

Boston Hospitality Review

www.bu.edu/bhr

Published by the Boston University School of Hospitality Administration

Tools for Leaders to Accelerate Experience Innovation

By Lori J. Sipe, Associate Professor, L. Robert
Payne School of Hospitality and Tourism
Management, San Diego State University

May 2021

Tools for Leaders to Accelerate Experience Innovation

By Lori J. Sipe, Associate Professor, L. Robert Payne School of Hospitality and Tourism
Management, San Diego State University



Introduction

Prior to the pandemic, senior managers were increasingly cognizant of the importance of innovation, broadly conceived, as key to competing in the experience economy. In a recent study of leadership teams in a hospitality and tourism marketplace, more than 80% of senior managers surveyed indicated that innovation was key to their operating strategy. Many provided examples of recent innovation activities, encompassing both front-of-the-house and back-of-the-house initiatives. However, the same research revealed that more than 20% of the firms did not have specific measures of innovation (Sipe, 2018).

Also prior to the pandemic, there was ample evidence that many hospitality leaders were transitioning from a convenience to an experiential mindset. In my own research of hospitality firms, pre-pandemic, I discovered mixed results (Sipe, 2016). Some executives had clearly adopted an experience economy mind set, characterized by a focus on the unique and memorable aspects of the guest experience, recognition that value is a function of human experience, and a shift in thinking about guest/employee interactions. Others used the language of experience and creating memories, yet their examples and measures seemed anchored to the product/service paradigm.

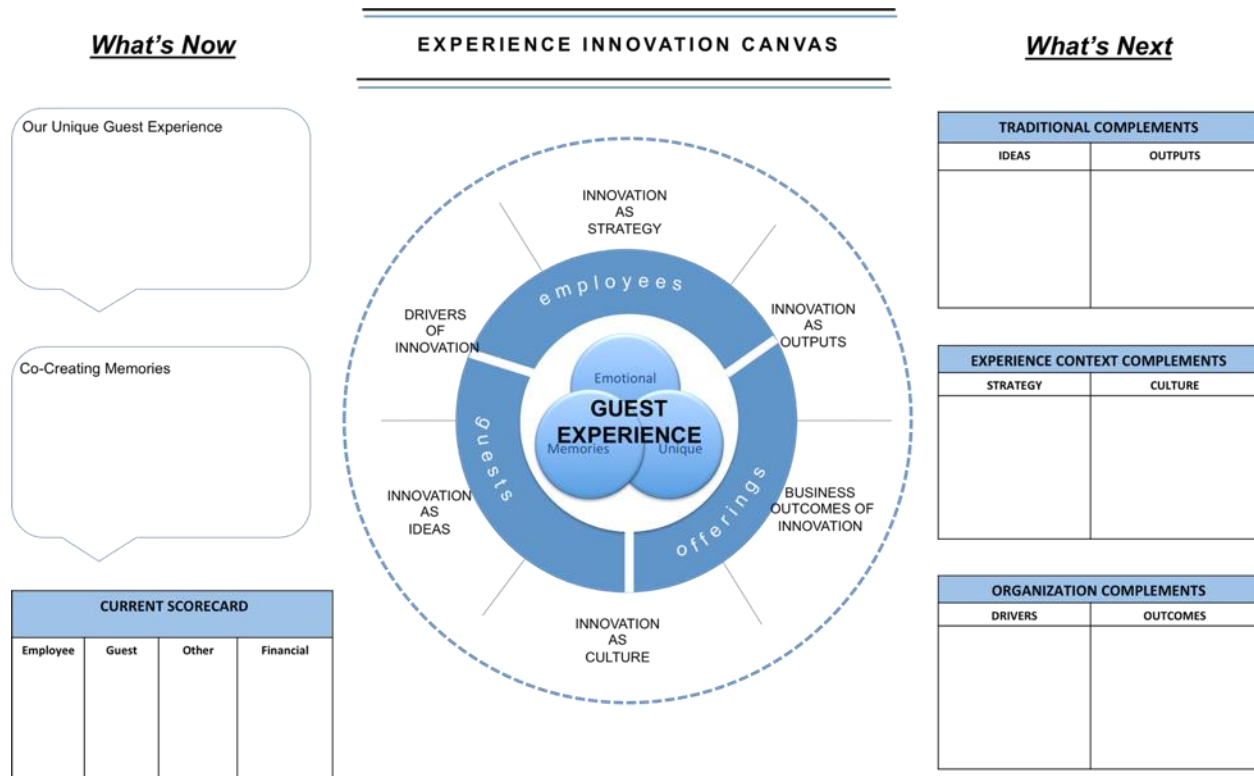
COVID-19 upended the hospitality and tourism industry, leaving many businesses shuttered and forcing entire sub-segments to rethink their business models. Hospitality business leaders were

forced to innovate just to survive. Restaurants quickly re-imagined outdoor dining and take-out partners. Hotels re-invented safety protocols and space requirements alongside ramped up employee training. The economic crisis accelerated shifts already underway in the hospitality industry. Hospitality leaders may find the experience innovation canvas tool (Figure 1) and leadership practices (Table 1) useful as they embark on re-opening, re-imagining, and amplifying what they learned during the pandemic.

