on their available internal resources to innovate. Their activities were mainly directed at adding new services without considering other aspects of service innovation (such as advertising and promotions) and service quality improvements. This group consisted of two sub-groups. Although both were associated with effectual logic, their innovation behaviours' intensity varied due to the different conditions that affected their resource utilisation and innovation behaviours. Hotel A, Hotel B and Hotel C were one group, which represented better engagement with service innovation in comparison to Hotel D. The data showed that Hotel D did not employ different effectual activities as much and did not use its resources to the fullest, which had a negative impact on the hotel's innovation.

These hotels were operating in high-resource-constrained environments, so they mainly relied on their internal resources to engage in service innovation activities. They looked to collaborate with external parties only when they shared the same location, which happened occasionally and in an unplanned way. They mostly considered operating their hotels on a daily basis and improving their services by playing around with their available resources and resource constraints. Further, they did not promote themselves and did not try to build any marketing strategies. They mainly depended on Booking.com to reach customers.

The main conditions behind the hotels being innovative and at the same time being stuck in one logic (effectual logic) were their intangible resources and management attitudes. These intangible resources were passionate personalities, enjoyment and dedication (a sense of belonging), which drove these hotels' reactive exploitative innovation approach. The factors that had a negative impact on innovation were a lack of passionate personalities and a lack of managerial interpersonal skills (which affected the way employees perceived the treatment they were receiving from the management). In terms of management attitude, a positive attitude had a positive effect on increasing the

presence of effectual logic activities, while a careless attitude was one of the main conditions having a negative impact on fully utilising the available resources and implementing service innovation.

This group of hotels wanted to improve their current status quo, yet they had a mental barrier that stopped them from being more open to innovation and becoming more vision oriented. The data showed that they did not dream big and they saw boundaries to their businesses, and this was one of the main reasons holding them back and stopping them from moving towards hybrid logic.

This section shows in detail the conditions behind the adoption of this logic in Hotel B and Hotel D, while Hotel A and Hotel C are covered in Appendix H.

Intangible resources: passionate personalities

In Hotel B, neither the owners nor the managers had previous working experience in hotels, yet they did all it took to succeed. The manager mentioned the following:

Extract 73

> *"So we are competing with big chain hotels like Marriott, Holiday Inn, Park Inn, and being here before, you know, they are established hotels in our area. From the second month, we were above them, and three years later, we are still number one, so this says a lot. We just put our hearts and souls into what we are doing, and the result is there."*
>
> (manager, Hotel B)

The previous example illustrates the manager's idea of how the hotel had risen above its competitors and got a better ranking on Booking.com: the staff putting their hearts and souls into the work. This presents the management's passionate personalities of giving all they could.

Intangible resources: dedication

Further, the manager's dedication (sense of belonging), acting as if the hotel were her own, made her do her best to succeed and innovate. The manager mentioned the following:

Extract 74

> *"It is very personal: a business is like your child, your baby. I'm basically available for this business 24/7. It does not matter what happens, I'm here: it could be in the night, it could be in the morning, and I think for your own business to be successful, you have to have one person who is really devoted to it. Because obviously I cannot expect the same thing from my staff."*
>
> (manager, Hotel B)

The previous example illustrates that when an owner or manager is fully devoted to and available for the business, this makes a huge difference. When hotels have a dedicated manager, that manager will try to address all the challenges that the hotel encounters to keep offering a good service and will use the hotel's internal resources to the fullest. In the example above, the manager's dedication was the driver behind fully using the available resources to innovate.

Intangible resources: persistence

Moreover, the manager of Hotel B believed that "if you work hard for the business, sooner or later, it will pay off." This was reflected by her persistence in delivering a good breakfast service *[extract 47, extract 54, and extract 56]*. This hotel did not have a breakfast room, yet the manager offered it as a complimentary service and promoted it as a unique selling point. She had encountered many challenges in doing this, but she kept trying to find solutions.

Extract 75

> *"The owners are Muslims, so we are not allowed to sell any pork products. We used to do a continental selection. When you tell people there's a continental breakfast or tell me there's a continental breakfast, I imagine bread, cheeses, salamis, so we had that. It wasn't pork, but you can still get a really nice selection of beef salamis. I saw that we had lots of wastage: people didn't eat all of it, maybe because it was too much or too greasy in the morning. Some were complaining because it wasn't the same taste as pork."*
>
> (manager, Hotel B)

The previous example shows how the manager had initially framed the breakfast offering based on the owners' preferences, but she had received many complaints. Later, she adapted the offering based on these complaints. She kept trying to find substitutes for the breakfast items to stop the customers' complaints, as well as the food wastage. She decided to offer some freshly baked pastries, where she thought of baking these pastries on the hotel premises. Later, with this service, the receptionist mentioned that people had complained about the seating in the bedrooms, where the breakfast was served. The hotel decided to have two chairs in each bedroom, as before there was a chair and another piece like a stool, but because of the customers' comments, they changed this. Hence, although this service was provided for free, the manager kept on trying to find ways to make it better and get good feedback.

Additionally, because the manager did not want to increase costs, the receptionist also worked the breakfast shift. This shows how the manager tried to find a way to make the breakfast service doable. The use of CCTV monitors was another way to keep the breakfast offering present *[extract 47]*. All this reflected her persistence to keep finding solutions to the challenges she encountered. Moreover, another issue was raised related to the same service: the used trays were not being collected and cleaned on time. To solve this issue, the hotel asked customers to collaborate and put the trays outside their bedrooms by a certain time, and this represented part of the hotel's effectual activities in overcoming its resource constraints. The previous example shows

the struggles the manager faced due to the hotel's resource constraints and how she addressed them through her persistence.

Intangible resources: social networking skills and good managerial interpersonal skills

Another challenge that Hotel B faced regarding offering breakfast in the bedrooms was if a big group of people wanted to have breakfast together. The hotel management used their limited social networking skills to solve this constraint by making a deal with the restaurant next door for big groups of customers to have breakfast there *[extract 56]*. Further, they had good managerial interpersonal skills, as the employees perceived themselves as part of the team and suggested ideas to the manager to improve the services.

Extract 76

> *"The manager is very hands on, so management could be here doing the reception shift but also doing a breakfast shift or ensuring housekeeping is. Because it is such a small team, the manager gets involved as well, so actually it feels like more of a team, rather than just someone coming and telling you how to do it. And it is a small hotel and a small team, so sometimes you must have initiatives to act and then discuss it with the manager and give suggestions if you noticed anything."*
>
> (receptionist, Hotel B)

The previous quotation illustrates the open relationship between the manager and the employees, where the manager allowed the employees to act freely and the employees felt that the manager was part of the team. Moreover, the manager mentioned how the employees helped with solving problems in service delivery, as she had open communication channels with them.

The second sub-group in this logic classification that represented a tendency not to fully utilise the internal resources consisted of Hotel D. Hotel D could offer more services using its internal available resources, yet it had missed many opportunities to do so. The main conditions behind this categorisation were intangible resources that consisted of a lack of passion and dedication, a

lack of managerial interpersonal skills, a lack of experience and a careless management attitude.

Intangible resources: a lack of passion, a lack of dedication and no working experience

Hotel D had a new lessee who was acting as the owner; however, he lacked passion for and dedication to the hotel because he had only leased it for a certain period, and this affected the way he utilised resources to innovate. The combined effect of a lack of passion and a lack of experience on service innovation presented some missed opportunities to utilise the available resources to innovate. A receptionist, who had been working in the hotel for 17 years, mentioned the following:

Extract 77

> *"This hotel does not run the same as it used to. First of all, the people who bought the hotel from my original employers, they ran it the same, then they decided to step back and leased the hotel out to somebody else, so they still own the building but they leased it out. The person who they leased it out to, who I work for now, he hasn't got previous hotel experience. The function room has just been sort of pushed to one side, and it is not used to its full potential anymore. Basically, the function room used to be used a lot but it isn't anymore. We used to do weddings. When I first came here, some Saturdays we would have two weddings on, you know, and we were licensed as well to do weddings, but that is not used anymore."*

(receptionist 1, Hotel D)

In the previous example, the receptionist highlighted the idea that the hotel's resources were not being fully utilised, as many opportunities had been ignored. Moreover, the receptionist also mentioned the lessee's lack of experience, as she believed that this had had a great effect on resource utilisation and service innovation. Further, she mentioned the hotelier not paying attention to promoting the hotel to other companies, as had been done previously.

Extract 78

> *"Years ago, we used to make sure we had got adverts with the larger businesses like Toyota and Rolls Royce, on the noticeboards they have around their companies. We'd ask if we could put adverts up, but these haven't been updated recently."*

(receptionist 1, Hotel D)

This previous quotation demonstrates how a lack of passion and experience affected the management's approach to reaching out to customers and providing the hotel's up-to-date information. These were all lost opportunities to have more services and more people coming in. Further, the receptionist mentioned to me that the management had bought uniforms without asking for the sizes of the front-of-house employees. She told me that they were very small, and she could not wear hers because it did not fit her. The receptionists wore them for three or four days then stopped. When I went to the hotel, the receptionists were wearing different clothes. This illustrates the management's lack of meticulous planning and consideration for small yet meaningful details. This reflects their lack of passion because passionate people consider details and how to do things in the best possible way. It also reflects their ineffective use of resources (in this case, money).

Careless management attitude

Another condition affecting Hotel D's categorisation was the management attitude. In this hotel, the new lessee had a careless attitude, and this had a considerable effect on the employees and service innovation. The receptionist mentioned that the new lessee was not keen to spend money on the hotel because he did not own it (a lack of a sense of belonging). His lack of dedication and careless attitude might have stopped him putting more effort in, as long as the business was profitable. Even small things were not taken care of, as the manager mentioned:

Extract 79

> *"Unfortunately, at the present time, I don't believe that our customers or our guests are getting the wow factor when they come to the reception, you know – it looks tired, it looks dingy."*
>
> (manager, Hotel D)

Although how the reception looks could be a small and unimportant aspect, it may reflect an image of the entire service of the hotel and how the management work on the service. The previous example reflects how small things could have been done to improve the hotel's status, yet they were not taken into consideration.

Intangible resources: a lack of managerial interpersonal skills

Also relating to intangible resources, the management of Hotel D lacked managerial interpersonal skills, which relate to employees' perceptions of the owners' and managers' treatment. In this hotel, the negative vibes received by the employees due to a lack of appreciation and the owner's reluctance to invest in the hotel had impacted the hotel negatively. The owner had employed a new manager who claimed to be people oriented to improve the hotel's status, but it was noticed that the owner was quite controlling and did not give the manager enough power to act and do things in the hotel freely. This represents the owner's approach to utilising human capital: even though he had hired a new manager who might have new ideas and visions, the manager was not given the opportunity to act freely. This could be perceived as an ineffective way to utilise the available resources. Moreover, while I was conducting the interview with the manager, and I wrote it as a field note, the owner came into the office and started to make fun of the manager, saying that he did not know much and he had to learn from me (as a PhD student), which was quite inappropriate and unprofessional. This led to the perception that the new manager was not in charge and would not be able improve the hotel under the control of the new lessee. Further, the manager told me on the tour that the hotel had car parking for the disabled. Embarrassingly, he added that the owner sometimes parked there, and the manager did not show any conviction that he could change that.

