

Tradition in Transition: Exploring Organizational Dynamics and Strategies in Small Hotels

MARCO CORSINO¹ DAVIDE BAGNARESI² FRANCESCO MARIA BARBINI³

Abstract

In the evolving hospitality industry, small hotels confront challenges amidst digitalization, sustainability, and shifting tourist behaviors. This paper examines organizational dynamics in Bellaria - Igea Marina, an Italian seaside destination. Employing historical insights and organizational analysis, it explores strategies used by small hotels. A survey of 140 managers, complemented by interviews, reveals a blend of tradition and innovation. Family ownership, local entrepreneurship, and strategic adaptation are prominent. Despite hurdles like generational transitions, small hotels exhibit resilience, offering insights for sustained competitiveness. This study contributes to hospitality management literature, illuminating the interplay between tradition and innovation and proposing strategies for addressing organizational challenges.

Key words: Hospitality industry, small hotels, organizational dynamics, local entrepreneurship, strategic adaptation.

Framing of the research. *The competitive environment of the hospitality industry is impacted by profound social, economic, and technological transformations, suffice it to mention in particular:*

- *Digitization: the increasing use of digital technology affects how hotels handle reservations, manage performance, promote their services, and interact with customers.*
- *Sustainability: there is a growing focus on sustainability (declined in its environmental, social, and economic dimensions), with many hotels adopting eco-friendly practices to meet customer expectations.*
- *Changes in tourist behavior: tourists are increasingly seeking customized and unique experiences; they want to be involved in designing the services they will use.*
- *Changes in business models: the development of the sharing economy is changing the competitive dynamics of the hospitality industry with the emergence of competition from services such as Airbnb.*
- *Socio-demographic changes: tourists' preferences are changing with social and demographic changes, for example, with the increase in the number of trips and the simultaneous reduction in their duration.*

In this situation, there is an increasingly pressing need for hotels to innovate. This innovation is not limited to services rendered but extends to organizational configurations, labor division choices, and people selection and management processes (Baum, 2006; 2015; Chiang, 2010; Gomezelj, 2016; Martín-Rios, Ciobanu, 2019; Shin, Perdue, 2022).

If large hotels and international chains ride and direct innovation processes, the reaction of smaller hotels is more complex to decrypt: the poor managerial skills of executives, the anchoring to traditions, and the constraints imposed by the limited resources available seem to preclude their ability to adapt and ultimately survive (Morrison, 2002; Morrison, Conway, 2007).

On the other hand, although the fate of small hotels seems sealed, they still are the backbone of most hospitality systems, particularly in Europe (Lee-Ross, Lashley, 2010); also, most of them are family-owned and usually are run directly by the owner or his/her family (Getz et al. 2004), thus contributing to the economic development of local communities.

It also seems evident how, beyond hypothetical best practices related to the implementation of innovations, different organizational solutions and management methods still coexist and succeed simultaneously. Tradition and innovation in hotel management do not seem to be opposite poles of a continuum of organizational solutions but intersect and allow a wide range of choices and trajectories of change (Bagnaresi et al., 2021).

Purpose of the paper. *This paper investigates the dynamics of organizational change in small hotels, focusing on the City of Bellaria - Igea Marina. In a context in which the hospitality industry is exposed to multiple pressures, including*

¹ University of Milano Bicocca
e-mail: marco.corsino@unimib.it

² University of Bologna
e-mail: davide.bagnaresi2@unibo.it

³ University of Bologna
e-mail: francesco.barbini@unibo.it

digitization, sustainability, changing tourist behaviors, and new business models, the paper aims to understand how small-sized hotels address these challenges.

Through an interdisciplinary approach combining historical and organizational methods (Bagnaresi et al., 2018; Decker et al., 2015; Kieser, 1994; Kipping, Üsdiken, 2014; Maggi, 2003), the full paper will provide an overview of current organizational choices and will outline evolutionary trajectories for small hotels in Bellaria - Igea Marina, thus contributing to the literature on hospitality management and to local planning policies.