The Experience Innovation Canvas

The experience innovation canvas (Figure 1) consolidates emerging research and provides a framework for hospitality organizations to reimagine their business scorecards. Key themes from experience innovation literature are depicted in the center of the canvas. In keeping with the canvas metaphor, additional components of innovation are arranged as sets of *complements similar to a color wheel – ideas/outputs, strategy/culture alignment, and drivers/outcome*. In this article, I focus on five key themes relevant for hospitality leaders.

Figure 1. Experience Innovation Canvas



Focus on What is Unique and Memorable

The experience innovation canvas depicts all innovation activities stemming from, and leading back to, the organization's unique guest experience. Best practices tend to be easily copied or

adapted in the hospitality and tourism context, where benchmarking is easy, and customer switching costs are usually minimal. Continuous innovation of the guest experience begins with a deep understanding of what makes it special and meaningful. Airbnb took advantage of its unique positioning as novel locations and spaces hosted by locals. In 2020, it doubled down on virtual experiences, with unique locations and hosts, available without ever leaving your home. Prior to the pandemic, the experiences segment of their business was in its infancy – the crisis accelerated these offerings. It is common practice for hospitality firms to examine qualitative data from guest reviews like Yelp to assess how they are doing, often leading to fixing problems or service recovery. Now is the time for progressive leaders to double down on dialogue and assessment methods that capture what guests considered unique and memorable about their visits. These will serve as levers for future innovation activities.

As new employees are on-boarded and furloughed employees are brought back to the business, it makes sense to initiate orientation sessions and other face to face opportunities to share personal experiences about what they learned during the pandemic about memorable experiences. These discussions can serve as opportunities to re-introduce and reinforce the importance of making memories alongside what is likely to involve a lot of discussion about functional topics.

Build Emotional Value

Inspiring emotional connections with customers provides enormous opportunity to create value in experience-centric organizations. For the first time, the US Customer Experience Index cited emotional value as the number one factor for improved customer loyalty (Forrester, 2016). A comprehensive study reported in the Harvard Business Review linked improved emotional connection scores with a variety of key business metrics like frequency of use, ability to charge price premiums, same- store sales increases, and market share growth (Magids et al, 2015). Business has historically reflected a type of thinking where rational ideas are prioritized over psychologically enticing ideas. However, a year with little to no human interactions has magnified the notion that most service experiences are intended to fulfil the need for emotional end states. Functional value is not enough. To fully leverage experience innovation, leaders must manage the emotional dimensions of experiences with the same rigor they bring to the management of service efficiency and convenience. It may make sense to examine qualitative data with fresh eyes – what emotions are we seeking from our guests, and what are ideas for eliciting those emotions as we re-open?

Leverage Employee/Guest Interaction and Engagement

Encircling the conceptualization of a unique and memorable guest experience, just outside the innovation canvas focal point, is a band illustrating that experiences are co-created—an integration of the guests, employees/other actors and experiential offerings (Figure 1). For decades, hospitality leaders have paid considerable attention to the interaction between the guest and the employee during the service encounter. More recently, however, role-model organizations demonstrate how

employees play an integral role in the guest experience through engagement that connects on an emotional and personal level (Sok & O’Cass, 2015). One executive I interviewed described this as “an evolution from scripts and standards to authentic connections.” In addition, leaders should focus on the role of employees as enablers of open innovation. In co-created experiences, open innovation involves employees and guests. Encounter based or co-innovation, is driven by interactions between employees and guests, with the employees playing the main role. (Sundbo et al, 2015). As employees return to the workplace, they will be the links to the firm and present new ideas to management. Progressive leaders may choose to engage in formal processes for employees to ask guests open ended questions and record and discuss those in group settings.

Employ a Systematic Process of Ideas to Outputs

The first three principles introduced here are depicted centrally on the experience innovation canvas (Figure 1). They synthesize contemporary perspectives on experiential consumption applicable to hospitality and tourism related guest experiences. Leaders seeking to accelerate their innovation efforts should also adapt the innovation as a process principle— from ideas to outputs—prominent in new product and service development. In business, innovation involves both idea generation and idea implementation. In hospitality and tourism, it may be helpful to think of innovation activities as a collection of initiatives (projects) that include four types of innovation outputs: offering, process, marketing, and organizational innovation. Offering innovation refers to new or improved goods/services/experiences, and process innovation is about novel improvements to production and delivery methods. Marketing innovation is described as outputs related to design and packaging, placement, promotion, and pricing. And organizational innovation refers to business practices and workplace organization that occur behind the scenes. These sections of the canvas will likely reflect heightened attention to initiatives and measures aligned with cultivating meaningful interactions and delivering emotional value. Allocating resources to the “right” collection of innovation activities and cultivating ways for employees to facilitate their implementation may be where experience-centric firms find competitive advantage in the post-pandemic, modern marketplace.