All the aforementioned factors did not facilitate creating a motivating environment for innovation; by contrast, they might have discouraged employees or even caused them to lose their dedication and commitment to the hotel. Additionally, the receptionist who had been working there for 17 years mentioned the following about the other receptionists:

Extract 80

> *"I think the girls who work behind the reception now, although they are really nice girls, I don't think they are as committed to the job as they could be, so they don't take as much care over providing the service. I get the impression with most of them that they are coming here to get paid, rather than coming here and enjoying the job that they are doing and wanting to improve the work environment and improve the service basically."*
>
> (receptionist 1, Hotel D)

When I asked her why she thought that was happening, she said:

> *"I think a lot of it could be because of the person we are working for – the person that is above [the manager]. You know, he is not the easiest person for people to get along with and doesn't always treat his staff as well as he should. And if you do that then you are not going to get the best performance from them."*
>
> (receptionist 1, Hotel D)

The previous quotations illustrate the receptionist's perception of the owner's lack of managerial interpersonal skills, as well as the employees' lack of dedication. The receptionist believed that the range of services was decreasing because of the new lessee and his way of demotivating the employees from engaging in innovation activities. Although she said that the manager was quite encouraging and friendly, she still thought that the owner was the main problem, as he was regularly around.

In this hotel, we can see how the owner's attitude, personality and characteristics, as well as the lack of freedom he gave to the manager, had a

great effect on the hotel's operations and innovation outcomes. This could also present the roles of a lack of managerial interpersonal skills, a lack of dedication, a lack of a passionate personality, a lack of experience and a careless management attitude in making the hotel less effectual and less innovative.

6.3. Summary

This chapter discussed four types of causal–effectual interrelations, presenting them as complementary rather than opposing logics. These four interrelations were hybrid logic dominated by effectual logic, hybrid logic dominated by causal logic, dominated by causal logic and dominated by effectual logic. These four interrelations emerged based on three main conditions: behaviours and practices, nature of resources, and management attitude.

The first condition, behaviours and practices mainly concerned efficiency versus quality, an internal versus external resource focus, and a focus on marketing and reaching out to new customers or not.

The second condition was the nature of resources, which acted as an overarching concept that included resource availability and existing intangible resources. Resource availability concerned the range of available resources. Intangible resources included personality, persistence, dedication, managerial interpersonal skills, social networking skills, experience, enjoyment and passion.

The third condition was management attitude, which mainly related to the owner's and management's overall attitude towards the business.

Further, this chapter presented the different service innovation approaches based on the four interrelations.

CHAPTER 7 DISCUSSION AND CONCLUSION

7.1. Introduction

This chapter discusses the key findings of this study and situates them in relation to previous research. The aim of this study was to understand the co-existence of causal and effectual logics in the context of small independent firms. It focused on the behaviours and resource utilisation adopted by the owners of small independent businesses for service innovation. In so doing, it helps to explain how the interplay between these two logics affects service innovation and the drivers behind that interrelationship. The data analysis and findings chapters (Chapters 4, 5 and 6) provided a detailed presentation of the findings in relation to these objectives. In this chapter, we relate them to previous research.

This chapter shows how the research objectives were addressed. Firstly, it is argued that a hybrid logic (combining elements of causal and effectual logics) exists. However, this logic manifests differently depending on whether the dominant logic is causal or effectual. Secondly, the findings from this research shed light on the linkage between the dominant logic in the firm and its service innovation approach. The chapter argues that the service innovation approach mirrors the main logic in these firms: whether the dominant logic is aligned with causal, effectual or hybrid logic (dominated by causal or effectual logic). Thirdly, we unveil the drivers behind the hybridity of logics. The chapter shows that firms can move from or be stuck in a logic based on the configuration of three main conditions: behaviours and practices, nature of resources, and management attitude. Some of these drivers may impede or enhance service innovation activities. Finally, this chapter discusses the theoretical and practical contributions of this study. It also presents the limitations of the study and identifies further research areas.

7.2. The interrelations between causal and effectual logics

This section focuses on how the first research objective was addressed. This objective was to enhance our understanding of the interrelations between causal and effectual logics. This study contributes by articulating the co-existence of these two logics. The interplay between causal and effectual logics has received scant attention within effectuation research (Read et al., 2016b). Some argue that these logics act as polarised dimensions (Brettel et al., 2012; Dew et al., 2009); however, some recent articles have shown that these logics are not exclusive opposites and can co-exist (Fisher, 2012; Perry et al., 2012). Reymen et al. (2015) suggest the presence of hybrid logic during venture creation, and Ortega et al. (2017) confirmed the presence of hybrid logic in NPD projects. While the present study largely confirms these observations on the existence of hybridity, in which both logics work simultaneously (Dew et al., 2011), our findings suggest that there are two distinct groups of hybridity, depending on the dominant logic that is adopted in these small firms: either effectual or causal. The groups demonstrated different characteristics and behaviours.

Figure 4 shows the four types of interrelations between causal and effectual logics in relation to resource utilisation and the range of service innovation undertaken. The “developing” and “stagnant” types are associated with effectual logic, where the former represents a group aligned with a hybrid logic that is effectual in nature and the latter represents a group aligned with effectual logic only. The other two groups discerned in this research are associated with causal logic: “mobile” and “complacent”, where the former represents a group that adopts a hybrid logic that is causal in nature and the latter represents a group that is aligned with causal logic only.

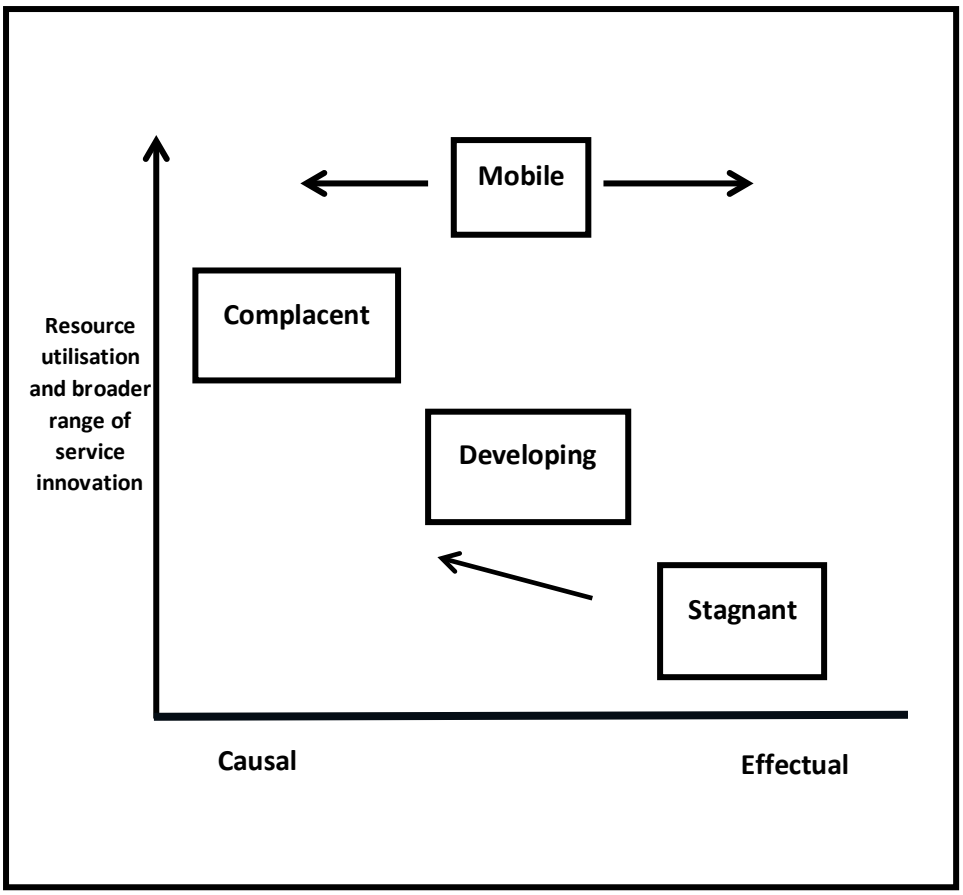


Figure 4: The logics' movements among the different groups

This study identified four main interrelations in the use of causal and effectual logic, with detailed findings presented in Chapter 6. This identification contributes to the literature that covers the interrelations between the logics. The findings indicate that firms can adopt and combine elements from both causal and effectual logics. Thus, our findings confirm expectations that effectual and causal logics can work simultaneously (Dew et al., 2009; Ortega et al., 2017; Reymen et al., 2015) and are not mutually exclusive (Brettel et al., 2012; Dew et al., 2009). However, the presence of these different interrelations depends on key drivers. Therefore, while several scholars have studied the interrelation between the logics, they have not identified that this interrelation can occur in varying ways, nor have they developed detailed explanations of this phenomenon.

This study found two distinctive types of hybridity with specific characteristics. These two types emerged due to the dominant logic adopted by the firm. The "developing" and "mobile" interrelations are described using terms that represent movement, because neither is fixed in its dominant logic.

The former is moving in one direction to become more causal than effectual. The latter "mobile" type is moving but in a bidirectional way, as it can utilise characteristics from effectual logic when necessary but return to causal logic when expedient. The other two interrelations, "complacent" and "stagnant", are mainly associated with one logic, and they are fixed in that logic without moving or borrowing any characteristics from the other logic. The research suggests that firms with a "complacent" characteristic have reached a point where they are satisfied with their performance and do not consider other dimensions that are irrelevant to their goals. By contrast, "stagnant" firms do what they can with the resources they have; they have much more potential for development, albeit this is not yet realised. Therefore, being fixed in one logic does not mean that firms do not develop and improve their services. The implication of being fixed in a single logic is more related to missing opportunities in terms of resource utilisation. Resources are therefore important in understanding the nature of logics and will be considered next.

Reymen et al. (2015) and Berends et al. (2014) suggest that resources are crucial in understanding logics, and this was the case in this study. When a shortage of resources emerges, firms usually use effectual logic. On the other hand, when firms have more-abundant resources, they tend to use causal logic and be more goal driven. This study found the same result, where most of the participating hotels that had adequate resources were more aligned with causal logic, whereas those that had more-limited resources tended to be more aligned with effectual logic. However, this study suggests that although financial resources are the primary factor driving causal and effectual logics, intangible resources and management attitude also influence the use of the different logics. These factors provide a more subtle and nuanced understanding of the four types of causal–effectual interrelations ("stagnant", "mobile", "developing" and "complacent"), instead of only three interrelations: causal, effectual and hybrid logics.

These four interrelations reflect some of the nature of small firms service innovation behaviours, which extend the literature about innovation in small firms. Particularly, due to the lack of knowledge in terms of innovation in small firms (Alonso et al., 2017; Berends et al., 2014) and how the

characteristics of small firms affect their innovation orientation (Roach et al., 2016). Next, the two types of interrelations aligned with effectual and causal logics, followed by the hybrid logic groups, are discussed in relation to previous research.

The "stagnant" type relies on effectual logic to innovate, whereby new services are developed to be realisable with the available internal resources. This supports other scholars' claims that small firms or resource-constrained firms usually adopt effectual logic to innovate (Berends et al., 2014; Lingelbach et al., 2015; Perry et al., 2012). However, this study presents a deeper understanding of how small firms adopt effectual logic. It found that some effectual firms might use their internal resources to the fullest, while others might show less effectual logic behaviour. The findings suggest that when firms do not show many effectual logic activities, this reflects missed opportunities to innovate. These missed opportunities emerge because the firms do not use all the available resources: whether internal, external or both. Further, they do not engage in marketing activities that might bring more people in and enhance the service innovation dynamic. The difference between the two sub-groups is that the first sub-group uses internal resources and exploits opportunities more than the other sub-group. Therefore, this raises attention to the differences in the intensity of effectual logic activities, where some firms are keener to innovate and use their resources than others are. Both types have the potential to improve their services, but some do not use this potential to the fullest. They focus on internal resources and do not broaden their visions to perceive resources in other possible ways. They are unable to realise what they could achieve in their businesses and how they could be better. Firms like this are open to external resources when they are linked to the same space and do not engage in marketing activities. This stops growth and expansion to reach more customers. Most of them look like they have a mental barrier: they are happy with the status quo and at the same time believe that they will never become better than they are now. This mental barrier acts like a wall that stops them from using the hybrid logic dominated by effectual logic. The main conditions behind the logics adopted by these sub-groups are

covered later (Section 7. 4) and were previously explained in Chapter 6 (Section 6.2.4).

