International Journal of Hospitality Management 70 (2018) 66–74

Contents lists available at ScienceDirect

International Journal of Hospitality Management

journal homepage: www.elsevier.com/locate/ijhm

Research Paper

Innovativeness and control mechanisms in tourism and hospitality family firms: A comparative study

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ARTICLE INFO

Keywords:
Tourism
Hospitality
Family business
Innovativeness
Control mechanisms
Social embeddedness
Quantitative

ABSTRACT

Identifying and managing innovations are of relevance to researchers and practitioners alike. Since innovation in tourism and hospitality appears more complex than in other industries and family dynamics are an additional factor to consider as most firms in tourism and hospitality are family firms, this study compares the innovativeness of tourism/hospitality family firms (THFF) and its effect on financial performance to that in non-tourism/-hospitality industries (non-THFF). Drawing on family business literature, we also analyze the applicability of control mechanisms to manage the effectiveness of innovativeness. Findings from a sample of 180 firms (82 THFF and 98 non-THFF) show that innovativeness in THFF is as relevant for performance as in non-THFF. However, only in non-THFF control mechanisms show to be relevant, but have a significant negative moderating effect on the innovativeness-performance relationship. We interpret that in THFF control mechanisms are substituted by dynamics of regional and social embeddedness.

1. Introduction

Innovations are key to successful tourism and hospitality business (Nordin, 2003; Paget et al., 2010; Pikkemaat and Peters, 2006). Although the success of a firm is a result of several entrepreneurial factors and activities (Ottenbacher, 2007) such as innovation (Hjalager et al., 2017), past studies suggest that tourists in general are willing to pay more to those firms showing greater innovation activities (La Peña et al., 2016). So far, most studies focused on exploring tourism and hospitality actors' innovative capabilities (Hjalager, 2010) and their ability to absorb external knowledge (Thomas and Wood, 2015, 2014), especially in an Alpine tourism context (e.g., Flagestad and Hope, 2001; Paget et al., 2010; Pechlaner and Fuchs, 2002; Pikkemaat and Peters, 2006). However, despite its importance for firm survival (Sundbo et al., 2007), research so far only shows little evidence for the magnitude of tourism and hospitality firms' innovativeness (Sundbo et al., 2007; Thomas and Wood, 2014) and its effect on financial performance (Hjalager, 2010; Tajeddini, 2010). In addition, despite its relevance for financial performance, mechanisms to control and manage the effectiveness of innovativeness (Sieger et al., 2013) have not yet been the focus of tourism and hospitality research. Previous general management research has shown that control mechanisms can be helpful tools in controlling often costly innovation efforts (March, 1991), particularly when carefully used and not hampering innovation processes too much (Bergfeld and Weber, 2011; Davila et al., 2009).

Aiming to fill this knowledge gap, this study takes into account that most firms in tourism and hospitality are small- and medium sized (SME) family firms (Getz and Carlsen, 2005; Peters and Buhalis, 2013), which often face challenges in implementing innovations due to their small size and the costs and efforts associated with it (Pikkemaat and Peters, 2006). Often, these firms stand for tradition and sustainability (Bergfeld and Weber, 2011) and focus much more on incremental hardware (upgrading hotel facilities, for example) or service innovations (Grissemann et al., 2013) than on radical technology innovations (Pikkemaat and Peters, 2006). In comparison, industries that are dominated by larger companies profit from higher economies of scale and are able to invest in more radical innovations (Weiermair, 2006).

At the same time, family dynamics have shown to be a relevant factor that needs to be considered and controlled in family firm innovation management (De Massis et al., 2015a). These dynamics can lead to less business-oriented and more family-oriented behavior (Nordqvist et al., 2008), which in return can result in negative financial performance effects (Schulze et al., 2001). Drawing on family business literature on agency theory (Miller and Le Breton-Miller, 2006), these negative effects refer to drawbacks of family dynamics originating from altruistic and relational behavior (Mustakallio et al., 2002; Poppo and Zenger, 2002). This behavior can arise from less controlled performance of the family managers (Schulze et al., 2001), and encompasses excessive risk and innovation aversion due to aspiration of family welfare, favoring the employment of family members instead of more

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https://doi.org/10.1016/j.ijhm.2017.10.022
Received 3 November 2016; Received in revised form 12 October 2017; Accepted 29 October 2017
Available online 20 November 2017
0278-4319/

qualified managers and further issues of moral hazard due to (too) safe family embedment of managing family members (Eisenhardt, 1989; Schulze et al., 2003). For these reasons, in this study we draw on family business research, which found control mechanisms in the form of surveying the activities and performance of the family firm manager/s to be helpful tools for managing the drawbacks of family dynamics (Chrisman et al., 2007; Senftlechner and Hiebl, 2015; Sieger et al., 2013). For the case of the tourism and hospitality industry, the regional and social embeddedness of family firms has shown to be a relevant factor in determining family dynamics (Morrison, 2006; Peters and Kallmuenzer, 2015). Therefore, we also consider the relevance of regional and social embeddedness when interpreting results on the effectiveness of control mechanisms.

