



INNOVATION, BUSINESS SUCCESS AND LEADERSHIP IN TOURISM

Slavka Drašković*

English School of Business Belgrade, Cara Uroša 17, Belgrade

Abstract:

This paper analyses the relationship between innovation and business success and the role of a leader in such relationship. The main question addressed herein refers to how can a leader uses innovation to influence competitiveness and business success in tourism in an increasingly global competitive environment.

The paper introduces the Scheme of success and applies it to the issue of leadership, innovation and business success in tourism. Results indicate that a leader's influence on a company's success through innovation is very high and that it is quite different in today's conditions of global competitiveness than it used to be. A leader can influence competitive advantage through innovation development in two basic interconnected ways: being innovative himself/herself *i.e.*, undertaking a pioneering endeavour; and developing an innovative, learning organization, based on an organizational culture that supports innovation at all organizational levels. This second approach to leadership influence is a novelty compared to the time of mass tourism and competition before it became global. Practical implications for effective leadership in tourism are also addressed and recommendations for further research are provided.

Key words:

innovation,
elements of success,
scheme of success,
tourism competitiveness,
leadership.

1. INTRODUCTION

Tourism is one of the fastest growing global market industries. In order to maintain this growth and keep up with an increasingly growing global competition, a number of countries have declared innovation to be one of the key factors for future growth and sustainable competitiveness. Key figures in tourism industry such as Thomas Cook or Vladimir Raitz, or pioneers in the hotel sector such as Conrad Hilton and J.W. Marriott, have shown how innovation can lead to a leadership position in the business world. The Scheme of Success based on the author's qualitative research of the American leaders' business success, including prominent Serbian Americans, shows that a leader has to be innovative and undertake a pioneering business of some sort in order to ensure competitive advantage and the top leadership positions in business (Drašković, 2010). Global competitiveness has placed even more demands for innovation on leadership. The paper addresses the following questions: what characterizes innovations in tourism and how can a leader use innovation to influence competitiveness and business success in tourism in the global competitive environment. It examines the ways of gaining competitiveness in tourism through development of innovation and leadership interventions.

The global competition environment presents new challenges to leadership in tourism. The challenge is to always be innovative and different in order to be competitive. Therefore, leaders have to assume a pioneering approach. In fact, innovation-pioneering endeavours are an inevitable part of every top leadership position. Those endeavours are

generally based on sustainable or disruptive business model innovation, but hypercompetitive global market places even more need for transformational business model innovation. The examination of the connection between leadership, innovation and business success in tourism has led to another conclusion, that a leader today has an additional new challenge: to develop and support new knowledge development in an organization - the learning organization - based on an organizational culture that supports innovation at all organizational levels.

The paper is structured as follows: Section 1 introduces the question of innovation in tourism and possible connection between innovation, business success and leadership. It also highlights the main findings. Section 2 discusses the ways in which innovation in tourism has been explored and deals with types of innovation in tourism. Afterwards, it explores the environment in which tourism organizations operate, and introduces the Scheme of Success based on the author's qualitative research showing that an innovation-pioneering endeavour is an inevitable part of every top leadership position. Examples of pioneers in the tourism industry are presented, as well as research results. In Section 3, concluding remarks are given together with practical implications of the conclusions for effective leadership in tourism and recommendations for future research.

2. RESULTS AND DISCUSSION

The research field dealing with innovation in tourism is relatively new. Studies conducted on innovation in tourism reveal a lack of innovation and slow change in innovation