The “complacent” type depicts firms that “go by the book” in their behaviours. They believe that they are doing well, and they can attain most of the required resources to achieve their visions. They work on increasing their market shares, getting more customers in and achieving competitive advantage in a sustainable way, in line with their visions. In their study of small and medium-sized firms, Mayer et al. (2013) found that causal logic behaviours were positively related to venture performance, which related mainly to sales, market share and profit. The current study does not contradict their findings but augments them by showing that adopting this single logic can result in missed opportunities. Firms that adopt this logic type follow their vision without checking how they could exploit other unrelated opportunities and use the available resources in the most efficient manner possible. This explanation develops the view of Nadkarni and Narayanan (2007), who state that when firms are more rigid with their business plans, they might be less able to learn or benefit from unanticipated surprises, which are seen as opportunities.

The “developing” type lends support to the expectation that effectual logic is more prominent in the earlier stages of venture creation, with a transition to causal logic over time (Alvarez and Barney, 2005; Sarasvathy, 2001). This hybridity is the vehicle that is used to share some behaviours with hotels that are aligned with the causal logic group in order to attempt to shift towards that group over time. Firms of this type lack physical resources, so they rely heavily on free resources and networking to change the current situation. These behaviours are usually associated with improvements to the status quo by expanding their physical resources, skills and customer bases. This hybrid logic supports previous research claiming that the relationship between these logics is more like a journey, where start-ups follow effectual logic (means driven) in the early stages, then causal logic becomes more dominant in the later stages (Berends et al., 2014). Firms of this logic type have few perceived resources, so they try to explore creative and flexible solutions to innovate and use free external resources to improve and reach new customers. They usually do not have external parties or investors to lend them money to put their

informal plans into action. Therefore, the bridge that allows them to move to causal logic and obtain more financial resources is the use of intangible resources. These intangible resources are usually contingent on the owner or manager, highlighting the importance of these key figures for small independent organisations.

The second type of hybrid logic is that dominated by causal logic, presented as "mobile" in Figure 4. Such firms may look like firms that are dominated by causal logic because they are more goal driven and have more resources. For some businesses, when they are embedded and secure within causal logic, they begin to realise that some elements of effectuality can be useful. They do not want to move towards adopting effectual logic but can see the benefits of using some effectual logic behaviours in specific situations. They therefore incorporate some of these activities with their causal logic behaviours. The flexibility of small firms allows them to benefit from effectual logic activities. These types of firms are more likely to have clear objectives but are able to adapt to the available resources and exploit new opportunities as they arise. Reymen et al. (2015) expect that effectual logic may re-occur in later stages of the firm creation process, not only at the beginning. However, this study provides an alternative viewpoint from the idea of shifting from one logic to another for this group. It shows that the group can borrow some characteristics from effectual logic when necessary. This borrowing activity can be seen in behaviours such as using resources creatively, embracing unanticipated opportunities (such as adapting to new information, people and events), co-creating with customers, focusing on quality and efficiency simultaneously (while giving the priority to quality), offering more services using the same resources and using resources in a way that is different from the original intention. Moreover, this movement is temporary and in response to particular occasions, rather than a complete and permanent move towards utilising a different logic. This is portrayed clearly by the arrows in Figure 4. These activities seem evident in firms that are aligned with effectual logic.

In conclusion, this study confirms the existence of hybrid logic, but in two different forms. This is related to resource utilisation. The main contribution of this study is the four causal–effectual interrelations, two of which represent

hybridity. The “developing” and “mobile” types are characterised by hybrid logic, while the “complacent” and “stagnant” types represent causal and effectual logics separately, respectively. Further, this research linked the adopted logic with service innovation, as it found that firms that use hybrid logic have a broader range of service innovation than those that use only one logic. This is covered in the following section.

7.3. The nature of service innovation in causal and effectual logics

Many previous studies have found that causation-related innovation processes result in the best outcomes (Barczak et al., 2009; Ettlie and Elsenbach, 2007). Usually, firms that base their innovation actions on causal logic have clear goals, long-term plans, well-defined strategies and sufficient resources (Webb et al., 2010). In many situations, causal logic is not valid in explaining the service innovation behaviours, which emphasises the role of effectual logic in relation to service innovation in a resource-constrained environment (Lingelbach et al., 2015; Perry et al., 2012). Berends et al. (2014) empirically demonstrated that small firms deploy effectual logic activities to innovate. Therefore, the present study enables us to advance our understanding of the effectuation theory logics and service innovation in small independent firms.

Moreover, it remains unclear how the characteristics of small firms affect their innovation orientation (Roach et al., 2016). Previous studies have associated the exploitative approach with causal logic because firms that adopt causal logic tend to fine-tune and extend their capabilities, as well as exploit their own resources; the explorative approach has been associated with effectual logic due to effectual logic firms’ experimentation and invention efforts (Ortega et al., 2017). This study found that both logics were associated with an exploitative innovation approach, as all the participating hotels were mostly engaging in incremental innovation activities, whereby they engaged in service innovation (added new services) and organisational innovation (added new communication channels) without hugely expanding their skills and knowledge. This might be due to the context of this study: small independent hospitality firms. Incremental innovation is the opposite of adding exceptional

new services, entering new markets or using new technological advancements (Popadiuk and Choo, 2006; Snyder et al., 2016). The nine participating hotels mostly added new services or extended the service lines they already had that were within the firms' experience, which links with the exploitative incremental innovation approach (Atuahene-Gima and Murray, 2007). This finding supports the idea that the majority of the new innovations in the hospitality industry are incremental ones that often involve further recombination of available services and resources (Wikhamn et al., 2017). Wikhamn et al. (2017) explain this tendency of engaging in incremental innovation since it is associated with lower risk and cost. The difference in their exploitative incremental service innovation approach was their tendency to be proactive or reactive. The hotels that were associated with causal logic were proactive in their service innovation approaches, while those aligned with effectual logic tended to be more reactive.

In line with past research, setting a plan is an important driver to take steps towards goal achievement (Delmar and Shane, 2003) and using the right resources to achieve these goals (Brinckmann et al., 2010); similarly, hotels that are associated with causal logic set service innovation goals and plan the different steps to achieve them. These hoteliers take a proactive approach where they eagerly evaluate the market to see what is new and what the gaps in the market are, and they meet regularly to discuss the different options for expanding their offerings and developing new marketing activities. This supports the main characteristic of causal logic of "taking a particular effect as given and focusing on selecting between means to create that effect" (Sarasvathy, 2001, p.245). This research extends our knowledge about the two major service innovation activities that are associated with causal logic: service innovation; adding new services and making service quality improvements, as well as organisational innovation; creating new communication channels and marketing activities. A proactive approach is used because the owners and managers take the initiative to engage in the previously mentioned service innovation activities by adjusting the allocation of resources, collaborating with external parties, and obtaining the tangible and intangible resources required to achieve their service innovation goals. In causal logic, the main

goals behind the proactive service innovation approach are financial reasons (such as increasing revenue and reducing costs), customer satisfaction improvement, customer loyalty improvement, brand image improvement and influencing customers' decisions to choose their hotel. These hotels work intensively to achieve these goals.

The second service innovation approach is a reactive service innovation approach. It is associated with hotels that are mainly dominated by effectual logic. The reactive approach is adopted to add new services and to improve their financial positions (increase revenue and reduce costs). It is reactive because the hoteliers engage in developing their services as a reaction to customers' suggestions and having access to new or free resources. The service innovation in hotels that adopt effectual logic focuses on developing what can be created with the available means (Sarasvathy, 2001; Sarasvathy and Dew, 2005). The goals behind service innovation in effectual logic are financial reasons, customer happiness improvement, customer satisfaction improvement and making customers less frustrated. The data suggests that their services can be described as simple, practical and "good enough". They do not offer their services in the best manner: they are happy to provide a service at an acceptable level, as they rely on what they already have and what resources they have free access to. Sarasvathy (2009) states that firms that are dominated by effectual logic try to find low-cost ways of reaching their customers; therefore, this is not a new finding by itself. This research found that the effectual logic hotels depended only on one low-cost way of reaching new customers (third party websites such as Booking.com), as they did not realise the importance of marketing: only two hotels were reaching out to new customers and developing marketing activities.

The previous two service innovation approaches and goals overlapped in some of the hotels that were associated with hybrid logic. This research supports the idea of hybrid logic, where combined elements of effectual and causal logics are present, which in turn show two different service innovation approaches. Smolka et al. (2016) found that the interplay between the two logics is synergistic, and the use of both effectual and causal logics can have a greater impact on the venture's performance (sales, market share and profit). This

study extends this thinking by deepening and widening our understanding of hybrid logic and service innovation beyond venture performance only. Studies empirically looking at hybrid logic and service innovation are currently absent. This study found that the hybridity works as a mirror that reflects the service innovation approach: when firms use hybrid logic in utilising their resources, they tend to be proactive and reactive in their service innovation approaches. Therefore, this study found that the usage of both effectual and causal logics by small firms increases the degree of innovation and broadens the range of services provided. Further, hybrid logic presents fewer missed opportunities. Moreover, this research shows that the "developing" type shares some of the service innovation goals associated with causal logic, such as improving customer loyalty and affecting customers' decisions to choose their hotels. As for the "mobile" type, such firms already have higher-level goals and follow plans, yet adopting a reactive approach enables them to satisfy a larger segment of customers. This may support Fisher's (2012) statement that giving a greater scope to effectual logic may present a wider range of new service opportunities. Additionally, it can be noticed that financial reasons were behind all the hotels being proactive and reactive; hence, proactivity and reactivity in this aspect do not represent hybrid logic.

Our findings support the presence of hybrid behaviours in innovation projects (Fisher, 2012; Reymen et al., 2015; Ortega et al., 2017). Ortega et al. (2017) and Reymen et al. (2015) claim that as the level of innovation increases, effectual logic becomes more dominant. This research found that the level of innovation increases due to the use of hybrid logic, not solely linked to the dominance of effectual logic. Although both hybrid logic groups present more effectual logic activities in multiple areas than the other two groups, it is the combination of the elements of causal and effectual logics that increases the level of innovation. It is posited that as the level of innovation increases, hybrid logic seems more present. The wider range of service innovation has more to do with the clear presence of the dominant logic and activities related to the other logic. This is mainly due to the idea of adding services based on the firms' goals, which drives their actions and efforts in identifying service innovation opportunities based on the resources at hand. In this research, the

"mobile" and "developing" types of hotels showed higher levels of innovation through applying both proactive and reactive approaches in their service innovation, rather than just one of the approaches. Neither approach is "bad"– both can be positive in the right circumstances. Hybrid logic firms react to all the available and new resources, offer services with whatever resources they have and, at the same time, are proactive in setting service innovation goals and obtaining the resources to achieve them. In conclusion, this study that the co-existence of both logics highly affects the range of service innovation in small firms regardless of the dominant logic.

