Innovativeness in Tourism: Model Development

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Abstract

The main purpose of this study is to develop an integrative model that links the impact of the characteristics of the entrepreneur, networking, technological development and environment to innovation as the key success factors of SMEs. The methodological framework for the research is deductive in nature; we use the existing theories of entrepreneurship, tourism and innovation as the starting point for the study of individual phenomena. Innovation is important for the success and performance of companies in the tourism industry and the entire national economy. The proposed research is expected to detect significant factors that promote innovation in enterprises, thereby affecting the performance of companies in the tourism industry. This study makes a theoretical and methodological contribution to the study of innovation in the tourism field.

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1. Introduction

The tourism industry is fast-growing and increasingly competitive. According to the World Travel & Tourism Council (WTTC, 2013), travel & tourism’s contribution to the global GDP grew for the third consecutive year in 2012, creating more than four million new jobs. Furthermore, in 2012, the tourism industry performed better than the entire wider economy, growing faster than other notable industries such as manufacturing, financial services and

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More than 10% of all new jobs were created in the tourism industry. In 2012, the number of international tourist arrivals worldwide exceeded the one billion mark for the first time. The number of destinations is also increasing. As the tourism industry turns into a key driver of socioeconomic progress, new enterprises and new jobs are being created in tourism sectors, and the forecasts are also highly optimistic. International tourist arrivals worldwide are expected to increase by 3.3% annually, doubling the 2010 figures by 2030. The market share between world economies will also change; it is expected for tourism sector the maximum growth rate in the emerging economies markets (UNWTO, 2013).

If tourism firms want to respond to more and more demanding and exigent tourists, they need to innovate. Only through innovation can they retain their competitiveness. However, research in this field is still limited and insufficient. Many researchers have emphasized the importance of the entrepreneur’s characteristics, networking, technological development and the environment for innovation. More recently, studies have especially focused on the importance of innovation for the growth and performance of businesses and the national, regional and global economy. However, studies examining the factors and effects of innovation have been largely restricted to manufacturing. Research in the field of innovation in tourism is very scarce, with the few existing studies containing only modest empirical analysis. Studies on innovation in the tourism industry have been only partially implemented in terms of theoretical treatment; furthermore, there are only a few quality empirical analyses. No previous study in either a foreign or a domestic context, especially in the tourism industry, has succeeded in proposing or testing an integrative model that links the impact of the characteristics of the entrepreneur, networking, technological development and environment to innovation as the key factor of SMEs’ performance.

The present study is a review of the impact of the entrepreneur’s characteristics, networks, technological development, and environment on innovations as a key success factor for SMEs in the tourism sector.

2. Key factors of firm innovativeness and model proposal

Different authors have discussed various elements as determinants of innovation in small and medium-sized enterprises in the tourism industry. Based on a review of relevant literature, we argue that the key factors for innovativeness are (1) entrepreneurial characteristics, (2) networking, (3) technological development and (4) the environment. Below, we present research studies categorized into four groups related to four frequently discussed (above mentioned) elements that are represented by authors as key factors for firm innovativeness.

2.1. The entrepreneur and his characteristics

Schumpeter (1934) already argued that entrepreneurs are constantly causing an imbalance in the market; he called them creative destructors, since it is they who, with their new standards and innovation, affect the preferences of consumers. Later, Schumpeter (1961) labeled the entrepreneur as “an idea man and a man of action who possesses the ability to inspire others, and who does not accept boundaries of structured situations. He is a catalyst of change that is instrumental in discovering new opportunities, which makes for the uniqueness of the entrepreneurial function”. Bird (1989) agreed and defined entrepreneurs as the most creative organizational players. We can define an entrepreneur as an innovative thinker and promoter who is able to identify a market opportunity for a new product or service, new approach, new policy or a new way of solving a problem. Moreover, it is the entrepreneur, with his proactive tendencies, who is subsequently able to implement the results of innovative thinking. Thus, entrepreneurs change the existing system.

It can be argued that entrepreneurs in the tourism industry often lack business skills, and their ability to think and innovate is modest. Such a lack of business skills is one of the crucial barriers to a firm’s success, and this particularly holds true for small businesses whose owners have to be involved in all areas of activity. This is why entrepreneurs should be trained in management skills and knowledge (Lerner and Haber, 2000). Different authors have studied the influence of the entrepreneur and his characteristics on innovations (Avlonitis and Salavou, 2007; Hoffman et al., 1998; Koellinger, 2008; Nair and Pandey, 2006; Marcati et al., 2008; Tajeddini, 2010). Focusing on the general literature on entrepreneurial characteristics, we can identify many key differences between entrepreneurs. McClelland (1961) focused his attention on the need for achievement, while Rotter (1966) developed
the significant construct of “locus of control”. According to his theory, some entrepreneurs think the result of an event is within their personal control, while others think it is beyond their control.