Considering the lack of knowledge about the specifics and consequences of innovativeness in tourism and hospitality (Hjalager, 2010; Thomas and Wood, 2014) and the peculiar challenges of family SMEs, the purpose of this study is to empirically investigate the presence of innovativeness in tourism/hospitality family firms' (THFF) and its effect on financial performance. Noting that family firms need to overcome barriers of small firm size and negative family dynamics to successfully innovate (De Massis et al., 2015a), we also investigate the influence of control mechanisms as a tool to manage the effectiveness of innovativeness on THFF performance. As innovation in tourism and hospitality is shown to be complex and peculiar (Hall and Williams, 2008; Hjalager, 2010; Pikkemaat and Peters, 2006), yet little explored concerning its effect on performance (Tajeddini, 2010), we investigate these effects in comparison to other industries, with the goal to be able to identify peculiarities of the tourism and hospitality industry. Except for a few conceptual research contributions (e.g., Reijonen and Komppula, 2007) we hardly find industry comparisons in extant literature, highlighting significant differences between tourism/hospitality and other industries. The study relies on a survey conducted with 180 family firm managers in Western Austria, an area known for its established tourism and hospitality industry. Our findings contribute to the knowledge of innovativeness and control mechanisms in tourism and hospitality in particular and in family business more general, as well as of the applicability of control mechanisms for steering the effectiveness of innovativeness.

In this article, we first elaborate on the theoretical background of innovation and control mechanisms in tourism and hospitality family firms. Second, we display the research design and outline sample characteristics. Third, we present the results of the empirical study. Fourth, we discuss and interpret these results in light of relevant literature. Fifth, we develop theoretical and practical implications and state the limitations of the study.

2. Theoretical background

2.1. Literature review

2.1.1. Innovation in tourism and hospitality firms

Research increasingly discusses innovation in tourism and hospitality firms (Camisón and Monfort-Mir, 2012; Hall and Williams, 2008; Novelli et al., 2006; Nybakk and Hansen, 2008; Ottenbacher and Gnoth, 2005). In this study, we use the terms hospitality and tourism interchangeably as common in literature (Nykiel, 2005), noting that hospitality businesses serve many individuals who are not tourists (Okumus et al., 2010). From a typology point of view and for the purpose of our study, innovation in tourism literature can be defined as "everything that differs from business as usual or which represents a discontinuance of previous practice in some sense for the innovating firm" (Hjalager, 2010, p. 2). Innovativeness as a firm's "willingness to innovate" (Lumpkin and Dess, 1996, p. 137) defines "a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin and Dess, 2001, p. 142) and is commonly measured by items referring to the introduction of new products of services on the market (Covin and Slevin, 1989). In prior general management research, innovativeness was found to positively influence financial performance (Lumpkin and Dess, 2001).

In tourism and hospitality firms, innovation has shown to be more complex than in general management (Legohérel et al., 2004; Pikkemaat and Peters, 2006). As shown by Hall and Williams (2008) and Hjalager (2010), innovations in tourism occur in the form of product/service, process, managerial, marketing or institutional innovations. Along with this broad nature of innovations, little doubt remains about the relevance of innovation for tourism and hospitality firm survival (Chen and Elston, 2013; Hjalager, 2010; Sundbo et al., 2007). However, prior research so far mostly only concentrated on exploring innovative capabilities of tourism destination actors (Pechlaner and Fuchs, 2002; Pikkemaat and Peters, 2006), without testing the effect on firm performance. The focus on the destination context also led to further research investigating the role of networks in destinations (Aarstad et al., 2015; Strobl and Peters, 2013), and the importance of innovations as competitive advantage for destinations (e.g., Svensson et al., 2005). A further stream of research explored the impact of external factors, such as information and communication technology (Buhalis and Law, 2008), and internal factors, such as employees, on innovation (Nieves and Segarra-Ciprés, 2015; Orfila-Sintes et al., 2005). Finally, another stream of research focused on investigating the effects of costumer orientation on the innovation of tourism firms (Tajeddini, 2010; Tajeddini and Trueman, 2012).

In addition, we know that tourism and hospitality firms' business behavior and their innovativeness is often guided by non-economic goals such as lifestyle (Ateljevic and Doorne, 2000; Peters et al., 2009) or quality of life preferences (Peters and Schuckert, 2014). Nonetheless, financial performance shows to be a dominant goal also to tourism and hospitality firms (Getz and Petersen, 2005; Inoue and Lee, 2011) and innovativeness is generally considered a key factor contributing to financial performance (Lumpkin and Dess, 2001). So far, however, empirical evidence on the effect of innovativeness on tourism and hospitality firms' financial performance is scarce (Hjalager, 2010; Tajeddini, 2010), despite calls from, e.g., Thomas et al. (2011), who particularly suggest to investigate entrepreneurial attitudes, including innovation capabilities, of tourism and hospitality firms as decisive factors for 'business growth or failure' (p. 972).

2.1.2. Innovativeness in tourism and hospitality family SMEs

Most firms in tourism and hospitality are small- and medium sized family firms (Getz and Carlsen, 2005, 2000). Tourism and hospitality research on SMEs so far mostly concentrated on the role of small rural tourism and hospitality firms (Polo-Peña et al., 2012; Reijonen and Komppula, 2007; Tinsley and Lynch, 2001) as "the foundation of the tourism product" (Komppula, 2014, p. 365) in specific regional settings (Morrison, 2006). Further research (e.g. Angeles Montoro-Sánchez et al., 2008; Li, 2008) started to identify relationships of small firm entrepreneurial behavior (and thus, innovation) and financial performance (Hallak et al., 2014; Lee et al., 2016).