In this section, it has been identified that organisations underpinned by different logics have fundamentally different approaches to service innovation. Across the different interrelations, firms show exploitative rather than explorative approaches to innovation. The main difference is how they acquire and use these resources and respond to unforeseen events. Those aligned with causal logic show a proactive approach, while those aligned with effectual logic show a reactive approach. By contrast, those that adopt hybrid logic show both approaches, but the main approach depends on the dominant logic in the firm. In both cases, hybridity reflects a greater degree of innovation, as it acts like a mirror that reflects the service innovation approach, which affects their resource utilisation and their access to resources. Being both proactive and reactive could be easier for small independent firms because of their greater flexibility to take decisions quickly and react to the surrounding environment compared to large or chain firms (Berends et al., 2014; Damanpour, 2010; Seilov, 2015). Building up their ability to be both proactive and reactive could help small independent firms operating in resource-constrained environments to be more competitive and improve their services by realising opportunities to expand their services and reach new customers.

7.4. The drivers behind the different dynamics in the use of causal and effectual logics

This section discusses the third research objective, which was to identify the different conditions underlying the different interrelations of causal and effectual logics in relation to service innovation approaches. This section

moves beyond the discussion of causation and effectuation as competing approaches. It contributes to the gap in the literature about how and why causal and effectual logics might be combined (Reymen et al., 2015). It sheds light on the main conditions that may affect the co-existence of causal and effectual logics, thereby enhancing our understanding of the relationship between the logics in service innovation. Kallmuenzer (2017) identified the drivers of innovation in hospitality independent firms, and the study found that three main actors contributed to firm innovation; family, employees, and guests. This study extended this knowledge by digging deeper into identifying the individual-level characteristics of those family members who are managing the hotels, managers and employees that are associated with the interrelation of causal and effectual logic. This research suggests that the interrelation of causal and effectual logics is context dependent; the findings demonstrate that the conditions behind this interrelation can be divided into three main factors: behaviours and practices, nature of resources, and management attitude. Nature of resources and management attitude affect hoteliers' behaviours, and the combined effect of the three conditions helps in developing the different interrelations between effectual and causal logics. Intangible resources include personality, passion, dedication, persistence, managerial interpersonal skills, social and professional networking skills, and previous working experience. Management attitude mainly represents the general attitude of the management regarding the future of the business and their management style.

The nature of resources includes tangible and intangible resources, as both types of resources are important for innovation. Some scholars claim that innovation is related to the availability of financial resources (Mahoney and Pandian, 1992; Fahy, 2002), while others highlight the importance of intangible resources for innovation (Vargo and Lusch, 2004; Liu and Siepel, 2015). This research found that the logic adopted in firms affects the service innovation approach (proactive or reactive), which in turn influences the range of innovation. As mentioned earlier, the availability of tangible resources and the willingness to use them drive owners to adopt causal logic (Sarasvathy, 2001; Reymen et al., 2015; Berends et al., 2014), whereby these hoteliers develop service innovation plans that are goal driven (Sarasvathy, 2001;

Fisher, 2012). By contrast, hoteliers who adopt effectual logic follow means-driven service innovation plans (Sarasvathy, 2001; Fisher, 2012). This study suggests that hybrid logic allows a combination of goal-driven and means-driven service innovation plans, where the dominant service innovation drive depends on the dominant logic. Further, this research found that what really determine the hybridity are intangible resources and management attitude. At the same time, these intangible resources and management attitude influence firms' tendency to be fixed in one logic or to be fluid by moving to the other logic or borrowing the other logic's behaviours.

Management attitude and intangible resources are more important than the literature suggests. Recent work by Stroe et al. (2018) started to look at some individual-level variables, which had been overlooked in previous studies. They quantitatively identified three main individual-level variables: passion, self-efficacy and risk perception, which are associated with intangible resources. The present research confirms the roles of passion and self-efficacy as part of the owner's/manager's personality. However, risk perception has not been unravelled as critical in the context of service innovation in hotels. This is mostly because uncertainty might be related to other industries (such as high-tech industries) rather than the hospitality industry, where most innovation is incremental. This research extends these individual-level characteristics to suggest that persistence, dedication (a sense of belonging), enjoyment and networking abilities act as drivers for hybridity, whereas an arrogant personality, a lack of managerial interpersonal skills and a lack of passion act as hindrances to hybridity. Some of the previous intangible resources and management attitude can drive hotels to start to slip out of the causal or effectual logic group and become less innovative, while others may allow for a greater intensity of activities related to both logics. Some of these intangible resources such as managerial interpersonal skills can highly affect the employees' well-being and their morale which is a key for innovation (Wikhamn, 2019). Moreover, some of these skills might be more important in small firms than in larger one due to their limited internal resources, such as using their networks (networking abilities), which can help them in accessing new resources to innovate (Naude et al., 2014). Therefore, intangible resources

can act like a hindrance and a facilitator for the existence of both logics, which affects service innovation.

The hybrid logic groups represented by the “developing” and “mobile” types have much in common in terms of intangible resources and the positive attitude of management. These factors drive the managers to use their internal and external resources as much as possible and to look at external parties as a gateway to free or valuable new resources. This study suggests the importance of intangible resources and management attitude in using effectual or causal logic or elements of both (hybrid logic), while in large or chain firms, these intangible resources and management attitude can be covered by the corporate governance or the organisational structure and formality. However, in small independent firms, management attitude and intangible resources such as personality, persistence and passion play major roles in relation to resource utilisation and service innovation. Thus, these intangible resources should be considered when selecting managers or employees. Particularly, managers may motivate the employees to exhibit more behaviours to participate and engage in service innovation (Baradarani and Kilic, 2018). Further, this research shed light on the huge effect of the owners’ general attitude towards the business. It is recommended that owners acknowledge their attitudes and try to be more positive or humble regarding informal future plans. Those with arrogant or careless attitudes should slowly try to change them.

7.5. Theoretical contributions

The current literature highlights the existence of hybrid logic (Fisher, 2012; Dew et al., 2009; Berends et al., 2014; Reymen et al., 2015), but it has not been investigated in the context of service innovation or small independent firms. Moreover, this study has developed a more nuanced understanding of hybridity. This research suggests that hybridity cannot be found in all firms, as the data suggested four types of co-existence between causal and effectual logics: two of the types are associated with the presence of one logic and the other two are linked with hybrid logic (one dominated by causal logic and the other dominated by effectual logic). Therefore, the contribution of this research is presenting the two types of hybridity. As mentioned in Section 7.2, not all

hybrid logics are the same: each hybrid logic group has different characteristics, different behaviours and a different service innovation approach.

This research also provides insights into service innovation in relation to effectuation theory, as limited literature was found related to effectuation theory in service innovation in small firms (Ortega et al., 2017; Berends et al., 2014; Alonso et al., 2017). In addition, this study suggests that in the context of small independent firms, causal and effectual logic firms are associated with exploitative approaches instead of explorative approaches. This is due to their incremental innovations and their approach of fine-tuning and extending their capabilities and services, as well as exploiting their own resources, rather than pursuing radical innovations and having an inventive spirit (Ortega et al., 2017).

Further, this study found that hybridity works as a mirror that reflects the service innovation approach, which means that when firms use hybrid logic, they tend to be proactive and reactive in their service innovation approach. This presents that the usage of both causal and effectual logic increases the degree of innovation and broaden the range of the provided services. Moreover, hybrid logic presents fewer missed opportunities because hybrid logic firms try to balance proactivity, which is mainly associated with causal logic, and reactivity, which is associated with effectual logic.

The other theoretical contribution of this study over other studies is its qualitative nature, which allowed the research to look at the complexities of the conditions behind the interrelations between causal and effectual logics and look at how different drivers work together to produce the interrelations between the two logics. Effectuation theory still fails to explain the conditions behind individuals using causal or effectual logic (Ortega et al., 2017). A better understanding is needed in terms of why and under which conditions one logic dominates the other (Laine and Galkina, 2017; Read et al., 2016b; Reymen et al., 2015). Further, recent articles have supported the adoption of hybrid logic and have also considered it vital to look at these conditions, as they may provide better explanations for the co-existence of causal and effectual logics

(Reymen et al., 2015; Ortega et al., 2017; Smolka et al., 2016; Fisher, 2012). Therefore, this study offers additional insights into the drivers that influence the interrelations of causal and effectual logics.

Individual-level characteristics are highly important, and the entrepreneurship literature supports this claim; however, they have been overlooked in previous effectuation studies (Stroe et al., 2018). Stroe et al.'s (2018) study was among the first to look at these characteristics in effectuation theory, considering passion, self-efficacy and risk perception. The present research suggests more individual-level characteristics by looking at intangible resources, and it adds management attitude to these conditions. Finally, this research extends these individual-level characteristics to suggest that personality, persistence, dedication (a sense of belonging), enjoyment, passion and networking abilities act as drivers for hybridity, whereas an arrogant personality, a lack of managerial interpersonal skills and a lack of passion act as hindrances to hybridity. As management attitude has not been mentioned in any previous studies, this study sheds light on it as one of the drivers of the co-existence of the two logics.

7.6. Practical implications

This section provides recommendations to small and independent business owners, as the findings of this study reveal some useful practical implications. Firstly, better resource utilisation and a wider range of service innovation in resource-constrained environments can be achieved with the presence of hybrid logic (dominated by either causal or effectual logic). For firms that use hybrid logic dominated by effectual logic or that are aligned with effectual logic only, our findings imply different strategies to improve and shape the service, such as recognising all the available internal and external resources that could help in improving their services, utilising their social networks formally and informally, continuously checking their external environments for any free or exchangeable resources to add new resources or reach new customers, and not settling with "good-enough" services but to keep improving their services as much as they can. Further, for firms that adopt effectual logic, this study recommends using hybrid logic that is more effectual in nature. This

would motivate them to “think big” and be aware of the presence of any mental barriers that stop them from improving and expanding their services, as well as recognise the importance of external parties, free external resources and engaging in marketing activities to improve customers’ satisfaction and reach new customers.

For firms that have causal logic characteristics, whether hybrid or aligned with causal logic only, this thesis encourages the owners to have their own predetermined goals while at the same time being flexible and borrowing some effectual logic activities to enable them to add extra services that are not associated with their initial plans. These activities involve exploiting opportunities as they arise (even if these new services or new marketing channels are not fully aligned with their visions), making creative and unintended usage of the available resources, and focusing on achieving efficiency and good quality (even if this requires changing their service outcomes). Therefore, recognising the interactions between planning and adapting their work to the different arising opportunities may help small firm owners to build more-dynamic innovation environments. Moreover, it may also help the owners of firms that are fully aligned with causal logic to become more hybrid and flexible by encouraging them to be more flexible in their service innovation plans and to realise the importance of effectual logic behaviours and how they can incorporate them into their original plans.

Secondly, this study encourages firms within the four causal–effectual interrelations to collaborate with external parties to add to and improve their services, as well as build more communication channels. It is recommended that small independent firms use their social and professional networks and are aware of their usefulness, regardless of whether they are aligned with causal or effectual logic. These networks may include their friends, family members, employees, tourist places, restaurants, bars, retail shops, and other companies and individuals. Further, one of the main external resources depicted in this study is customers. The role of customers is present either as optional in hotels that are aligned with causal logic or as integral to service delivery in hotels that are aligned with effectual logic. Customers are taking roles in adding new services, service delivery, and promotion and advertising. Therefore, the

findings of this study could help different owners to recognise the importance of their customers and change their perceptions towards them from being mere consumers to active actors in service innovation, offering a different source of knowledge, skills and connections (represented by their social and professional networks).