Implement Leadership Practices to Influence Organization-wide Innovation

Much of my research examines the ways senior managers influence innovation in organizations whose main economic offering is an experience. In this industry context, managers are required to deal with the intangible nature of the experience offering, mitigate the challenges of guest as co-creator of the experience, and generate and implement ideas in an industry where ideas are easily copied. Over the years, I have compiled a list of managerial practices shown to significantly improve experience innovation at the organization level. Some of the practices from the list in Table 1 align with the themes just discussed. For example, articulate a compelling vision of the unique guest experience (3.87 mean rating) and empowering employees to make decisions (4.06 mean rating) are practices used frequently by hospitality managers in innovative firms. However,

two of the practices from this list are employed less often, yet they showed to have the highest correlation with innovation outcomes. They are a) bring in new perspectives to challenge assumptions and b) encourage employees to visit best practice organizations and share findings. These are good starting points to accelerating innovation in hospitality firms. Asking outsiders from other businesses to share the ways the pandemic affected their non-hospitality businesses could provide unique pathways to innovate within the hospitality industry. Using employees as idea generators is another way to ignite innovation activities. One could envision asking employees to really break down what they find unique and memorable from their own consumer perspectives and then engaging them to visit other establishments with fresh eyes, post pandemic and share.

Table 1. Practices to influence organization-wide innovation: mean scores of extent use (n=202)

Survey item	Mean rating
Empower employees to make decisions regarding the guest experience	4.06
Clarify and interpret the organization's objectives and priorities	4.00
Articulate a compelling vision of the unique guest experience	3.87
Provide formal methods for employees to learn about how other departments contribute to the unique guest experience	3.73
Show employees how their interests connect to the unique guest experience	3.69
Employ a systematic method for scanning trends and market conditions	3.63
Participate in wide range of industry associations to expand thinking	3.63
Provide ways for employees to contribute to the organization's purpose	3.60
Use novel approaches to seek feedback from guests, employees, stakeholders	3.56
Learn how other organizations deliver unique experiences to guests	3.50
Match employees with work assignments based on interests and passions	3.50
Host events (orientation, training, meetings) that allow employees to talk about the unique characteristics of the guest experience	3.47
Bring in new perspectives to challenge assumptions and business as usual	3.47
Offer formal processes for employees to connect with the brand messaging of the organization	3.36
Develop systematic ways to find out about employee interests and passions	3.09
Encourage employees to visit best practice/competitor organizations as a customer and share findings	2.90

From manager survey: Respondents were asked to rate the extent the practice is utilized to influence innovation in their organization. 1(never utilized), 2(minimal use), 3(somewhat or occasional use), 4(most managers employ the practice consistently 5(practice is employed extensively, it's part of our culture)

Conclusion

The best measurement frameworks, like the balanced scorecard ubiquitous in many businesses, go beyond a collection of metrics. They communicate what the company is trying to accomplish, prioritize projects, and align day-to-day work with strategy (Kaplan & Norton, 2001). The experience innovation canvas can also be used to convey how an organization is evolving their collective thinking. The left column (figure 1) depicts the current state and is titled what's now. A firm can list its current guest, employee and financial metrics in the space provided and articulate

what the unique and memorable aspects of the guest experience. As suggested throughout this article, progressive leaders would be wise to also consider efforts far broader than the limited functional service encounter suggested by current measurement models. Hence, the right column envisions future possibilities and is titled what's next. This side of the canvas comprises a holistic approach to measuring innovation at the business unit level.

References

- Forrester (2016). The U.S. customer experience index for 2016. Industry research report.
Retrieved from http://blogs.forrester.com/roxana_strohmenger/
- Kaplan & Norton (2001). Transforming the balance scorecard from performance measurement to strategic management. *Accounting Horizons* 15(1), 87-104.
- Magids, S., Zorfas, A., & Leemon, D. (2015). The new science of customer emotions. *Harvard Business Review*, 4, 66-76.
- Sipe, L.J. (2016). How do senior managers influence experience innovation: insights from a hospitality and tourism marketplace. *International Journal of Hospitality Management*, 54, 75-83.
- Sipe, L.J. (2018). Towards an experience innovation canvas: A framework for measuring innovation in the hospitality and tourism industry. *Journal of Hospitality and Tourism Administration*.
- Sok, P., & O'Cass, A. (2015). Achieving service quality through service innovation exploration-exploitation; the critical role of employee empowerment and slack resources. *Journal of Services Marketing* 29 (2), 137-149.
- Sundbo, J., Sundbo, D., & Henten, A. (2015) Service encounters as bases for innovation, *The Service Industries Journal*, 35(5), 255-274.

Author

Lori J. Sipe, PhD, MBA

Associate Professor, San Diego State University



After working as an executive in the attractions industry for more than 20 years, Lori remains committed to inspiring leadership in the memories business through her teaching, research, and industry projects. She currently teaches leadership, innovation, and accounting courses in the undergraduate and graduate degree programs at the L. Robert Payne School of Hospitality and Tourism Management at San Diego State University.

Lori's research focuses on innovation and strategic leadership of organizations whose main economic offering is an experience. Her work has been presented at international conferences and published in scholarly journals and industry-related periodicals. She designed and facilitates the annual Institute for Executive Education for the International Association of Amusement Parks and Attractions (IAAPA).

www.linkedin.com/in/Lori-Sipe