Prior tourism and hospitality research so far neglected to consider the impact of family dynamics in THFF innovation (Peters and Kallmuenzer, 2015). Drawing on family business research, findings shows that in family firms innovativeness is influenced by family dynamics, which results from strong family involvement in the firm (De Massis et al., 2015b; Nordqvist et al., 2008). For the purposes of our study, we define family firms as firms where ownership and management are aligned within one or more families, owning family/-ies hold more than 50% of shares, and at least two family members are active in the firm (Chua et al., 1999; Miller et al., 2007; Westhead and Cowling, 1998). Generic literature also shows that family firms (Bergfeld and Weber, 2011) and particularly those with small or medium firm size (De Massis et al., 2015a) constantly need to innovate to protect the longevity of the family firm and to assure long-term performance

(Kellermanns et al., 2012). In addition, generational ownership dispersion was found to influence the effect of innovativeness on financial performance (Nordqvist et al., 2008; Zellweger and Sieger, 2012).

2.1.3. Control mechanisms as contingency factor

When investigating the effect of the innovativeness of THFF on their financial performance, it is necessary to consider potential contingency factors influencing this relationship (see also Carmichael and Morrison, 2011; Hjalager, 2010). As shown, family dynamics dominantly influence the business of THFF. Therefore, this study investigates the effectiveness of controlling family dynamics (Chrisman et al., 2007), which showed to be an effective tool in managing family firm entrepreneurial behavior by avoiding negative aspects of family dynamics (Sieger et al., 2013). In more detail, control mechanisms showed to avoid relational and altruistic tendencies of family firm management (Mustakallio et al., 2002; Schulze et al., 2001). These mechanisms go back to agency theory research (Jensen and Meckling, 1976), which found individual preferences negatively affecting financial performance. With more people involved in decision-making such as by the separation of ownership and management, agency problems are a result of different individual preferences and information asymmetries of the owner (principal) and the employed management (agent). Agents take decisions based on their own preferences (e.g. short-term, financial gains) instead of the owners' preferences (e.g. long-term, sustainable development) (Davila et al., 2009).

Family business research showed that agency problems in family firms can also arise from preferences to keep the firm control in the family at all costs, to keep wealth in the family and to hold on tightly to the idea to pass on the business to the next generation (Berrone et al., 2012; Schulze et al., 2001). Associated problems are missing self-control of family managers, moral hazard and adverse selection due to information asymmetries between family members and an abuse of the strong family relationships (Mustakallio et al., 2002; Poppo and Zenger, 2002; Schulze et al., 2001). Overall, control mechanisms were identified as an effective instrument to control family dynamics, contributing to reach the financial performance goals of the firm (Chrisman et al., 2007; Sieger et al., 2013).

Based on these insights from tourism/hospitality and family business literature, in this study we aim to investigate the applicability of control mechanisms for steering the effectiveness of innovativeness on financial performance in THFF, compared to the situation in Non-THFF to be able to identify peculiarities of the tourism and hospitality industry. We thus develop a framework (see Fig. 1), which compares the innovativeness-performance relationship of THFF to that of Non-THFF, using control mechanisms that manage family dynamics as a contingency factor. The following section derives hypotheses comparing the influence of innovativeness and control mechanisms on performance for THFF and Non-THFF.

2.2. Hypotheses development

2.2.1. Innovativeness and financial performance

Family business literature widely agrees on the positive effect of innovativeness on financial performance (e.g. Bergfeld and Weber, 2011; Kellermanns et al., 2012), especially when the family is strongly involved. In tourism and hospitality, family firms are often owned and managed by the same person or few close family members (Getz and Carlsen, 2000; Peters and Buhalis, 2013). Therefore, often a particularly strong family involvement is present and, consequently, a strong effect of innovativeness on performance in THFF can be expected. Findings also show that in THFF innovativeness is necessary to survive (Hjalager, 2010) because of the ever-changing environment and a multitude of actors offering a shared tourism product (Sundbo et al., 2007).

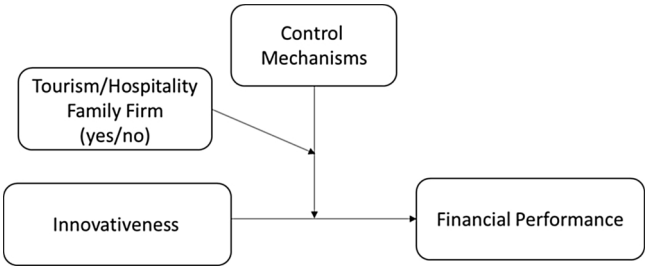

Fig. 1. Research model.

However, findings also show that innovativeness is generally weaker and less relevant in THFF than in Non-THFF (Sundbo et al., 2007). This is due to their often very small size (Sundbo et al., 2007), a general risk-averse attitude (Legohérel et al., 2004) and financial restrictions (Weiermair and Peters, 1998), which all lead to less systematic innovation efforts and initiatives (Sundbo et al., 2007). To understand innovation in tourism and hospitality SMEs, it is also important to consider their more incremental nature of innovation, which refers to increased productivity, quality improvements or training of staff (Pikkemaat and Peters, 2006). This nature of innovation also has to be differentiated from radical, often very technological innovations that happen in other industries such as manufacturing (Pikkemaat and Peters, 2006; Sundbo et al., 2007).