Thirdly, this study sheds light on the critical roles of intangible resources and management attitude in service innovation as key drivers behind the usage of hybrid or single logic in firms. Small business owners may consider using their intangible resources (such as personality, dedication, networking abilities and persistence) to engage continuously in service innovation activities. Being aware of this helps them to shift their focus from their dearth of tangible resources to realising which things they own could be utilised differently, such as intangible resources. It may allow these owners to consider their self-perceptions, attitudes and emotional bonds with their businesses as valuable resources. On the other hand, a lack of passion, a lack of managerial interpersonal skills, a careless attitude and an arrogant personality are hindrances to service innovation. This builds awareness that it is not just tangible resources that affect service innovation; intangible resources and management attitude are also integral in not missing any service innovation opportunities. Further, this may have some implications when owners are looking for managers and employees, whereby they should appreciate their individual characteristics, such as skills, characters and knowledge, instead of mainly focusing on ideal but unrealistic figures and numbers. This indicates to what extent these owners can utilise their resources, as human capital is regarded as a basic but vital intangible asset.

7.7. Limitations of the study and further research areas

As with all empirical work, there were some limitations present in this study. Firstly, it is recognised that the sample was small, particularly for the different sub-groups within the interrelation types that were found in the analysis. One of the interrelation types was represented by one hotel, which is considered a small number for a sample. Therefore, it is advisable to study a greater number of hotels with similar patterns to confirm whether the different conditions behind the four types of causal–effectual logic interrelations are the same. Moreover, the selected participants in this study were small hotels (10–50 rooms). However, it might be interesting to compare small hotels with medium-sized hotels (51–100 rooms) to expand our understanding of the co-existence of both logics, the drivers behind this co-existence, and whether the same set of intangible resources and management attitude play the same roles in medium hotels as in small hotels or whether they are different in different contexts.

Secondly, the collected data does not allow us to compare the service innovation activity intensities of the two types of co-existence. Although this research suggests that the innovation intensity in the two hybrid logic groups is greater than that in the other two groups, it would be interesting to look at which of the "complacent" or "stagnant" types and which of the "mobile" or "developing" types engages more in service innovation. Future research could explore which of the two co-existence groups is more innovative and study in depth the relationships among the co-existence of causal and effectual logics, proactive and reactive exploitative innovation approaches, and innovation intensity.

Thirdly, another limitation related to the collected data was the time-related issue, as the sequential use of causation and effectuation was not traceable within the collected data. The data was not collected based on the different service innovation activities that had been introduced chronologically; therefore, the different conditions that had affected each transition could not be traced. The approach adopted in this study was more gaining a general holistic view of service innovation and the development of services, whereby a holistic

view was also taken of the identification of the conditions behind the co-existence of both logics. Thus, future research could explore the nature of causation and effectuation in the service innovation context and could employ a longitudinal research design using ethnographic tools or a process research approach, whereby they could track more closely the effects of management attitude and intangible resources on the use of causal and effectual logics. The data in this research was taken as a whole set and did not look at shifting between one logic and the other over the years, which may happen due to changes in the surrounding conditions. Therefore, it would be advisable to follow different founders from the initial stages of having ideas for starting service businesses to the later stages, looking at most of their service innovation outcomes chronologically. This would provide a richer and wider view of the concept of the interrelations between causal and effectual logics and would broaden the scope of our understanding of the different drivers that affect the co-existence of causal and effectual logics.

Fourthly, as the research focus shifted from looking at co-creation in small hotels to a broader view of exploring the different behaviours and practices related to resource utilisation for innovation. It would be worth formulating a direction of future research that looks at the barriers of value co-creation in small independent hotels, especially that this research was able to identify some practices of co-creation, however, their presence is not significant.

Fifthly, one of the main behaviours that emerged from the collected data was small independent hotels' owners collaborating with external parties and making use of external resources in different forms; either to broaden the offered services, to improve their internal intangible resources and to build a brand image and brand awareness. Therefore, a potential direction for future research would be to look at the inter-organisational collaborations between small hotels for innovation with special regard to the different underpinning logics; causal and effectual logic, which contributes in turn to the SME innovation literature.

This research sheds light on the importance of three main conditions behind the co-existence of causal and effectual logics, supporting the notion that these

are not opposing logics. This lends itself to future research that looks thoroughly at these different conditions, namely: behaviours and practices, nature of resources, and management attitude. It is important to understand the drivers behind these dynamics to achieve better resource utilisation and a broader range of service innovation. Additionally, future research could dig deeper into these three main drivers and define them further via qualitative and quantitative methods. It could look at personality, passion, persistence, dedication (a sense of belonging), networking abilities, managerial interpersonal skills, management attitude and employee–manager–owner relationships. Moreover, another direction of future research could be associated with a new data analysis technique. These three main conditions; behaviours and practices, nature of resources, and management attitude, were acting closely together and there was noticeable linkage between them which lead itself to look at these three conditions that were behind the interrelations in the use of causal and effectual logics that produce “Developing”, “Mobile”, “Complacent”, and Stagnant” groups as different configurations. Therefore, future studies could apply configurational methods such as fuzzy set Qualitative Comparative Analysis (fsQCA), due to its ability to uncover the combinations that lead to the usage of both logics simultaneously and this helps to unravel the complexities behind that usage and co-existence of both logics.

Last, this research presents the importance of the owner’s and manager’s individual-level characteristics; therefore, from a practical point of view, understanding these characteristics would be beneficial to the hotel industry and managing small independent firms generally. From a theoretical point of view, it would contribute to the literature that links the individual-level characteristics with the adoption of causal and effectual logics, as this has been an overlooked subject.

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Appendices

Appendix A: Interview guide

Area Covered	Questions
Background questions	• Can you please tell me more about this hotel? When was it opened? How many rooms and employees are there? What services do you provide for your customers? • Can you please tell me more about your past experience, your role in this hotel, your main duties and how long you have been working at this hotel? • What do you think distinguishes this hotel from other hotels? What has helped this hotel to remain successful over the years? • To what extent do you think innovation and creativity are crucial in service provision? Generally, do you think it is hard to be creative in the hotel industry? • What are the things that keep you most loyal to this hotel? (manager)
Current services and the development of new services	• Can you please tell me how the services have developed over the years? • Can you please tell me the big milestones of the service development in this hotel? What kind of improvements and changes have you implemented in this hotel? Describe one particular service from the beginning of its development until it launched. • What made you decide that a certain service could or should be further improved? Can you please explain further? • What inspires you most to develop a certain service: a competing hotel, customers, employees, an idea suggested by a colleague, etc.? • What actions have you have taken to develop services? • Can you remember a new service or an improvement to a current service you had in mind and when you applied it you realised it was not a good idea? What made you decide it was not a good idea (what was your measurement?)? What did you do in this case? Did you simply cancel the service or find a way to adjust/change it?
Resource utilisation	• Do you try to find new innovative procedures or tools to do what you usually do? What do you use? How do you implement these tools? Where do you get these ideas from? Who is involved? What are the different phases of implementing these procedures? What are the challenges of implementing them? Why are these challenges? How do you overcome them? • How do you try to use your resources more efficiently? How do you use your existing materials and staff in different ways? (some examples) • How do you try to utilise your resources more effectively (e.g. the available space)? How does this happen? What makes you think of doing this? • How do you utilise technology in your business (in terms of money, time and reaching customers)? How do you utilise social media in interacting with / attracting customers? Please give examples.
Challenges	• Regarding the high staff turnover in the hospitality industry, how does this affect your hotel? What do you think is the main cause of this high turnover rate? What do you do to overcome this

	challenge? How do you think employee retention affects this hotel? • Can you tell me about a particular incident where you developed a service but faced lots of challenges or obstacles throughout the process? Can you tell me what these challenges were? How did you react to these challenges – what actions did you take? Why did you react in that way? Did you take any actions that were incorrect – if so, what were they? With whom did you discuss these issues? Can you remember anyone helping with this issue, whether formally or informally? • In an ideal world, where would you like to take this hotel? (exploring the challenges and asking if they had the right resources to do this, plus what these are) • Have you ever had a good idea for improving or developing a service but you could not because of some challenges or constraints? What were these constraints, and why did they stop you from improving/developing a service?
Customers' role	• Could you tell me more about your customers? How do you collect customer complaints and suggestions? How do you deal with these? What do you do about the bad ones? How do you react to them? • Do you seek to learn anything from your customers? Please specify the feedback that you learnt from the most and that reshaped a service that your hotel provides. How did it improve the service? Do customers have any role in improving or developing new services? How does this happen? • Can you remember an incident where you had to do something on the spot because of an unexpected request from a customer? What was it? What did you do? Why did you react in that way? Would you consider doing the same if the same incident happened again, or would you change your reaction? Do you try to improve developed solutions by keeping the same ideas, or do you think of totally new ideas?
Front-of-house employees	• As for the front-of-house employees, to what extent do they have the flexibility to be involved in improving and developing services? • Do you ask your employees to do some duties that are not part of their daily work? Why? Can you give me some examples? • Do you encourage your employees to be more innovative? In your opinion, what is their role in improving your services? In what ways?
Different relations that help in operating the business	• Can you give me an example of how you have collaborated with other parties to improve your services? (suppliers, sponsorship, the owner's other establishments, restaurants, other tourism enterprises, family members, toiletry companies, etc.) (Depending on what I have sensed from the observations, looking at the hotel's website and the interview.) How was this relationship formed? Who approached whom? Could you explain how this worked? What happened next? To what extent has this relationship impacted your services' creativity? Please give an example. • In your opinion, what do you gain from this relationship? What do you offer in return? What were the different stages of this relationship: how did it start and evolve? How will you take this relationship forward? Why did you choose this company? Do you give each other suggestions on improving your services in terms of efficiency and effectiveness?

Employees' interview guide

1. Can you please tell me more about your past experience, particularly if you have any previous experience in the hospitality industry? What is your role in this hotel? What are your main duties, and how long have you been working at this hotel?
2. While working here, how have your skills developed? Can you give me some examples? Who has helped in this: management, friends or you alone? In which ways do you see your skills being employed at this hotel?
3. Did you receive any training for what you are doing now?
   - *Yes*
   How useful was it? How was your knowledge expanded?
   - *No*
   Then how did you get used to the system? How did you learn what to do and what the services should be like?
4. Can you please tell me how the hotel's services have developed since you started working here? What kinds of improvements and changes have occurred? What do you think were the reasons behind these changes? (elaborate more on new services)
5. How do you collect customer complaints and suggestions? How do you deal with these? Can you identify some challenges while dealing with different customers? What do you usually do with customer feedback? When customers give you suggestions or make special requests or complaints, how do you react? What do you do? Do you follow a formal procedure, or do you try to find a solution or answer on your own?
6. How would you describe the openness of the relationship between the front-of-house employees and the management? Do you think you are taking part in improving the services provided to guests? In what ways have you improved the current services in this hotel? Can you give me some examples?
7. Have you ever been asked to help with or perform some duties that are not part of your daily work? When and why? Can you give me some examples?
8. What are the challenges or constraints in this hotel that the team are working on to improve services? What practices are being undertaken?
9. How do you think the collaboration between you and your colleagues affects the services? Can you give me some examples? Can you remember cases where there was no collaboration? What happened, and what were the implications? Can you think of an incident where you and other staff tried to help with a problem in the hotel?