Entrepreneurs are also divided in the characteristics of creativity and innovativeness (Timmons, 1978). Further, they differ in the extent to which they are opportunistic, innovative, creative, imaginative, restless, and proactive (Chell et al., 1991), as evidenced in their need for achievement, internal locus of control, and risk-taking propensity (Brockhaus, 1982). The above-cited studies seem to agree that the entrepreneur’s traits influence his innovativeness capability. Innovativeness is perhaps the most distinctive entrepreneurial trait. Zhao and Seibert (2006) have pointed to the significant role of entrepreneurs’ characteristics in innovative behaviours, and the entrepreneurial orientation of the firm can be understood as an antecedent of innovativeness (Rhee et al., 2010).

Given the above, we believe that it makes sense to study the impact of the entrepreneur and his characteristics on the innovation performance of the enterprise.

2.2. Networking

Marshall (1920) considered how ideas can quickly spread through social networks or geographical proximity. Entrepreneurs are incorporated into their social environment, so studying the importance of networks became a frequent topic for entrepreneurship researchers in explaining entrepreneurial performance. The development of the social network theory of entrepreneurship started in the 1980s (Birley, 1985; Aldrich et al., 1987; Johannisson, 1996). Networks are used for providing necessary resources, information, advice, support, encouragement and access to new opportunities. These help entrepreneurs to transform their ideas into reality (Birley, 1985; Butler et al., 1990). Decelle (2006) and Nordin (2003) stressed the importance of social capital, connections and cooperation for the success of innovation. Some recent studies have addressed networks and cluster formation in the tourism sector, particularly in terms of how the creation of networks and clusters can influence the innovation process (Hjalager, 2010; Hoffman et al., 1998; Nordin, 2003; Novelli et al., 2006; Rittera and Gemunden, 2004; Sarvan et al., 2011; Tsai, 2009).

A group of SMEs can compete globally by co-operating locally through organization into clusters. In recent years, networks in tourism have experienced a dramatic growth, bringing benefits to resource development, knowledge transfer between stakeholders, and innovation (Saxena, 2005). In the UK, for example, Regional Development Agencies (RDAs) have recognized cluster development as a key factor in promoting regional economic innovation and SMEs’ success through the creation of conditions that encourage enterprises’ development and progress. A correlation was found between the competitiveness that clusters can generate and their members’ ability to improve their services and products through innovative business approaches (Novelli et al., 2006).

We argue that the firm can advance its innovation by interacting with different stakeholders, primarily including suppliers, customers, competitors, and research organizations. Suppliers usually have greater expertise and knowledge regarding the critical factors for a firm’s new product development. The supplier can advise firms on how to create new methods for product development. By cooperating with suppliers, firms can more easily identify potential technical problems, thereby speeding up new product development and quickly responding to market demands. Miotti and Sachwald (2003) revealed the positive effect of collaboration with suppliers for the share of innovations. Including customers in the firm’s network could be another important way to improve innovation performance (Gupta et al., 2000; Fritsch and Lukas, 2001). Customers can help to identify market opportunities, and cooperating with customers may improve innovation performance (Li and Calantone, 1998; Miotti and Sachwald, 2003). It is also necessary to mention collaboration with competitors. If a cooperative agreement exists, this enables a share of technological knowledge through the network, which can lead to synergy in solving problems. Inkpen and Pien (2006) found that firms that include competitors in their business networks may perform better in innovation. More and more firms are searching for universities and research institutes to include in the networks as well. Universities and research institutes are important for the creation and dissemination of scientific knowledge (Hemmert, 2004), and firms that cooperate with such centers can be more innovative.

Given the above, we believe that it makes sense to study the impact of networks on innovation performance in the enterprise.

2.3. Technological development
In developing new ideas and innovations, technology plays an important role (Buhalis, 1999; Wahab and Cooper, 2001). Prior studies (Hjalager, 2006; Dibrell et al., 2010; Huang, 2011; Rittera and Gemunden, 2004) suggest that technology competencies and technology development play a significant role in a firm’s innovation and competitiveness. However, how such competencies affect firms’ (especially small and medium tourism firms’) innovation is not yet fully understood. A firm’s technology competency has a positive association with its innovation performance (Huang, 2011). For the purpose of his study, Huang (2011) defined different technological competencies of the firm that influence the firm’s innovation performance, including the firm’s capability of exploring or exploiting technological opportunities, its coordination capability, its core technology capability, its innovation orientation, its commitment to R&D; and also its R&D autonomy. Technological competence refers to a firm’s ability to generate, transform and use acquired knowledge (Zahra and George, 2002). Technological competencies are crucial for firms’ successful innovative performance. In their study, Dibrell et al. (2008) affirmed that innovative activity has to be complemented by IT initiatives to enhance the firm’s performance.

Given the above, we believe that it makes sense to study the impact of the technology development on innovation performance in the enterprise.