In a nutshell, prior research in tourism and hospitality, but also generic literature indicates that family firms in all industries need to be willing to be innovative to maintain competitive advantages and perform financially well (Hjalager, 2010; Lumpkin and Dess, 1996). However, research on technological innovation in family firms showed that the pressure to innovate in technology-intensive industries is stronger and more systematic (Chrisman and Patel, 2012; Naldi et al., 2007) than in generally more service-oriented industries like tourism and hospitality. Therefore, we hypothesize:

H1. Innovativeness is more positively related to financial performance among Non-THFF than among THFF.

2.2.2. Control mechanisms and the innovativeness-financial performance relationship

In family business literature, control mechanisms, despite being costly, were found to be effective means to manage family firms as reducing agency behavior originating from relational and altruistic preferences (Chrisman et al., 2007; Schulze et al., 2001; Sieger et al., 2013). These mechanisms are ought to control individual preferences such as self-control, moral hazard or adverse selection, which express themselves in a lack of discipline or diverging individual and firm goals (Eisenhardt, 1989; Schulze et al., 2003). Findings show that the installation of control mechanisms eventually results in higher financial family firm performance (Schulze et al., 2003, 2001)

Prior literature on THFF shows, however, that individual preferences in tourism and hospitality are often more in line with firm preferences due to a strong regional and social embeddedness of tourism actors (Horobin and Long, 1996; Niehm et al., 2008; Peters and Kallmuenzer, 2015). THFF also have a "role as cultural brokers within host communities" (Shaw, 2008, p. 125): these entrepreneurs are often deeply embedded in their regional community or destination and act as bridges between tourists and the local community with a special focus on the region's sustainability (Horobin and Long, 1996). This sustainable, historically grown attachment to the region leads to a strong social identity and responsibility feeling (Deephouse and Jaskiewicz, 2013). Individual preferences and agency behavior lose importance and thus firms are more willing to engage in cooperative projects with regional competitors (Peters and Kallmuenzer, 2015; Reijonen and Komppula, 2007). Furthermore, due to their small size, THFF often also have no other choice than to cooperate with firms in the region to survive through shared production/offering of services (Beritelli, 2011; Weiermair, 2006; Wilson et al., 2001). We therefore hypothesize that in

THFF control mechanisms are not as efficient tools as in Non-THFF because regional cooperation in hospitality and tourism reduces agency behavior, and therefore eventually will not contribute as much to financial performance:

H2. Control mechanisms are less positively related to financial performance among THFF than among Non-THFF.

Next to these aspects of control mechanisms as drivers of financial performance, a central question of this study is how the effectiveness of innovativeness on financial performance is affected by these control mechanisms, again comparing THFF and Non-THFF. Answering this question, we first draw on general management findings that show that there is a great amount of financial risk associated with innovation efforts (March, 1991) and thus these efforts need to be controlled. More recent findings, however, show that it is necessary to carefully control innovation (Davila et al., 2009), as controlling the firm too much can hamper efficient innovative processes (Bergfeld and Weber 2011). Innovation efforts are closely linked to experimenting, exploring and learning (Davila et al., 2009), which require freedom and space. Too strict control mechanisms would limit the freedom and learning process that is necessary to successfully implement innovations. Considering that innovation in family firms is often driven by involved family members (De Massis et al., 2015b), tight control mechanisms would prevent family firms from reaping the fruits of innovation efforts developed by family members. This situation would also endanger the importance of relational preferences as common in family firms (Schulze et al., 2001).

For the particular situation of THFF, further factors might reinforce the negative aspects of using control mechanisms to steer innovativeness effectiveness. THFF, in particular, identify themselves strongly with their regional and social surrounding (Morrison, 2006; Peters and Kallmuenzer, 2015), and thus a feeling of embeddedness is guiding and probably fostering their innovation efforts. If these efforts would now be systematically controlled, an effect opposed to the original idea of social embeddedness (Le Breton-Miller and Miller, 2009) might occur: family members could refrain from future innovation attempts.

Summarizing, we oppose findings from prior literature that argued for the usefulness of control mechanisms to manage the effectiveness of innovation (Davila et al., 2009). We hypothesize instead that in family firms control mechanisms will have a negative impact on the effect of innovativeness on financial performance. In addition, we hypothesize that due to the strong social and regional embeddedness of THFF, this impact on the innovativeness-performance relationship will be even stronger.

H3a. Employing control mechanisms interacts with innovativeness in Non-THFF to negatively affect performance relationship.

H3b. Employing control mechanisms in THFF has an even more negative effect on the innovativeness-performance relationship than in Non-THFF.