Appendix B: Data sources

		Data Sources	
Hotel	**Interview (with whom and the duration)**	**Observations (with whom and the duration)**	**The length of the interviewee's tenure in their position and their working experience**
Hotel A	Female Owner / 70 minutes	Tour of the hotel (25 min with the housekeeper)	No previous experience in hotels. She is an interpreter. They had two extra rooms in their previous house, so they decided to use them as a bed and breakfast in 2011.
Hotel B	Manager / 35 minutes Receptionist/ 41 minutes	Tour (around 30 minutes with the receptionist)	Manager has worked there since the opening. She worked in restaurants for 15 years. Receptionist started working there in 2015. No previous experience.
Hotel C	Male Owner / 45 minutes	Tour (around 30 minutes with the owner)	He established the hotel and has 44 years of experience. He studied a hotel management course for three years.
Hotel D	Manager / 50 minutes Receptionist 1 / 48 minutes Receptionist 2 / 20 minutes	Recorded tour (22 minutes with the manager)	He had started working there six months ago (2016). No previous experience in hotels. He was in the armed forces and security industry. Receptionist 1 has been working there for 17 years. Receptionist 2 started working there three months ago. Her previous experience was in warehouses and factories.
Hotel E	Male owner / 40 minutes Female owner *First interview: 114 minutes *Second interview: 20 minutes Housekeeper: 25 minutes	Recorded tour (30 minutes with the manager)	They have been running this hotel for six years. Both had experience in hotels. He had worked in other hotels for 18 years and she had worked in other hotels for five years.
Hotel F	Manager / 142 minutes	Recorded tour (30 minutes with the manager)	He has been working there for one year and six months. He has 47 years of working experience in hotels.

Hotel G	Male Owner / 35 minutes Operational manager *First interview: 44 minutes *Second interview: 30 minutes Hotel manager / 97 minutes Restaurant manager / 39 minutes Waitress / 26 minutes	Four hours of observation in the bar and reception Tour (30 minutes with the operational manager)	Owner is a farmer, no experience in hotels. Operational manager started working there in 2008. She has 25 years of experience in hotels. Hotel manager started working there 11 years ago. She became the hotel manager six years ago. Restaurant manager has been working there for 23 years. She became the restaurant manager eight years ago. Waitress has been working there for over three years.
Hotel H	Operational manager / 44 minutes Front-of-house and food and beverage manager / 40 minutes Reception manager / 25 minutes Housekeeping manager / 10 minutes Receptionist / 44 minutes Bartender / 20 minutes	Three hours of observation in the bar and reception Tour (around 20 minutes with the operational manager)	Operational manager has been working there for two years. Front-of-house and restaurant manager has been there since the reopening and has 15 years of experience in hotels. Reception manager has been working there for one month. He has ten years of experience in hotels and restaurants. Housekeeping manager started working there four years ago. She became the housekeeping manager in the last few months. Before, she worked as a waitress and bartender. Receptionist has been working there for two months and has four years of experience in hotels. Bartender has been working there for three years. Has 18 months of bar work experience.
Hotel I	General manager / 48 minutes Event management and reservation manager / 45 minutes Restaurant manager / 37 minutes	One hour of observation in the bar	General manager has been working there for one year and has 24 years of experience in hotels. Event manager has been working there since 2015 and has three years of experience in hotels. She studied service sector management. Restaurant manager was been working there since 2015. He managed some restaurants and bars before.

Appendix C: Information for research participants

Thank you for agreeing to participate in this research project. Your participation in this research is voluntary, and you may change your mind about being involved in the research at any time, without giving a reason.

This information sheet is designed to give you full details of the research project, its goals, the research team, the research funder and what you will be asked to do as part of the research. If you have any questions that are not answered by this information sheet, please ask.

What is the research project called?

The deployment of resources in co-creation for service innovation in a resource-constrained environment: a study of the small hotel sector

Who is carrying out the research?

Farah Shishan, PhD student in Business and Management, University of Nottingham. The research is being funded by the University of Jordan.

What is the research about?

The aim of this study is to understand how small independent hotels develop new services and how they engage with their customers and other stakeholders to create and continuously adjust their services. The hotel sector is an intensively competitive industry that offers a wide list of common services, and this creates continuous pressure and challenges for hotels to keep innovating to distinguish themselves from their competitors and to respond to customers' changing lifestyles and their demands for a customised service. Yet this is not easy for small hotels facing particular constraints. The researcher is particularly interested in understanding how these hotels use their current resources to develop and refine their services and investigating how hotels do this while coping with challenging problems, such as limited facilities and equipment, unknown brand names, high staff turnover, and limited means to train and attract staff.

What groups of people have been asked to take part, and why?

I am interested in collecting data from different small independent hotels (small is defined as fewer than 50 rooms) in the UK, under the belief that small hotels are important to the industry and operate in a resource-constrained environment due to the different challenges they face, whether from being in the highly competitive hospitality sector or from being small independent businesses.

Understanding the resources at hand and collaborating with different parties to develop new services are crucial for developing and adjusting their services without huge investments, which allow small hotels to attain competitive advantage over their rivals.

What will research participants be asked to do?

I will visit the sites more than once (to observe the encounters between different parties who may engage in developing new services).

The interviews may last between 45 minutes and an hour with managers and around 20 minutes with employees. The aim of these interviews is to better understand the hotel's way of utilising its current resources in developing new services; the different interactions with employees, customers and other stakeholders; and the challenges the hotel faces in these interactions and in service development processes. With the interviewee's consent, I will record the interview and take some notes.

I may ask for the manager's approval to review certain hotel documents.

What will happen to the information I provide?

Data will be stored on a personal computer and will only be accessed by the researcher and the supervisors. Hotel names will be replaced by Hotel A, Hotel B, etc. No personal information will be revealed to any party. However, where the hotel is located (city), the type of hotel, the number of rooms (and/or employees), the date of establishment and direct quotes might be used for the purpose of analysis with your permission.

What will be the outputs of the research?

Research thesis, journal papers, conference publications and book chapters, and it might be useful to provide recommendations to hotels.

Contact details

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Complaint procedure

If you wish to complain about the way in which the research is being conducted or have any concerns about the research, then in the first instance please contact Farah Shishan.

Or contact the School's Research Ethics Officer:
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Appendix D: Research ethics review checklist

Nottingham University Business School
UNITED KINGDOM · CHINA · MALAYSIA

NOTTINGHAM UNIVERSITY BUSINESS SCHOOL

RESEARCH ETHICS REVIEW CHECKLIST – STAFF AND DOCTORAL RESEARCH

Research ethics approval is required for every research project that involves human participants or their data, whether that project is externally funded or not. Research projects may not start without ethical approval.

Please complete this form electronically and email it to Stella Fuller (stella.fuller@nottingham.ac.uk), along with any annexes, from your UoN email account.

Research Project Title	PhD: The nature of causality and effectuation in the context of service innovation in small independent firms

Doctoral students should name their supervisors under "co-investigator" and add [PhD] before the project title.

Principal Investigator	Farah Shishan
Co-Investigators (and Affiliation)	Prof. Helen Perks Prof. Scott McCabe
Project Funder(s)	University of Jordan

Project Start/Finish Dates	October 2014 till 2017	**Date of Ethics Application**	19.01.2016

Questions about the appropriate REC to review the application:		
Will the study involve recruitment of patients through the NHS or the use of NHS data or premises and/or equipment?	Y	**N**
Does the study involve participants age 16 or over who are unable to give informed consent? (e.g. people with learning disabilities)	Y	**N**

If the answer to either of these questions is 'yes', then you will need to seek approval through an NHS Research Ethics Committee – the School Committee cannot review your project. Please contact the University's Research Governance Officer, Angela Shone (Angela.Shone@nottingham.ac.uk) (and cc adam.golberg@nottingham.ac.uk).

NUBS LREC cannot approve projects which involve: the administration of drugs, placebos, etc. to research participants; tissue collection; the infliction of pain; or invasive, intrusive or harmful procedures. Please contact Angela/Adam as above.

Questions about involvement of researchers from outside NUBS:		
Are colleagues from another school or institution involved in the research?	Y	**N**
If you are leading the project, does this application cover their involvement?	Y	**N**
If they are leading, have they obtained ethical approval for your involvement?	Y	**N**

If a project is led from outside NUBS, ethical approval by her institution will normally be accepted in lieu of a NUBS REC review. In such cases, please complete this page only and attach a letter confirming ethical review. Similarly, NUBS REC will normally be willing to write to external project partners to confirm that we have reviewed the project. It would be up to their respective institutions to decide whether to accept our review or to carry out their own – you should not assume agreement.

Please note that it is your responsibility to follow the University of Nottingham's Code of Practice on Ethical Standards and any relevant academic or professional guidelines in the conduct of your study. **This includes providing appropriate information sheets and consent forms, and ensuring confidentiality in the storage and use of data.**

Any significant change in the question, design or conduct over the course of the research should be notified to the School Research Ethics Officer (adam.golberg@nottingham.ac.uk) and may require a new application.

Brief summary of project goals:

The research will investigate how small independent hotels develop new services, how they utilise their current resources in this development process and how they engage with their customers and other stakeholders to create and continuously adjust their services. The researchers are particularly interested in understanding how hotels do this while coping with challenging problems, such as limited facilities and equipment, unknown brand names, high staff turnover, and limited means to train and attract staff.

Small hotels are identified by the number of rooms (fewer than 50 rooms).

Brief description of research methods to be employed:

The researcher will use:

1. Observation by visiting the participating hotels more than once;
2. Semi-structured interviews with:
   Managers, lasting 45 min to one hour
   Employees, lasting around 25 minutes
3. Available public material such as company's website.

Questions about consent	**Y**	**N**
Does the research involve vulnerable groups: children, those with cognitive impairment, or those in unequal power relationships (e.g. students)	Y	**N**
Will the study require the co-operation of a gatekeeper for initial access to the groups or individuals to be recruited? (e.g. students at school, members of self-help group, residents of nursing home, employees)	**Y**	N

Will it be necessary for participants to take part in the study without their knowledge and/or full informed consent at the time? (e.g. covert observation)	**Y**	N
Questions about confidentiality		
Will the research involve the sharing of data or confidential information beyond the initial consent given? Will the data collected be (or potentially be) used for any other purpose?	Y	**N**
Will the research involve administrative or secure data that requires permission from the appropriate authorities before use?	Y	**N**
Will any payments, compensation, expenses or incentives be offered to participants?	Y	**N**
Questions about the potential for harm		
Will the study involve discussion of personal or sensitive topics (e.g. sexual activity, drug use, or commercially or legally sensitive topics)?	Y	**N**
Could the study induce psychological stress or anxiety or cause harm or negative consequences beyond the risks encountered in normal life?	Y	**N**
Will the study involve prolonged or repetitive testing?	Y	**N**
Is there a possibility that the safety of the researcher may be in question beyond everyday risks (e.g. in some international research in trouble spots)?	Y	**N**
Location of the research		
Will any of the research take place outside the UK?	Y	**N**

If you have answered 'yes' to any of the questions above, please explain your reasons below and any steps you will take to deal with the ethical issues raised. Please note that answering 'yes' will not in itself adversely affect the chances of approval. For guidance on completing this section of the form, please contact adam.golberg@nottingham.ac.uk

The researcher is planning to contact a few hotels by email, explaining the subject of the research and what the researcher is interested in and asking them whether they would be willing to participate. Therefore, the managers are the gatekeepers who will give their approval for the researcher to visit the hotels more than once, conduct several interviews with different employees and provide some documents.

The nature of this study requires the researcher to visit the same site more than once to observe the different interactions between employees, employees and management, employees and customers, and other stakeholders (suppliers and distributors). The researcher will conduct the observations in the common places where employees, managers, suppliers and/or customers interact with each other, and the employees and the management will be informed of the presence of the researcher in these places. As the researcher is targeting small hotels, the number of staff will be limited, making it easy to inform them of the researcher's identity and what she is doing in that hotel. However, the researcher will not be able to tell all the customers and suppliers that she is conducting research, but if she is able to contact some of the customers and suppliers with the knowledge and acceptance of the hotel's management, she will explain to them her role as a researcher, the university she is studying at and the aim of the study. The participants will be assured that the provided information will be used for this study only and that the data will only be accessed by the researcher and her supervisors. If any interesting incidents happen in front of the researcher that require more investigation with the people involved, then the researcher will first ask

the hotel management if she can contact these customers or suppliers, then she will try to contact them through the hotel management.