Methodology. Situated along the Adriatic coast, the Municipality of Bellaria - Igea Marina is located in the southeastern part of the Emilia-Romagna Region. Today, the city has a population of 19,408 and is among the best-known national seaside tourism destinations. The tourism sector is the driving force of the local economy. This is made possible thanks to the unmatched presence of hotels in the area. Along its city coastline, which stretches for about 7 kilometers, there are currently 299 hotels (Istat, 2023) with almost 20,000 beds. This is also confirmed by the Annual report on tourism and hotel accommodations periodically compiled by the Region. In it, 2,053,300 overnight stays are recorded for the year 2023: a value that is up from the last two years (1,780,397 in 2021) and that is close to that surveyed before the COVID-19 (2,216,032 in 2019). The 2023 data confirm how Bellaria - Igea Marina emerges as the third destination in the province after Rimini (6,540,397) and Riccione (3,279,881) and how the same position is demonstrated in terms of the number of arrivals: 384,674 compared to Rimini's 1,751,391 and Riccione's 833,637. When compared with the population density and the area of the territory (18.17 km) of the Municipality of Bellaria-Igea Marina, the numbers reported appear even more impressive.

Such a positioning is the result of a centuries-old history and legacy. The city's tourism growth and the evolution of its hospitality industry developed in parallel with the other seaside resorts of the Riviera Romagnola (Battilani, Fauri, 2009). Before the development of this industry, the local economic vocation was, for centuries, agriculture and fishing. With the arrival of the first vacationers in the nearby city of Rimini, Bellaria - Igea Marina also began to gear up for hospitality. Fostering the birth of a primordial tourism industry is the 1885 inauguration of the railway station (which made the city accessible) and the subsequent development of the first urban master plan. The first private villas sprang up along the shoreline, and in 1913, the first hotel was opened. Ten years later, a travel guide listed four more guesthouses (Becca, 1923). They all promoted themselves for their "affordable prices" and for being ideal "for families".

This approach (based on family management, the provision of essential services, and low prices) would characterize the basis of the success of the entire Romagna coastline when the late 1950s and early 1960s saw the explosion of mass tourism in Italy. In the case of Bellaria - Igea Marina, it is sufficient to highlight the number of hotels surveyed by the Internal Statistical Yearbook of Commerce and Tourism for 1963 (347) and how it gradually increased until it reached 450 in 1974. Censuses conducted at the time testify how these hotels were solely seasonal and, in the vast majority, small (more than two-thirds were listed as Category III - boarding houses). Not unlike neighboring tourism destinations, an important phenomenon that comes into being is that of tourist loyalty. A survey conducted by the Region in 1978 indicates that 67.4 percent of the tourists interviewed had already stayed in Bellaria - Igea Marina in the past and that the two most appreciated features were the low prices (25.7 percent) and the friendliness of the residents (23.9 percent).

A change in the structure of the hospitality industry emerged between the 1980s and 1990s. It was due to several factors, such as competition with new domestic and international destinations and generational change.

The change has involved the renovation of buildings, focusing on specific target customers (mainly families with children), and developing specific high-value-added services for the identified target. These interventions have allowed Bellaria-Igea Marina to consolidate its competitive position and demonstrate high resilience to the formidable challenges posed by COVID-19.

In 2020, the Municipality of Bellaria - Igea Marina established the BIM2040 Strategic Plan, i.e., a participatory and open local planning initiative to define the city's identity for 2040.

BIM2040 works on several fundamental and interconnected dimensions: education, culture, sustainability, urban planning, social progress and inclusion, and economic development. Local institutions, research and educational institutions (in particular, the Center for Advanced Studies in Tourism of the University of Bologna), local economic categories, and residents contribute to the Strategic Plan.

In the context of the meetings and events held in 2021 on the topic of the local economy and its prospects, the understanding of the characteristics and dynamics of the hospitality industry, the main driver of the city's economic fabric, gained particular importance.

It was therefore decided to deepen the investigation on this topic and, during 2022, several meetings were held to understand what, according to tourism entrepreneurs and residents, were the main strengths, critical issues and opportunities of the local hospitality industry.