3. Research design

3.1. Sample and procedure

The study utilizes a quantitative research design to explain the innovative-performance relationship for the case of THFF in comparison to Non-THFF. For this purpose, we conducted a survey in a larger sample of family firms (Nordqvist et al., 2008) by means of a questionnaire that was based on prior scales in literature. These scales were originally formulated in English. As this study was conducted in Austria, the two authors of this study translated the scales into German through a translation and back-translation procedure. To assure clarity and comprehension, we pre-tested the questionnaire was pre-tested from six academics and two family executives of family firms. The comments of these academics and executives on content, structure, wording and scaling were incorporated into the final version of the survey.

We sent out an email link to an online questionnaire in June 2014 to a random sample of 1056 family firms in three states of Western Austria, Vorarlberg, Tyrol and Salzburg. This mountainous region was chosen as it is characterized by a mix of urban and rural living space, and is dominated by family SMEs, particularly in the established tourism and hospitality industry (Doerflinger et al., 2013). We sent out two email reminders after four and eight weeks respectively and one reminding phone call was conducted after 12 weeks to complete the data collection in September 2014. The questionnaire was addressed to family firm top management, while the sample was determined from a family firm database. This database was created through online research of family firms in Western Austria, guided by the definition of a family firm applied in this study. The online survey resulted in 180 completed questionnaires, filled out by family firm managers. 82 of those firms were primarily active in the tourism and hospitality industry, while 98 were from non-tourism/non-hospitality. Of these 98 Non-THFF, 39 were active in the handcraft industry, 19 in manufacturing, 18 in retail, 10 in wholesale, 8 in consulting/IT, 8 in transport/logistics and further 16 in miscellaneous industries (multiple answers were possible).

Table 1 describes the sample of our research. While overall mostly men filled out the questionnaire, it is worthwhile to note that in THFF significantly more women than men (mean difference = 0.29 on a classification variable, where 1 = male and 2 = female; $t = 3.32$; $p < 0.05$) filled out the questionnaire than in Non-THFF. Also, Non-THFF had significantly more employees (mean = 228.59) than THFF (mean = 35.83) ($t = -2.49$; $p < 0.05$). While this difference in employees certainly has to be considered for this study, it reflects reality as most of the firms in tourism and hospitality are small businesses (Getz and Carlsen, 2005; Peters and Buhalis, 2013). There were no significant differences found in age of the respondents, number of family members and generation of the firm.

3.2. Measures

3.2.1. Innovativeness (independent variable)

The scales to evaluate innovativeness were measured on a seven-point semantic differential of two opposed statements, which are based on prior management literature (Covin and Slevin, 1989; Lumpkin and Dess, 2001) and only had to be slightly adapted to fit family firm managers as respondents. These statements (see Table 2) specified innovations as new products or services, and/or investments in research & development (R&D) and technological leadership, assuring that

Table 1
Sample characteristics.

	No. of Respondents	Percentage
Gender of Respondents		
Male	127	70.6%
Female	53	29.4%
Generation of Firm		
1st Generation	47	26.1%
2nd Generation	62	34.4%
3rd Generation	48	26.7%
> 4th Generation	23	12.8%
Size of Firm		
Small (≤ 49 employees)	124	68.9%
Medium (50–249 employees)	39	21.7%
Large (≥ 250 employees)	17	9.4%
		Mean (SD)
Age of Respondents		44.58 (18.81)
Family members in the firm		3.46 (1.944)

N = 180.

Table 2
Items for innovativeness and results of factor analysis.

	Component (varimax rotation)	α	AVE
I1: My firm has marketed no new lines of products or services in the past 5 years//… many new lines of products or services in the past 5 years	0.75	0.72	65.16
I2: In general, the managers of my firm favor a strong emphasis on the marketing of tried and true products or services//… on R&D, technological leadership, and innovations	0.82		
I3: Changes in product or service lines have been mostly of a minor nature//… have usually been quite dramatic	0.85		

respondents understood the definition of innovativeness in this study. Overall, innovativeness was measured with three items.

In a first analytical step, we conducted an independent samples *t*-test to identify whether THFF showed different mean values for innovativeness than Non-THFF. Results shows that there is no significant difference.

Secondly, we conducted a factor analysis with varimax rotation to extract uncorrelated components for innovativeness. Table 2 shows that all three items of *Innovativeness* (items I1 to I3; Covin and Slevin, 1989; Lumpkin and Dess, 2001) could be retained. Together, the final components account for 65.16% of the variance. All dimensions passed the reliability level, as Cronbach's Alpha reached a satisfying level for this type of analysis (α = 0.72).

3.2.2. Control mechanisms (independent variable)

Control mechanisms, while costly, were employed in previous family business research as a measurement tool that prevents prevent agency problems (Sieger et al., 2013). These mechanisms (see Table 3) are expected to help assuring to reach firm goals by, for example, direct observation and performance evaluation of the family firm manager/s. Control mechanisms are measured with four items on a five-point Likert Scale from "never" (=1) to "very often" (=5) (Chrisman et al., 2007). An independent samples *t*-test for the two groups of family firms showed that there are no significant differences in the mean values of these evaluations. Factor analysis with varimax rotation shows that the fourth item had to be deleted due to a low factor loading ("*To assess my performance, the input from other managers and subordinates is used*"). The remaining three items ("*In our company there is personal, direct observation*"; "*In our company, short-term performance is evaluated regularly*"; "*In our company, progress regarding long-term goals is evaluated regularly*") loaded highly on one factor (ranging from 0.73 to 0.85), displaying a Cronbach's Alpha of 0.74.