Using the observation method for collecting data will require the researcher to engage in repeat visits to a particular hotel over a period of time to help the researcher to obtain the required data. The aim of the observations is to explore how services are developed and created in small hotels, which will give the researcher a very clear understanding of these processes. The researcher is interested in observing people's behaviours, interactions and language in collaborating with different parties to develop new services. Mainly, the researcher will stay in the lobby, café and restaurants (shared common spaces).

The duration of the observations will depend on the hotel's management: they might participate in my research through in-depth semi-structured interviews without allowing me to visit their hotel more than once, or they may welcome the idea of me visiting their hotel more than once. I will discuss with them the timing of my visits: whether at a specific time every day (morning, afternoon or evening) or different days throughout the week. The duration of my observations will also depend on the engagement levels of these hotels in developing new services via collaborating with their customers, suppliers or front-of-house employees; therefore, it might be 2–3 weeks or it might be two months. The researcher cannot determine the duration at present, as it will highly depend on each separate small hotel.

To what degree will individual research participants and organisations be anonymised in the research outputs? Please list any potentially identifying characteristics that you may wish to use. Please attach a copy of your participant information sheet and/or consent form (where appropriate) as annexes.

The name of the participating hotels will be kept completely confidential (not revealed). Only the principal investigator and co-investigators will have access to the data, and it will be used only for the purpose of this study.

Some of the potentially identifying characteristics the researcher may use are:

1. Hotels: the location of the hotel (city), the type of hotel, the number of rooms (and/or employees) and the date of establishment due to their importance in the analysis and explaining the context of the research, as the research outcomes will be context specific
2. Employees: how many months/years they have worked in the specific hotel and in hotels generally (experience), their job titles and some of their main duties.

Useful links:
A link to the University of Nottingham Code of Research Conduct and Research Ethics can be found on Nexus
at http://www.nottingham.ac.uk/business/nexus/index.phtml?anml=-1&sid=4149

ESRC Framework for Research Ethics
http://www.esrc.ac.uk/about-esrc/information/research-ethics.aspx

UK Research Integrity Office Code of Practice for Research
http://asset.ukrio.org/ukR10htre/UKRIO-Recommended-Checklist-for-Researchers.pdf

Appendix E: Initial codes

Grouping Codes	Initial Codes
Action	Doing then planning Doing what can be done well Instant solution
Background	Employee background Hotel background Manager background (personality and experience) Manager's different roles Owner's background Owner's or manager's preferences Owner–manager arguments Owner's and manager's relationship Passionate Past life activities Resource availability
Causation	Goals for the future Long-term plans Meeting regularly Planning and organising
Challenges	
Change	Change the atmosphere and services Change processes Changes without money Unplanned changes
Competition	
Collaboration	Associating with another brand Reinforcing service quality perceptions Building the hotel's profile Introducing new services/events
Costs and returns	
Creativity	
Customers	Customers' experience different than that of employees Customers' feedback Customers' words are different from their actions Coordinating with customers Engagement
Effectuator	Making something from nothing Lack of vision Using what they already have
Employees	Training Initiative of employees Multi-tasking employees Suggestions from employees Go the extra mile
Knowledge	Accumulated knowledge

	Learning (practical knowledge) Internet as a tool to improve Enhancing knowledge
Location effect	
New services	Reservation system and online bookings Packed breakfast Failure of a service Extra revenue for the hotel Efficiency (saving money and green ideas) Market leaders
Opportunities	Responding to unplanned opportunities Not knowing = lost opportunity Implementing some ideas related to the industry
Professional advice	Seeking professional advice Not seeking professional advice
Resource constraints	Space constraints Lack of employees Lack of experience/knowledge Lack of money Uncontrollable constraints
Resource utilisation	Adaptation (adapt what you are doing to the resources at hand) Immature skills Limiting the resources, not wasting much Reshuffling things Seeking out ways of doing things in inexpensive ways Using existing resources (rather than seeking from outside) Using forgotten and cheap resources Using the space Obtaining new resources Playing with words
Small and independent	Independent hotel Small hotels
Who you know: network	Bouncing off ideas Building the hotel Collaboration Different point of view from the hospitality network Family Friends Local attractions Networking Other businesses Partnerships Professional acquaintances Promotion (advertising, brand recognition, promotion by customers and target market) Role model

	Suppliers (criteria for suppliers) Third-party websites

Appendix F: Hotel F case study

This case study represents the "developing" group, which adopts hybrid logic dominated by effectual logic. This section presents the different conditions behind this hybrid logic, which are:

1. Behaviours and practices: a focus on efficiency and quality (but prioritising efficiency) and a focus on using internal resources to the fullest. The hotel collaborates for free with external parties to expand its available resources and engages in marketing activities if they are free
2. Nature of resources: few perceived resources. The intangible resources were a perfectionist personality, persistence, enjoyment, dedication and social networking abilities
3. Management attitude: a positive attitude associated with informal future plans

The manager of Hotel F had always been eager to improve the hotels he worked at, either to get a rating or to get a higher rating. He had recently started to work at Hotel F, and he wanted to improve it as much as he could. His informal improvement plans would not happen unless the hotel obtained sufficient tangible resources to start working on them. Therefore, he tried many ways to utilise the existing internal and external resources. He used his previous experience and his network to expand his resources in order to achieve his improvement plan.

Intangible resources: perfectionist personality

In this hotel, the manager's perfectionist personality had an impact on his behaviours, as well as his strive to continuously improve the hotel's services. The manager at Hotel F had tried to improve every hotel he had worked at. He had helped many hotels to get better ratings, and he mentioned: "it is in my make-up". Particularly, in Hotel F, he had worked on promoting and advertising the hotel, improving the service quality and increasing sales by 25% using his skills, knowledge and personality. He did this without using any

new tangible resources, only the available internal resources and his network resources (his social network and the surrounding businesses).

Intangible resources: persistence and dedication

The manager was very keen and persistent in improving the offered services, even when he wanted to add or improve a service and got a rejection from the owners. He kept pushing them and trying to convince them without surrendering quickly. He mentioned that before taking this job, he had asked his wife if he should take it because he would dedicate most of his time to the hotel.

Extract 81

> *"Before I signed on the dotted line, I stopped my wife and I said: 'you know what this means if I take this job on.' I said: 'do you understand what this job means? Once I get involved, I get involved. And once I get involved, I want it to be successful. So, do you understand what that means? I've lived with you long enough.' I said: 'don't ever blame me.'"*
>
> (hotel manager, Hotel F)

The previous example illustrates the manager's perfectionist personality and his dedication. The manager wanted the hotel to be successful, and that meant providing the best versions of the services they could offer. It also shows the manager's intention to invest lots of time and effort in this hotel. During his journey to improve the hotel, he had faced some challenges from the owners, where they were not supportive, yet he insisted on pushing them or finding other ways to do what he wanted. This shows his persistence and dedication. He mentioned the following:

Extract 82

> *"I'm not here for the money because they don't pay [well] – hotels don't pay [well] anyway. I'm not here for the money, promise you. It is just I love what I do. I have increased the turnover 25% in nine months and increased bedrooms by 20%. Just the bedrooms, so I have done 5%*

downstairs and 20% upstairs: overall 25%. That wasn't hard, it was just organisation. My wife said: 'shouldn't you get something for that?' I said: 'no, that is what they pay me for. That is my job, that is what I do for living, and I make money for the people.' She said: 'if you have increased it that much, how much will you be able to increase it further?' I said: 'yeah, that is the question: what the breakeven point is for the company before I can't achieve anymore, and then what will happen, except normal growth?' So, I must be a genius and start thinking of ideas to increase it."

(hotel manager, Hotel F)

Later, he also mentioned:

Extract 83

"The difference between me and other ten-bedroom hotels if you went and saw the manager is that I have always treated every hotel as my own, so if I would not do it myself, I won't do it at all. If you went and looked at these little hotels with 14 bedrooms on a hill, they are owned and run by the owners, and you will get the same feeling that I have given you. Each hotel manager is different, has different ideas and everything."

(hotel manager, Hotel F)

The previous examples present the manager's dedication, which led him to use all the available resources and to look for cheap and discarded ones to be used to improve the hotel's services. He strived to do more and be more innovative to be able to keep generating money.

Intangible resources: enjoyment and passion

Moreover, his passion (enjoying what he was doing) pushed him to develop new packages, which was part of his marketing activities to encourage more people to come in.

Extract 84

> *"My other passion beside hotels is walking. I want to walk in the mountains, everywhere."*

(hotel manager, Hotel F)

In the previous example, the manager clearly identified working in hotels as his passion. He combined his two passions to create a winter package that involved walking to attract people who liked walking and hiking like him. Further, he mentioned that he had improved the hotel's services and website from "Mini" to "Mini Cooper" without incurring any expenses *[extract 35]*. This mainly reflected his dependence on his knowledge and his intangible resources to improve the hotel's services. The hotel started to engage in new promotional techniques (e.g. local tourist spot discounts –*extract 57)* and offer new packages (e.g. a steak night), which represent engagement with different aspects of service innovation.

Intangible resources: previous working experience and networking abilities

These new services and new marketing activities were added because of the manager's previous experience working in hotels. He mentioned the following about selling discounted Heights of Abraham (a local tourist attraction) tickets:

Extract 85

> *"I have done it everywhere I have gone. I'm always a fan of local attractions that I can sell."*

(hotel manager, Hotel F)

This illustrates how his previous experience affected his current actions. The manager had developed his knowledge and skills because of that experience,

which had made him realise the importance of promoting the hotel and looking for external parties to collaborate with, especially for free. The manager collaborated with the Heights of Abraham and contacted his previous assistants to bounce ideas off them about some new services and ask their opinions. This was all part of collaborating with external parties for free. He perceived these parties as a free way to improve the hotel, as he knew he did not have sufficient financial resources. This was one of the behaviours that pushed the hybrid logic to emerge. The manager had learnt from his previous experience, and this might be one of the main conditions of moving effectual logic hotels towards becoming causal logic hotels, as using their intangible resources allows the hoteliers to increase their financial positions to be more goal driven, as it was mentioned that he had increased sales by 25%.

Management attitude: positive attitude

The third condition behind this hybrid logic was the management attitude, presented by the manager's positive attitude towards the hotel and its services. The previous examples depict the manager's positivity towards the future, thinking he could keep innovating, generating more money, building up the hotel and making it much better. The manager did not have any doubts that would stop him from believing in himself or that would stop him from going forward. He could see the hotel growing and becoming more stable in its services and resources.

