Needs, drivers and barriers of innovation: The case of an alpine community-model destination

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A B S T R A C T

This study explores tourism destination innovativeness as perceived by leading entrepreneurs in order to derive implications for destination management organizations (DMO). The paper examines the need, drivers and obstacles of innovation as reported by a sample of 37 interviews conducted with tourism entrepreneurs and DMO representatives in Tyrol, Austria. The results demonstrate the importance of cooperation and networking of small and medium enterprises in destinations as well as their openness for external market developments and their knowledge about using information and communication technologies (ICT) in marketing, leading employees and having a strategic orientation. Future research needs to take a closer look at the relationship of structure and innovation. Innovation management in destinations calls for DMOs that focus much more on processes than on structure. These processes link cooperative actions and knowledge transfer and enable not only the development of ideas, but also the commercialization and implementation of innovations.

1. Introduction

In many European countries the tourism industry is characterized by a large proportion of small and medium-sized enterprises (SMEs) and/or family businesses (Thomas, Shaw, & Page, 2011). These businesses cope with competitive disadvantages, including poor economies of scale and scope, minimal potential for diversification and innovation, and limited access to capital markets (Buhalis & Peters, 2006; Tejada & Moreno, 2013). A possible way to reduce these hindrances is to refocus the service provision of SMEs toward innovative customer experiences. Innovation is a key success factor for tourism enterprises and organizations with which they can both enhance customer satisfaction, excel among competitors, and ultimately challenge the role of larger enterprises in a highly competitive tourism market (Hjalager, 2010).

After a severely under-studied period in tourism, innovation has received increasing attention among tourism researchers since the millennium, (Nordin, 2003; Vanhove, 2011; Williams & Shaw, 2011). Aldebert, Dang, and Longhi (2011) and Hjalager (2010) have contributed to the understanding of the concept of innovation through their thorough reviews of tourism research, showing how innovation has pertained to the accommodation sector (Jacob, Tintoré, Aguillo, Bravo, & Mulet, 2003; Nieves & Segarra-Ciprés, 2015; Orfila-Sintes, Crespi-Cladera, & Martínez-Ros, 2005; Orfila-Sintes & Mattsson, 2009; Ottenbacher, Shaw, & Lockwood, 2006; Pikkemaat & Peters, 2006; Thomas & Wood, 2014) and the operation of SMEs in tourism (Hallenga-Brink & Brezet, 2005; Pikkemaat & Peters, 2006; Tajeddini & Trueman, 2014; Volo, 2006). However, there are very little research about innovation both at the accommodation industry and destination levels (Pikkemaat & Weiermair, 2007; Svensson, Nordin, & Flagstad, 2005; Zach, 2012). In particular, the driving forces of and the barriers to achieving innovation for a destination have not been sufficiently analyzed (Najda-Janoszka & Kopera, 2014).

Hjalager (2010) provided a state-of-the-art review on the driving forces of innovation in entrepreneurship, focused on its dynamic of technology-push and demand-pull condition, and suggested an innovation cluster approach to promote innovation in individual tourism enterprises where new knowledge about their collaborative effort is essential to overcome the existing structural and behavioural obstacles to innovativeness. More importantly, her study closed with a list of ten research gaps in studying the processes of tourism innovation, the driving forces of and the barriers to innovation, and the role of entrepreneurship in this context. In response to this knowledge gap, this paper presents a study that aims to offer insights into the quest for innovation; and to identify its driving forces and barriers based on the perceptions of entrepreneurs and destination management organizations (DMOs) at an inter-connected system.

Using a qualitative research approach in Alpine destinations in Austria, the study investigates the need for innovation in the
community-model destinations of the region. Interviews were conducted with leading tourism entrepreneurs and DMO representatives.

In the context of Alpine Tyrol in Austria, three research questions are established in the study: Which innovation needs are perceived by entrepreneurs and DMO representatives interviewed? Which driving forces stimulate innovative development, and new products and services at the destination level? Which barriers restrict innovative tourism development at the destination level?

The results of these interviews reveal some implications for both DMO management and tourism policy that fosters innovation. The following section identifies research gap in the literature on tourism innovation, which will be followed by an elaboration of an empirical study in Alpine Austria with the methodology and the analysis of the findings. The paper then discusses the connection between the past and the current studies, concludes with implications for improving destination management, and finally highlights some research areas for further investigation.

2. Literature review

Innovation has been widely accepted as a key factor for successful tourism enterprises, organizations and destinations (Hjalager, 2010; Paget, Dimanche, & Mounet, 2010). Early on, Schumpeter (1934) described innovation as a radical act introducing either a new element or a new combination of existing elements. Following this path of thoughts in the context of tourism enterprises, innovation depends chiefly on the characteristics of entrepreneurs and their willingness to innovate. More recently, Sundbo’s (2001) strategic innovation theory postulated that market orientation, which comprises of market saturation, customer orientation, networks and internal resources, tended to determine the innovativeness of an enterprise, but its effectiveness would only depend on the managerial interpretation of these aspects. Unlike the situation in industries dominated by large companies, in which the push factors of science and technology drive innovation, tourism enterprises appear to be more market-driven by the pull factor of customer demand (Hall & Williams, 2008; Stamboulis & Skayannis, 2003). This situation has changed as ICT developments stimulated the emergence of new business models (such as e.g. Airbnb).