3.2.3. Tourism/hospitality (independent variable)

To be able to meaningfully compare results (Dawson, 2014) for THFF and Non-THFF, we built a dummy variable, equaling 'one' if the firm was from the tourism/hospitality industry, and 'zero' if it was from another industry.

3.2.4. Financial performance (dependent variable)

For measuring financial performance, the four measures *Sales Growth*, *Return on Sales*, *Gross Profit*, and *Net Profit* of Lumpkin and Dess (2001) and the two measures *Return on Equity* and *Return on Investment* of Becker (2005) were applied. Respondents were asked how these variables developed over the last three years relative to their competitors, measured on a seven-point Likert Scale from "low performer" (=1) to "high performer" (=7). An independent samples *t*-test for the two groups of family firms showed that there are no significant differences in the mean values of these evaluations. A factor analysis with varimax rotation exhibited that all measures for financial performance loaded on the same factor (AVE = 0.825) with a high Cronbach's Alpha (α = 0.957) and thus were reduced to one variable of financial performance.

Table 3
Descriptive statistics and correlations.

	Mean	SD	1	2
1. Innovativeness	4.22	1.40		
2. Financial Performance	4.71	1.19	0.373**	
3. Control Mechanisms	4.00	0.75	0.329**	0.297**

N = 180.
Note: *p < 0.05; ***p < 0.001.
** p < 0.01.

3.2.5. Control variable

As control variable, firm size was used. Prior literature shows that firm size can be a direct antecedent to firm performance (Lerner and Haber, 2001) and therefore we needed to control for the effect of firm size on performance.

4. Results

Our data are a potential source for common method bias (Podsakoff et al., 2003), as we used self-reported data to assess the dependent and independent variables at the same time and from the same individual. Thus, we need to control for this bias and to improve internal validity, we reversed some items in the questionnaire and separated several variables and items to eliminate proximity effects (Podsakoff et al., 2012). We also tested for non-response bias to improve external validity. Therefore, the 20% earliest and 20% latest respondents were compared via ANOVA, as late respondents (those only replying at the reminders) are more similar to non-respondents (Armstrong and Overton, 1977). We found no significant differences.

Table 3 summarizes the main statistics that define the variables considered in the study. Results show that innovativeness significantly correlates positive with control mechanisms, the same is valid for their respective correlations to financial performance.

Table 4 reports the results of hierarchical multiple regression analyses for the full sample ('three-way interaction') to identify significant differences for THFF and Non-THFF (Aiken and West, 1991; Dawson, 2014). The analyses for the two subsamples ('two-way interactions') then show the respective magnitude of effects for THFF and Non-THFF. Recapitulating, these analyses test differences and magnitude of the effect of innovativeness on performance (see H1), the effect of control mechanisms on performance (see H2) and the moderating effect of control mechanisms on the innovativeness-performance relationship (see H3a and H3b). As control variable, firm size (measured by number of employees) was used. All variables were mean centered to reduce multicollinearity concerns (Aiken and West, 1991) which was not a problem in our data according to correlation analysis.

For the full sample, we tested the proposed hypotheses using four models (Chirico et al., 2011; Dawson, 2014). In the first model, only the control variable was considered. In the second model the direct effects of all independent variables (innovativeness, control mechanisms, tourism/hospitality) on the dependent variable were incorporated. In the third model, all three interaction effects of the independent variables on financial performance were added. Finally, in the fourth model the three-way interaction effect of all independent variables was included.

Table 4
Multiple regression analysis.

Financial Performance	Full Sample				Tourism/Hospitality Family Firms (THFF)				Non-Tourism/Non-Hospitality Family Firms (Non-THFF)			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Firm Size (Nr. of Employees)	0.11	0.05	0.03	0.01	0.17	0.13	0.13	0.13	0.14	0.04	0.06	0.00
Innovativeness		0.29**	0.30**	0.32**		0.34**	0.32*	0.30*		0.37**	0.30**	0.33**
Control Mechanisms		0.23**	0.34**	0.30*			0.05	0.09			0.37***	0.29**
Tourism/Hospitality (Dummy)		−0.01	0.01	−0.05								
Innovativeness × Control Mechanisms			−0.11	−0.28*				0.07				−0.26*
Innovativeness × Tourism/Hospitality (Dummy)			0.05	0.01								
Control Mechanisms × Tourism/Hospitality (Dummy)			−0.25*	−0.14								
Innovativeness × Control Mechanisms × Tourism/Hospitality (Dummy)				0.26**								
F-Value	1.73	8.33	5.70	5.61	1.96	5.51	3.70	2.81	1.51	6.80	10.10	9.82
Adjusted R^2	0.01	0.16	0.18	0.20	0.01	0.12	0.11	0.10	0.01	0.12	0.25	0.30
R^2	0.01	0.19	0.22	0.24	0.03	0.14	0.15	0.15	0.02	0.15	0.28	0.34

Dependent Variable: Financial Performance
* $p < 0.05$ (two-tailed).
** $p < 0.01$ (two-tailed).
*** $p < 0.001$ (two-tailed).