Appendix G: Hotel G case study

This section presents the analysis of the findings for the hybrid logic group dominated by causal logic ("mobile"), showing the three main conditions behind this causal–effectual interrelation:

1. Behaviours and practices: a focus on efficiency and quality (while prioritising quality), fully utilising the internal resources, seeking to obtain new resources to achieve better service innovation if needed, and highly focused on marketing and reaching new customers
2. Nature of resources: many perceived resources. The main intangible resources were personality, determination, persistence, dedication (a sense of belonging), managerial interpersonal skills, and professional and social networking abilities
3. Management attitude: positive attitude associated with the humbleness of the management and owners

Management attitude

The key factor in terms of management attitude was the management's positive attitude and humbleness. The owners were down to earth and had good social skills, which were reflected in the managers having the same attitude towards the business and towards employees. The humble attitude was evidenced by the fact that when employees retire, the owners invite them to one of their homes for a meal, and this appreciation was noticed by the current employees. The owners' behaviours and attitude directly affected how the managers behaved. The hotel manager in Hotel G mentioned the following:

Extract 86

> "*That's what [the owners] would do and that's what [the owners] would like us to do, and it just follows his way down.*"
>
> (hotel manager, Hotel G)

This illustrates how the managers knew what the owners would do and how they would like them to act. The hotel manager elaborated on this:

Extract 87

> *"Last year, we had a Christmas market, and we put it on Facebook, which was a big mistake because we had like thousands of people saying that they were going to come to this market, and they all came. I got to the top of the drive and saw a big chaos on the road, and the cars parked everywhere and went home. People parked up both sides of the drive. The road was just packed solid with people and everyone got cars stuck in the mud because it was December, and [one of the owners] was out there helping the customers lift their cars out of the mud, covered in mud himself, and how many owners would you see normally – they usually just don't do that. But that's how [the owners] are different from other owners."*
>
> (hotel manager, Hotel G)

The previous quotations reflect how the owners' attitude and humbleness affected the entire management team's behaviours. It may not be directly related to service innovation behaviours, yet it had a broader effect on the general atmosphere of the hotel's services. This quotation illustrates how the employees imitated and were affected by the general manager's or the owners' behaviours and attitude. This could also be extended to the point where if the management asked the employees to do extra work that was not related to their jobs, they would be willing to do so because of that attitude, as one of the owners literally got his hands dirty. Similarly, one of the owners mentioned that he would not mind cleaning the pots in the kitchen if he had to.

Intangible resources: dedication and personality

As mentioned before, the effect of management attitude was highly noticed among the three main managers that I interviewed. All of them had the attitude of "we care", as if the hotel belonged to them. Dedication and a sense of belonging were noticed in their actions. When I was walking with the operational manager, we passed by five or six older women. The manager said: "hi, ladies. Or, should I say, hi, girls". This illustrates the friendly atmosphere in the hotel, which might have motivated employees and pushed them to look

for different ways to reduce costs and find ways to satisfy customers' requests because they felt like it was their own business. This sense of belonging emerged due to the personalities of the owners and the effect on the managers. The restaurant manager mentioned the following:

Extract 88

> *"Obviously, working with [one of the owners], where he is just natural at it, he can remember everybody's name, everybody's face. We are a small family-run company, and, basically, you certainly know everybody within your area. You might not know everybody on housekeeping, you might not know every person who works in the other restaurant, but you know most of them by sight if not by name. So, it is very much a family unit."*
>
> (restaurant manager, Hotel G)

This sense of a "family unit" directly motivated the management and employees to look at the hotel as their business and to try to be as efficient as possible. For example:

Extract 89

> *"When I'm looking for new uniforms, I look at maybe four or five companies before I choose among them. The housekeepers all wear blue trousers and blue tops. It doesn't matter what blue trouser and what blue top, so I do it on cost. I don't go with who I've always ordered from – I look around. And it's the same with the kitchen. The breakfast chef has been with us for two years now, I think, um, and obviously she comes to these meetings, so she knows she needs to hold the minimum of our stock because the breakfast chef before her had far too much stock in, and then it is [the owners'] money siting on the shelf when it can be sitting in the bank. So we try to hold less stock and we try to make sure that we keep everything fresh and things aren't going out of date, so we are not throwing things away."*
>
> (hotel manager, Hotel G)

The previous quote illustrates how the manager was considerate about the owners' money and about being efficient when she was buying ingredients and products. This affected the hotel's service innovation processes. Moreover, this example shows how the management's efficiency and quality decision-making worked: on this occasion, because quality did not matter, the hotel manager focused on cost efficiency.

Besides, the owners focused on being more environmentally friendly and finding ways to cut costs. This was mainly linked to their profession (farming) and personalities. This had also affected the hotel's services. The hotel had started to recycle plastics and cardboard and had installed bio heating. This reflects the owners' personalities' role in developing services, as their profession had made them more considerate about the environment.

Intangible resources: networking abilities

Another aspect that influenced the hotel's reactive and proactive service innovation approach, which was an outcome of hybrid logic, was the management's social and professional networks. They used their networks to improve their skills and knowledge by bouncing ideas off different people about their services, such as improving their food menus *[extract 21]*, as well as contacting and being contacted by different tourist destinations to collaborate and offer certain packages such as theme park, city cathedral, where both parties got something in return. Many of the owners' friends had helped them in developing the hotel's services, even if they were paid services. The idea behind this is that the owners' networks influenced the services and the way they were developed.

Intangible resources: determination and persistence

The last two intangible resources that were depicted in the data were determination and persistence. Determination involves having goals and trying one's best to achieve them. In this case, the hotel's goal was to be a four-star hotel providing high-quality services that were different from those of other hotels. Persistence was perceived in the hotel's ability to maintain high standards, keep adapting to the environment and add services (whether directly

related to the rooms or by planning different events and packages). This shows the management's persistence, as they learnt from previous years, put what they learnt into action, changed how they did things, and tried to offer even more events to utilise the hotel's resources and generate more money.

Appendix H: Hotel A and Hotel C case studies

This section presents the analysis of the findings for the group dominated by effectual logic ("stagnant"). Both cases that are discussed in this section are related to the sub-group that showed good amounts of effectual logic activities and tried to utilise their internal resources fully. Therefore, the following section discusses this sub-group, not the exception case, which showed lower utilisation of internal resources to innovate. The three main conditions behind this were:

1. Behaviours and practices: a focus on efficiency only, fully utilising internal resources, considering external parties only if they shared nearby locations and did not consider engaging in any marketing activities
2. Nature of resources: few perceived resources. The main intangible resources were a passionate personality, persistence, enjoyment, dedication, managerial interpersonal skills, and limited professional and social networking abilities
3. Management attitude: positive attitude and a mental barrier

Intangible resources: enjoyment

Starting with Hotel A, the owners mentioned that they enjoyed working in the hotel industry and did not want to kill the enjoyment of working there.

Extract 90

> *"We did it even without a cleaner at the beginning: we cleaned all the rooms by ourselves, cooked breakfast and served evening meals. But now to not kill the joy, we employed a cleaner, and she is the one who we rely on."*
>
> (female owner, Hotel A)

The previous example illustrates that the owners enjoyed what they were doing but they did not want to overdo it and exhaust themselves to the extent that they would become unhappy with their work. Moreover, as a field note, I wrote after the interview that "she loves to serve others and do things as if she

were doing them for herself". This presents the owner's enjoyment and passion, which were behind using all the available resources to innovate. She kept trying to improve the hotel and add new services, such as a bar and a small hairdresser's corner.

Intangible resources: managerial interpersonal skills and a passionate personality

Due to her good managerial interpersonal skills, the female owner of Hotel A was able to detect the housekeeper's skills, which was the primary motive behind thinking of having a hairdresser's corner *[extract 49]*. When I asked her how she knew about the housekeeper's hidden skills, she elaborated on her close relationship with her employee:

Extract 91

> *"I talk to her. I treat people initially like I would treat my daughter. I never have this upper stiff lip, but if somebody might think that she is a cleaner, she is not. No one else taught her that she is not but a Rottweiler like me you must be good, but who knows how I am. They are coming through the door because I advertised somewhere that I was looking for a cleaner, so she came to me and I talked to her and she said: 'I'm a hairdresser with no job'. I said: 'ooh, well then, come to Mama.'"*
>
> (female owner, Hotel A)

The previous example presents how the owner described herself as treating her employees the way she would treat her daughter, and this illustrates good managerial interpersonal skills. The previous example presents her tendency to seize opportunities to innovate and add new services. Having a hairdresser's corner was not an idea that may have come to her mind if she had not had that conversation with the cleaner. Moreover, the passionate personality of the owner drove her to use all her skills to improve the service offering, as she mentioned:

Extract 92

> *"I always like to do something with a twist. I do not like following the pattern."*

(female owner, Hotel A)

She mentioned this in relation to the way she served breakfast: a nice big plate with smaller ones inside that had different items, as well as how she decorated the rooms using her interior design skills: city-themed rooms. On the other hand, she described herself as a technophobe:

Extract 93

> *"I'm a bit of technophobe, so I don't use Facebook or Twitter. There are accounts hanging there somewhere, but I don't use them."*

(female owner, Hotel A)

She only used Booking.com to promote her hotel. This presents the impact of her personality and character on her behaviours and service innovation because as a person she was not interested in social media, as an example, so she did not promote her hotel using these channels.

Management attitude

During the entire interview, she did not mention any future plans or what she was thinking she might do: she only mentioned her indirect approach to managing the hotel and its services.

Extract 94

> *"It is a wonderful business. You make lots of friends, you keep lot of people happy and, you know what, when you give more then you expect to receive more – never be afraid to give more. I didn't know this until very recently, until a couple of years ago. Because I was thinking I must give five and receive five. No, you give as much as you can and get whatever comes. If it comes and covers you, fine, but what the principle dictates is I will always give more."*

(female owner, Hotel A)

The previous example presents her enjoyment in owning and managing her hotel and her positive attitude in managing the hotel and improving it, yet she had a mental barrier of not dreaming big, as she did not see where her hotel was going. She focused on the daily work and making her customers happy.

The second hotel in this sub-group was Hotel C. This hotel was managed by a couple and faced considerable financial constraints, which was the reason behind reducing the number of services they used to offer.

Intangible resources: dedication and persistence

Despite the limitations, the owners kept trying to survive and improve their hotel within their available resources. This presents the owners' persistence and dedication to making things work. The owners' previous experience and passionate personalities led them to use the available resources to offer their services, such as their creativity. This was shown by how they found a way to make the rooms look bigger *[extract 46]*, found a way to serve breakfast with fewer employees *[extract 51]* and developed a big dining and bar area.

Management attitude: positive attitude with a mental barrier

Further, the reason for this hotel adopting effectual logic and not moving from this situation was the missing future plan. The owners had a general idea of where they would like the hotel to be in the future, but their aim was to make customers happy without having any future plans. Their ideal future situation was to be more relaxed during working hours and make their customers happy.

Extract 95

> *"An ideal world for me personally is to be here, let's say, Friday and Saturday. The hotel is full, I have a lot of people checking in and I'm so confident that everybody is going to walk through that door, check into the hotel and will be more than happy with the accommodation we are providing. Now, I don't have that: there are too many things still not right upstairs. I need this area here to start creating an income and a profit for us to continue with the work upstairs."*

(male owner, Hotel C)

The previous quotation demonstrates that this owner's vision was not related to making the hotel bigger or offering a higher-quality service. His main aim was to provide a level of service where his customers would be happy – this might be considered a mental barrier of this hotelier. This presents part of the management attitude, as this owner believed that his customers would be happy one day, that the bar and dining area would be successful and that he would be able to create demand for it. At the same time, he did not have any big dreams for the future, which reflects that he had a positive attitude but also a mental barrier.

Intangible resources: limited networking skills

Moreover, a lack of networking skills also stopped this hotel from moving from the "developing" type towards hybrid logic dominated by effectual logic. The owners did not expand their social networks and did not exchange knowledge with any other parties, and this limited the growth of the services in the hotel.

Extract 96

> "*I think I know the building quite well now and I know our business quite well, so I know what we need to get along with. I am not quite sure that meeting other hoteliers in the town would add any value."*

(male owner, Hotel C)

The previous quotation shows this owner's perception towards networking with other hoteliers and his idea that brainstorming and discussing ideas with different hoteliers would not benefit his hotel in terms of the improvement of his hotel's services and getting new insights. This presents the idea of being internally focused and not being exposed to external parties and their help in getting access to free resources to engage in service innovation activities.