At the end of 2022, a focus group was established to prepare a questionnaire investigating the organizational and managerial characteristics of hotels in Bellaria - Igea Marina. It has been composed of experts from the BIM204 management team, the Municipality of Bellaria - Igea Marina, researchers from the Center for Advanced Studies in Tourism of the University of Bologna, and representatives of the leading local hotel manager associations (Federalberghi and Confcommercio).

The focus group prepared, tested, and validated a survey based on an online questionnaire to be submitted to all hotel managers in Bellaria - Igea Marina.

The questionnaire consisted of thirty-two closed-ended questions organized into four sections:

1. The hotel (name, foundation year, category, size, seasonality, ownership structure, legal form);
2. The hotel manager (age, place of birth, education, professional experience, family);

3. *The organizational and managerial choices (competitive strategy, target customers, decision-making processes, division of labor, authority and hierarchy, human resource management);*
4. *The future (generational transition, hotel prospects in the medium and long term).*

The link to the questionnaire was sent, along with a cover letter, by BIM2040 to the managers of the 299 hotels on February 28, 2023. The survey was closed in early April 2023.

A total of 140 valid questionnaires were filled out. The response rate was very high (47 percent of the population) and reflects the demographics of local hotels. The survey results were presented and discussed in the focus group and presented in several meetings to the heads of local hotelier trade associations. These meetings enabled a richer interpretation of the emerging evidence and the identification of some critical elements.

In December 2023, a public event was organized to expose relevant findings and issues to local hotel managers and policymakers. The event was attended by about 100 people, including the mayor and city council, business owners, residents, and about 70 hotel managers. At the end of the presentation, a participatory analysis of the results and an open discussion aimed at gathering feedback and alternative interpretations was initiated. The discussion highlighted the most critical issues, with particular reference to the sustainability of the industrial structure over time, generational transition in hotel management, and the possible tension between tradition and innovation.

Based on these insights, ten hotel managers were selected from the 140 respondents and invited for in-depth interviews (the interviewees have been selected to reflect different hotel categories and sizes and different generations of managers).

The semi-structured interviews are focused on the history of the hotel and the family, with particular emphasis on the issues of generational shift and organizational change. The ten interviews, which are currently being conducted, will be transcribed and analyzed through a thematic analysis (Guest et al., 2012).

Results. *Below, we present the main findings emerging from the survey. In the full paper, these results will be integrated and supplemented by the results of the interviews. The data emerging from the survey show peculiar characteristics.*

The average hotel size is 17 rooms for one-star hotels, 21.6 rooms for two-star hotels, 41.1 rooms for three-star hotels, and 48 rooms for four-star hotels. 99% of the hotels are open only in summer.

Regarding ownership structure, 94% of the hotels are owned by the manager (who therefore qualifies as owner-manager). In addition, 24% of respondents own more than one hotel.

The first hotels were founded in the period between the two world wars (12 hotels established between the 1920s and 1940s). After World War II, most hotels were founded (42 in the period 1950-1959, 58 in the period 1960-1969). In the following ten years (1970-1979), 22 hotels were founded. Only one hotel was founded between 1990 and 2023.

Interestingly, 10 of the 12 hotels founded before World War II are still run by the same founding families (with several generational transitions occurring over time). More dynamism concerned the management of hotels founded in the 20 years after World War II: only 58 out of 110 are still run by the founding families. The change in the management structure of these hotels was one element of dynamism that marks the 1980-2023 period.

As for hotel managers, most of them (96 out of 140) were born in the period 1960-1969 (48) or in the period 1970-1979 (48). 24 hoteliers were born before 1960, and only 20 after 1980.

33 hotel managers have been running the hotel for over 30 years, 49 for less than 15 years.

21% of hoteliers have a laurea degree, 71% have a high school degree.

Interestingly, 85% of hotel managers were born around Bellaria - Igea Marina. This percentage reaches 90% when considering those born in the Emilia-Romagna region. It is, therefore, an extremely local entrepreneurship, immersed in the city's identity, embedded in deep and long-lasting social networks. Moreover, in 94 percent of the hotels, at least one member of the manager's family is involved in hotel management.