For the two subsamples, the proposed hypotheses were tested by four models for each subsample. In the first model of each analysis, only the control variable was considered. In the second model of each analysis, the direct effect of innovativeness on financial performance was measured. In the third model of each analysis, we added the direct effect of control mechanisms on financial performance. In the fourth model of each analysis, the interaction effect of the independent variables on financial performance was included.

For the regression analysis in the full sample, the first model with the control variable gives an adjusted R^2 value of 0.01 ($F = 1.73$; $p > 0.05$) and shows that firm size has no significant effect on financial performance. The second model for the direct effect of innovativeness, control mechanisms and tourism/hospitality (dummy variable) on financial performance gives a final R^2 value of 0.16 ($F = 8.33$; $p < 0.001$). As expected, innovativeness ($\beta = 0.29$; $p < 0.01$) and control mechanisms ($\beta = 0.23$; $p < 0.01$) have a significant and positive effect on performance. The third model gives a final R^2 value of 0.18 ($F = 5.70$; $p < 0.001$) and shows 1) an insignificant interaction effect of innovativeness and control mechanisms ($\beta = -0.11$; $p > 0.05$), 2) an insignificant interaction effect for the difference in innovativeness of THFF and Non-THFF, and 3) a significant interaction effect for the difference in control mechanisms. The fourth model gives a final R^2 value of 0.20 ($F = 5.61$; $p < 0.001$) and shows the results of the three-way interaction (Aiken and West, 1991; Dawson, 2014). Not only shows the result a significant difference between THFF and Non-THFF ($\beta = 0.26$, $p < 0.01$) for our suggested model, which forms a necessary condition for identification of further results, but also does the increased R^2 indicate that this difference adds to the explanation of the model.

Addressing H1, Model 3 shows an insignificant difference of THFF and Non-THFF for the effect of innovativeness on performance ($\beta = 0.05$, $p > 0.01$). Therefore, H1 cannot be confirmed. When probing this result by calculating the hierarchical two-way interactions for the subsamples (Models 6 and 10) and thus looking at the magnitude of the respective innovativeness effect, both effects are very similar in beta-values and significance ($\beta = 0.34$, $p < 0.01$ for THFF and $\beta = 0.37$, $p < 0.01$ for Non-THFF).

Addressing H2, Model 3 shows a significant difference of THFF and Non-THFF for the effect of control mechanisms on performance ($\beta = -0.25$, $p > 0.05$). When comparing the magnitude of the effect for the two subsamples, results show that in Non-THFF the effect is highly significant and positive ($\beta = 0.37$, $p < 0.001$), while the effect in THFF is weaker and insignificant ($\beta = 0.05$, $p > 0.05$). Thus, H2 can be confirmed. Results also show that adding control mechanisms as a variable in Model 7 (THFF) does not increase R^2, while it does substantially for Non-THFF (Model 11).

Comparing the significant difference ($\beta = 0.26$, $p < 0.01$) of the moderating effect of control mechanisms on the innovativeness-performance relationship for the two subsamples leads to two key results, accordingly addressing H3a and H3b. While the moderating effect is significant and negative ($\beta = -0.26$, $p < 0.01$) for Non-THFF, confirming H3a, results show that there is no significant effect of control mechanisms on the innovativeness-performance relationship ($\beta = 0.07$, $p > 0.05$) in THFF. Therefore, H3b cannot be confirmed. We hypothesized peculiarities of the tourism and hospitality industry to intensify the negative effect of control mechanisms on the innovativeness-performance relationship. However, results do not show a significant impact and beta values are close to zero.

5. Discussion

Results show that innovativeness is important to THFF and Non-THFF alike. Measurement items for dimension could be fully retained in the factor analysis. In addition, findings show that innovativeness positively affects financial performance in both THFF and Non-THFF. When further interpreting these results, it is important to consider that innovations in tourism and hospitality can be different and more service-oriented to those (Pikkemaat and Peters, 2006; Sundbo et al., 2007) in, for example, manufacturing industries, where more technology-oriented innovations are developed (Chrisman and Patel, 2012; Matzler et al., 2014). Nonetheless, our results show that innovative behavior is generally as relevant for THFF performance as it is to non-THFF performance, which forms a basic but novel insight into our understanding of the relevance of innovation in tourism and hospitality (compare, e.g., Getz and Petersen, 2005; Morrison, 2006; Pikkemaat and Peters, 2006; Thomas et al., 2011).

Control mechanisms were found to be effective means to align individual and firm preferences in Non-THFF (Schulze et al., 2001) with a direct significant positive effect on financial performance. Interestingly and confirming H2, our results did not show this positive effect for

THFF. We interpret this finding that control mechanisms, which monitor the activities and performance of family firm manager/s are inefficient in THFF. Due to the strong social and regional embeddedness present in the tourism and hospitality industry (Morrison, 2006; Peters and Kallmuenzer, 2015), these types of control mechanisms might undermine the emotional attachment and responsibility feeling of family members (Berrone et al., 2012). Other, more informal mechanisms might be necessary (Davila et al., 2009), which could refer to topics of family governance, such as relational norms or codes of ethics that can help strengthen family bonds and guide the behavior of THFF (Calabrò and Mussolino, 2013). However, the question remains whether THFF are in need of explicit control mechanisms, as those mostly small firms usually cannot afford to prioritize individual preferences without jeopardizing financial performance. Instead, they might need (and want) to enter cooperative relationships in their destinations to assure firm survival (Wilson et al., 2001).