According to Hjalager (2002) and Hjalager (2010), there were five types of innovation, namely products and service innovations, process innovations, management innovations, managerial innovations and institutional innovations. All these innovations can range from incremental to radical innovations. Institutional innovation in tourism, for example, involved a “collaborative/organizational structure or legal framework that efficiently redirects or enhances the business in certain fields of tourism” (Hjalager, 2010, p. 3). In this sense, the research ideas of cooperation and networking in tourism appear to be more relevant to address the institutional innovation of destinations since the approaches in those research areas were considered fostering innovation in tourism. At an industrial level, empirical studies on manufacture (Faems, van Looy, & Debackere, 2005) and tourism (Pikkemaat & Weiermair, 2007) both supported the effectiveness of inter-organizational collaboration in improving the performance of innovation in organizations. At the destination level, Zehrer, Raich, Siller, and Tschiderer (2014) recently proved the influence of leadership networks on destination's performance. However, research focusing on the driving forces of and the barriers to innovation, and influences of these forces and barriers on a destination’s tourism development remains scarce. To include all variations of innovation, the study at hand defines innovation according to Ahmed and Shepherd (2012) as “the generation of an idea or invention and the fruitful commercialization of that invention/idea” (p. 5).

2.1. Corporate model versus community model for destination innovation

Tourism is a sector composed of a complex network of industries and stakeholders. This implies that any research on innovation can be undertaken at the levels of individuals, organizations, and destinations. At the level of organizations, on the one hand, tourism consists of global tourism corporations, seen typically in international hotel chains, which are managed similarly to multinational conglomerates in manufacturing industries. On the other hand, tourism is also an industry dominated by SMEs, which can be a one-person business or a sole proprietor. Among these SMEs in tourism, small businesses are those that employ fewer than 50 individuals or in some cases, micro-businesses with fewer than ten employees. With an increase in scale, medium-sized businesses are those that have fewer than 250 employees (European Commission, 2005).

SMEs often lack strategic planning (Peters & Buhalis, 2004) and strategic innovation due to their diseconomies of scale, shortage in resources and constraints in management expertise (Pikkemaat, 2008; Thomas et al., 2011). In Europe, for example, SMEs in tourism on average employ six persons, thereby illustrating how enterprises operate the tourism market. In Austria, for example, nearly 90% of all hotel enterprises are micro-structured with not more than 10 employees and less than 1% are large enterprises employing more than 250 employees (WKO, 2015). As such, it becomes clear that the need for innovation for a destination is determined by its composition of the enterprises in the destination and its different structures of management with different actors. Among other factors the lack of (strategic) management is currently a deficit of innovation in tourism SMEs compared to other international or multinational corporations, which are characterized by a hyper-competition in innovation worldwide (Keller, 2006; Pikkemaat & Peters, 2006; Tajeddini, 2010). This dichotomy poses some implications for the management of destinations, some of which accommodate primarily small tourism enterprises such as those located in the European Alps, while some are dominated by a mix of large real estate, finance, and hotel companies like the situation in Dubai.

Apart from the scale of operation, innovation-oriented behaviour in tourism destinations is also influenced by their local governance structures and the capacity to innovate (Beritelli, Strobl, & Peters, 2013; Nordin, 2003; Nordin & Svensson, 2005; Strobl & Peters, 2013). In particular, Nordin and Svensson (2007) highlighted that destination governance initiatives can be regarded as process innovations. Beritelli, Bieger, and Laesser (2007) emphasized a dyadic perspective in destination management with the dual presence of a community model and a corporate model. In a community model, destination management consists of transactional and personal relationships in networks, whereas hierarchical relationships are of greater interest in a corporate model. As shown in Table 1, the differences between the two models could be assessed in several dimensions.

According to Flaggstad and Hope (2001), the corporate model performs better than the community one in cultivating customer satisfaction, product development and strategic success. Consequently, it is proposed that innovation management as part of destinations’ strategic management may be performed at a higher level with greater success in corporate models than in community ones. Nevertheless, even though strategic management in corporate models is believed to be as professionalized as in many business organizations, most tourism destinations including those in Alpine Austria are still characterized by the features of community models with a lack of strategy and professionalism (Hjalager, 2002; Pikkemaat, 2008). In view of such research need in these community-oriented destinations, the present study focuses on the level of community destination models to investigate the underlying drivers and barriers to innovation in Alpine tourism (Pikkemaat & Weiermair, 2007; Zehrer et al., 2014).

In the case of Alpine Tyrol destinations, the region draws the majority of tourists to Austria. In 2015, the region attracted more than 45.6 million overnight stays and 10.9 million arrivals. During the winter of 2014/15, Tyrol welcomed about 5.5 million arrivals, while the summer also received about 5.3 million arrivals (Tirolwerbung,
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