Regarding strategic choices, 49% of hoteliers believe that customers choose their hotel because they are fond of them or their family, 36% believe that customers are mainly attracted by the high quality of services offered at the hotel. Finally, 15% believe that customers are primarily attracted by the low prices charged at the hotel.

These responses tend to be consistent with the competitive strategies stated by managers: 74% of them say they pursue a strategy of innovation and differentiation, while 16% pursue cost leadership.

Concerning decision-making processes, 37% of managers say they make decisions analytically, including using advanced management systems; 34% say they rely on their experience, and 29% make decisions by following market trends. Ultimately, most managers make decisions based on only minimally objective perceptions, assumptions, and trends.

As for people management styles, 74% direct people by imposing standardized rules and procedures, 14% by continuously issuing directives and orders, and only 13% say they stimulate employees to make decisions and exercise discretion. In 47% of the hotels, employees work exclusively within one Service; in 4% of the hotels, employees rotate continuously between departments; finally, in 49% of the hotels, employees are framed in one Service and occasionally are seconded to other departments.

Recruitment of new employees is mainly done directly and individually; references and suggestions from current employees are also important. Marginal is the use of agencies, trade associations, and training institutions. As for the skills sought in employees, 51 percent of managers say they are mainly looking for experience and skills, 23 percent are looking for hard-working people, and 16 percent are looking for employees with character predispositions.

Finally, about the future of family management, 79% of hotel managers say they would like to pass management to their descendants, while 21% would not want to do so at all. 59% of respondents realistically (beyond their wishes) believe that after themselves, management will pass to their descendants, 21% plan to sell the hotel, 11% plan to rent it out, 6% plan to separate ownership and management, and 2% plan to close the hotel.

Research limitations. The results of this investigation are based on a single tourism destination, they are indeed in need of additional comparisons. Finally, longitudinal analysis relying on a sample surveyed in different moments of time would be very important to improve our understanding of dynamic processes.

Managerial implications. Results from the survey and interviews will be used to identify the management and organizational type each hotel tends to. Indeed, beyond any difference in size and category, hotels tending toward the same ideal type show similar approaches to the business and adopt similar organizational solutions (Bagnaresi et al., 2018). The information from the interviews will also allow the trajectories of change among the various types of hotels to be represented. In this way, in the full paper we will be able to propose answers to the most critical issues and organizational challenges that characterize small hotels in Bellaria - Igea Marina, specifically:

- The current structure of the hotel industry has ensured the success of the city for sixty years. Can it continue to sustain its competitiveness for the next twenty years?
- The continuity in the management of more than a quarter of hotels appears to be at risk. Does the entry of “alien” management represent an opportunity or a threat?
- Can tradition and innovation coexist in hotel management?
- How to foster generational transition in hotel management?

Originality of the paper. This paper contributes to the literature on hospitality management by offering a nuanced exploration of the organizational dynamics within small hotels, particularly in the context of Bellaria - Igea Marina. Unlike previous studies that often dichotomize tradition and innovation as opposing forces, this research unveils their symbiotic relationship within small hotel operations. By delving into the historical evolution of hospitality in the region and examining contemporary managerial practices, this study uncovers how small hotels effectively blend tradition with innovative strategies to navigate the multifaceted challenges of the modern hospitality landscape. This integrative approach sheds light on the unique organizational configurations, management styles, and strategic orientations prevalent among small hotels, providing fresh insights into their adaptive capacity and resilience in the face of dynamic market forces.

Furthermore, this paper offers a methodological contribution through its interdisciplinary approach, combining historical analysis with organizational methods to provide a comprehensive understanding of small hotel dynamics. By triangulating survey data with in-depth interviews, the study captures a rich tapestry of managerial practices, strategic choices, and organizational structures within the hospitality sector of Bellaria - Igea Marina. This holistic methodological framework not only enriches our understanding of small hotel management but also serves as a model for future research endeavors seeking to unravel the complex interplay between tradition, innovation, and organizational change in other tourism destinations. Through its original approach and empirical insights, this paper advances scholarly discourse on hospitality management and offers practical implications for policymakers, industry stakeholders, and local communities striving to foster sustainable development in tourism economies.

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