When investigating the moderating effect of control mechanisms on the innovativeness-performance relation, results confirmed control mechanisms to be effective, yet negative tools in Non-THFF (confirming H3a). While results for the moderating effect did not differ significantly in their impact between THFF and Non-THFF (rejecting H3b), these mechanisms in particular did not show any significant effect in THFF, as also the decrease in R^2 (Model 8) indicates.

Adding to our knowledge of the applicability of control mechanisms in family firms, we interpret these results that control mechanisms in the form of formal monitoring mechanisms (Sieger et al., 2013) are also not ideal tools to manage innovation effectiveness in family firms as resulting in negative (Non-THFF) or no (THFF) moderation effects. For Non-THFF, more useful ways to balance the necessary freedom to innovate (Davila et al., 2009) with controlling financial risks in R&D (March, 1991) need to be found. For THFF, in particular, findings show that control mechanisms in the form of monitoring manager/s are generally not efficient tools to steer and control innovation efforts. As shown, THFF are often deeply socially and regionally embedded. Installing control mechanisms would not only be an ineffective tool to control the implementation on innovation efforts, but would also endanger familial relationships within THFF and among the region and destination. What is more, particularly these cooperative (Wilson et al., 2001) relationships to other firms make formal control mechanisms unnecessary. Due to their individual family member ties, THFF are often strongly integrated in regional networks (Strobl and Peters, 2013). These networks aim to sustainably develop tourism and hospitality in their region and are dependent on regional resources (Komppula, 2014; Lordkipanidze et al., 2005). This way, agency behavior can be avoided and shared goals prevail.

6. Conclusion

This empirical study of the innovativeness-performance relationship revealed insights into innovation of THFF. The usage of control mechanisms suggested in family business research (Schulze et al., 2001; Sieger et al., 2013) was found to be irrelevant to THFF and to have negative effects on the effectiveness of innovativeness in family firms.

However, this study is not without limitations. Concerning our sample, it has to be considered that the study was conducted in Western Austria. Thus, findings might be affected from cultural specifics. Since this study primarily investigated SMEs, financial data are usually not published, and thus the collected data on financial performance relied on subjective self-reporting. Nevertheless, research suggests that self-reported data correlates with actual objective performance (Brush and Vanderwerf, 1992). Furthermore, the descriptive analysis identified a strong tendency to male respondents. Therefore, gender issues might be considered as a level of analysis for future research. Finally, even though the agency perspective offered numerous insights into the innovativeness-performance relationship of family firms, it can only explain certain effects. Adding other influencing perspectives to the analysis might further complete our knowledge about factors affecting innovation and performance of family firms.

For future research, we suggest to increasingly consider the heterogeneity of THFF with regards to firm size, governance structures, innovation and social/regional embeddedness (Calabrò and Mussolino, 2013; Hjalager, 2010; Peters and Kallmuenzer, 2015). Not all tourism and hospitality firms are governed the same way, operate the same way or in the same dynamic environment. Similarly, we suggest extending the discussion on 'how' innovation in THFF is different to Non-THFF, particularly through more explorative, qualitative research (Zellweger and Sieger, 2012) that is able to grasp the complexity of THFF in more depth. This study showed that also in THFF innovativeness is a key factor to performance. To be able to interpret this finding in more detail, we suggest to consider more objective measurements of innovativeness directed to the tourism and hospitality industry (e.g., Orfila-Sintes and Mattsson, 2009), which could measure, for example, the amount of new licenses or business spin-offs (such as hotels developing separate apartment sites). Another promising avenue is that of identifying other factors affecting innovativeness in tourism and hospitality. A prior study, for example, identified a negative correlation between innovation and productivity (Sigala et al., 2004).

Practical implications refer to the finding that innovativeness is relevant to perform well in tourism and hospitality. Firm innovativeness also fosters economic development and competitiveness of tourism regions (Beritelli, 2011; Mendola and Volo, 2017). As cooperation between firms can overcome barriers for firm innovation such as small size or limited resources (Wilson et al., 2001) governmental institutions, such as in the context region of this study the 'Standortagentur Tirol' (www.standort-tirol.at), should foster business cooperation (Standortagentur Tirol, 2014). Initiatives like this also target to overcome the identified lack of innovations particularly in rural regions (Doerflinger et al., 2013), which are often home to tourism and hospitality industry. Next to the firms' innovative efforts, social and regional embeddedness is key and should be fostered by local politics through cooperative workshops (García-Villaverde et al., 2017), programs or other initiatives such as regional events. A recent case study by Aldebert et al. (2011), for example, showed that events are able to stimulate actors' networks in order to innovate. Furthermore, the results of this study also showed that installing control mechanisms in the form of surveying the activities and performance of the THFF manager/s did not only have no effect on the innovativeness-performance relationship, but could also endanger social relationships in family firms and beyond. Therefore, firms might want to avoid these mechanisms, and, instead, foster on more collaborative action with other local firms (e.g. Baggio, 2011), which in return helps to avoid agency behavior in the own business.

Acknowledgement

This work was supported by the Tyrolean Science Fund under Grant UNI-0404/1482.

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