2.4. Environment

For the purposes of this study, the factor of environment will be separated into the external and internal environment of a business. The dynamic external environment clearly affects the level of innovation, as it pushes firms into innovative thinking and business in order to maintain or improve their competitive position on the market (Nohria and Gulati, 1996). The internal environment will be modeled on the theory of resources, considering the company’s resources (Barney, 1991), structure (Wolfe, 1994) and culture (Quinn and Cameron, 1999). In our review of the literature, we found a number of studies dealing with the impact of environment on innovativeness (Azadegana and Dooley, 2010; Brandth et al., 2010; Chang and Hughes, 2012; Gunsela et al., 2011; Hoffman et al., 1998; Koellinger, 2008; Rhee et al., 2010; Tajeddini and Trueman, 2012). In their study, Vincent et al. (2004) dealt with the impact of environmental characteristics on the firm’s innovativeness level. They divided environmental factors into external and internal environmental factors, with the latter referring to organizational capabilities. A dynamic environment forces firms to be innovative. External factors encompass two variables – competition and turbulence on the market – while organizational capabilities include communication, diversification, openness to change, resources and others. The resource-based view of the firm also declares that organizational capabilities are very important in the process of achieving competitiveness in the marketplace (Barney, 1991). As competitiveness can be obtained with successful innovation, it is expected that organizational capabilities will be the stimulus of innovation. The positive correlation between organizational capabilities and innovation is strongly linked to the theory of resource-based view of the firm.

Radas and Božič (2009) developed their own model with the aim of analysing the impact of external factors (innovation subsidies from a municipality, innovation subsidies from the government, collaboration with other firms or organizations, links with universities or research institutes, the national market, and the international market) and internal factors (firm age, proportion of highly educated employees in the firm, proportion of full-time equivalent employees engaged in intramural R&D, factors related to strategic and managerial changes, and factors related to changes in marketing) of the firm’s environment to the level of innovativeness. As in previous studies, a consensus about positive or negative effects of environmental factors on innovativeness performance was not found; even on particular factors, different studies may yield different results. For this reason, we are particularly interested in analysing these correlations.

However, it still remains unknown which environmental variables influence innovation efforts in SMEs and in what way they have pushed us to include environment in our model. Thus, we would like to find out which environmental factors influence innovation in small and medium tourism firms.

Given the above, we believe that it makes sense to study the impact of environment on innovation performance in the enterprise.

2.5. Innovativeness
Innovation includes a wide variety of forms. Green Paper on Innovation (European Union, 1995) defines it as “the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply, and distribution; the introduction of changes in management, work organization, and the working conditions of the workforce”.

Because of the growth of services in the global economy, the interest in the study and measurement of innovation in the service sector has increased. However, it should be emphasized that the service sector has some specific characteristics and that it is significantly different from manufacturing in many aspects. In particular, the tourism sector is unique because of its intangible and perishable nature (Hjalager, 2002), as well as the coterminality of service and consumption, the information intensity, the importance of the human factor, and the critical role of the organizational factors (Hall, 2009). For this reason, we must take care to consider these tourism service characteristics when measuring innovativeness. We argue that service innovation differs from innovation in manufacturing (Miles, 2003).

3. The proposed model

Based on a review of the relevant literature cited above, we argue that among the key factors to innovativeness are (1) entrepreneurial characteristics, (2) networking, (3) technological development and (4) the environment, and we propose a model including these elements (see Figure 1).

![Figure 1: The proposed model](image)

4. Conclusion

By performing this study (as part of a larger project), we clarify the innovation concept in tourism and develop a valid multidimensional innovation construct. In addition, we link the innovation concept into a model, including determinants and consequences. Based on this model, we suggest some possible directions for further research. All dimensions of the proposed model and measurement issues will be conceptually developed. Questionnaires will be developed and prepared for the purpose of the quantitative research. The measures for the innovativeness construct and its dimensions will follow the theory. The model will be expanded with hypotheses, clarifying the relations between the involved variables. It will enable us to check which category of innovation is dominant in the examined sample of tourism businesses. To our knowledge, no previous survey, especially in the tourism industry, has succeed in proposing or testing an integrative model that links entrepreneurial characteristics, networking, technological
development and environment to innovation as key factors for the success of tourism businesses. Camisón and Monfort-Mirb (2012), in their study presenting the “state of the art” regarding the measurement of innovation in the tourism industry at the company level, found that available statistical data are not of sufficient quality for large-scale empirical analysis of innovativeness in tourism. They propose a systematic collection of statistical data on innovation performance and capabilities in tourism for three reasons: (1) innovation indicators can be used to test innovation theories in this sector, and suitable measurement tools are needed to test hypotheses about drivers of innovation and their consequences for tourism; (2) a good innovation scoreboard is a source of information for public policies; and (3) such a statistical base is useful as an input for firms in developing their strategies.

Data on the inputs and outputs of innovativeness and data about the innovative performance of different countries can help managers to better understand the dynamic environment of technological change and the competition context in which firms should develop and promote their innovative activities.

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