* slavkadraskovic@yahoo.com



behaviour in tourism (Weiermair, 2006; Myer, 2009; Kvam & Straete, 2010). Some researchers claim that innovation in tourism is very low and that the tourism industry primarily adjusts to changes, copies innovation in other fields and is very little innovative itself (Myer, 2009; Kvam & Straete, 2010). Research on innovation, and types of innovation in tourism, has been done mostly based on Schumpeter's work and adapted to the services sector. One of the researches was done by Hjalager who defined five types of innovation in tourism: product innovation; process innovation; management innovation; logistics innovations; institutional innovation (Kvam & Straete, 2010). Hjalager's typology of innovation in tourism is commonly used and is itself the basis for other typologies on innovation in tourism. For example, typology developed by Mayer, in addition to Hjalager's five types differentiates 14 more types of innovation in tourism, in total 19 types of innovation in tourism (Mayer, 2009). On the other side, many of the business model innovation have been developed based on the work done by Clayton Christensen who identifies 3 types of competitive innovations: Sustaining Innovation – when the service providers make innovations to meet costumers' demands and in order to remain competitive in the existing market; Disruptive Innovation – when an existing competitive market is entered with the new business model that offers transformation of an existing product or service in a way to be much cheaper and/or easier to use; and Transformational Innovation - creating a totally new product or service that customers do not know about and there is no demand for it as nothing similar existed before (Christensen, 2012). In tourism industry research, Christensen's work has been used by Crotts and Gupta as a base for discussing prospects for developing business model innovation that can increase competitiveness in tourism. Crotts and Gupta give, as an example of a disruptive innovation in industry of tourism and hospitality, the launch of the Holiday Inn hotel chain in early 60's, as it offered products/services that are far more affordable and simple for a larger population to use, than offered by the existing models at the time (Christensen, 2012; Crotts & Gupta, 2013). They concluded that although Christensen's work can give an important framework for research in competitiveness and innovation business models in tourism, it cannot be applied and adopted as it is (Crotts & Gupta, 2013). However, Crotts and Gupta have opened the subject, and the issue of innovating business models in tourism has yet to be developed and researched.

Organizations operating in the area of tourism face an increasingly dynamic and competitive environment. It is characterized by constant and rapid change. Information and knowledge have become the key resources (Yakl, 2010; Blanco, 2011). Global competition is basically different than traditional competition – it is called „hypercompetition“. It is radically increased competition where positioning is based not only on price–quality ratio, but on creation of new know-how and on the “first mover” product/service provider. That means that there is still demand for the best price–quality ratio, but it is not enough. There is another key factor: creating new know-how – the advantage of the “first mover” (Lieberman & Montgomery, 1988). An economy is essentially based on innovations – on new knowledge development and implementation. In all industries, competitiveness increasingly depends on the way people collect, organize and commercialize their know-how (Yukl, 2010;

Radun, 2010; Drašković, 2011). Not only that organisations have to predict future trends and act accordingly, but to go ahead of the changes, to create changes. In order to be competitive, companies have to be different rather than better than the competition. The key words are innovation and difference. Therefore, there is a need for continuing education of human resources and for developing organizations and people to be innovative and adaptive (D'Aveni, 1995; Yakl, 2010). Accordingly, knowledge-based society and the impetus of the “first mover” have increased the need for innovation in the tourism industry.

According to the UNWTO, two tourism areas have undergone major changes: The first area is the marketing of tourism destinations, products and services, because of different online marketing channels such as internet marketing, social network marketing, search engine marketing, mobile and location-based marketing, *etc.* The second area in tourism where major changes have occurred is the infrastructure of the organization in a way that allows greater flexibility and readiness to respond to customer requirements (Sakulsureeyadej, 2011). Both of the mentioned areas of change in tourism relate mostly to development of sustainable and/or disruptive business models innovation (Crotts & Gupta, 2013). However, the hypercompetitive global market places a need not only for sustainable and disruptive business model innovation, but even more for transformational innovation. Leadership in the tourism industry should look up to information technology industry where transformational innovation business model is used from IT beginnings. Some of the basic inventions in the IT industry as we know it are based on transformational innovation, including the Internet (that we did not know about or have demand for before it appeared), lap tops, USB devices, or iPhones, iPads, *etc.* So, in addition to the idea that there is a need for being innovative and meeting demands and consumers' new needs in tourism (Sakulsureeyadej, 2011), there is an idea behind transformational innovation that consumers are buying as “there is a job to be done” (Crotts & Gupta, 2013) - so if there is a solution in some totally new, so far unknown product/service, they will take it.

Terms “innovation” and “technological change” have become an inevitable part of global tourism vocabulary (Blancoj, 2011), but, there is still lack of innovation and slow changes in innovation behaviour in tourism (Weiermair, 2006; Myer, 2009; Kvam & Straete, 2010). It is up to leadership in the tourism industry to create change, move changes ahead, and introduce innovative business models in tourism. The research on the business success of more than 50 leading American and Serbian American business leaders found the following elements of their success: 1) Innovation - Pioneering endeavours and novelties that the leader introduced; 2) Crisis and risk - overcoming critical situations in which the leader found himself/herself; 3) Hard work, long- working hours; 4) Help from other people and institutions; 5) Personality traits that led to success; and 6) Maximizing opportunity, taking advantage of favourable circumstances (Drašković, 2010). The scheme provided below supports the above-stated.

Not until all six elements are combined together can higher level change occur – the change that can bring a competitive advantage. Innovation/Pioneering undertaking is the first of the six common elements of the US business leaders' success stories. Every one of them was an innovator

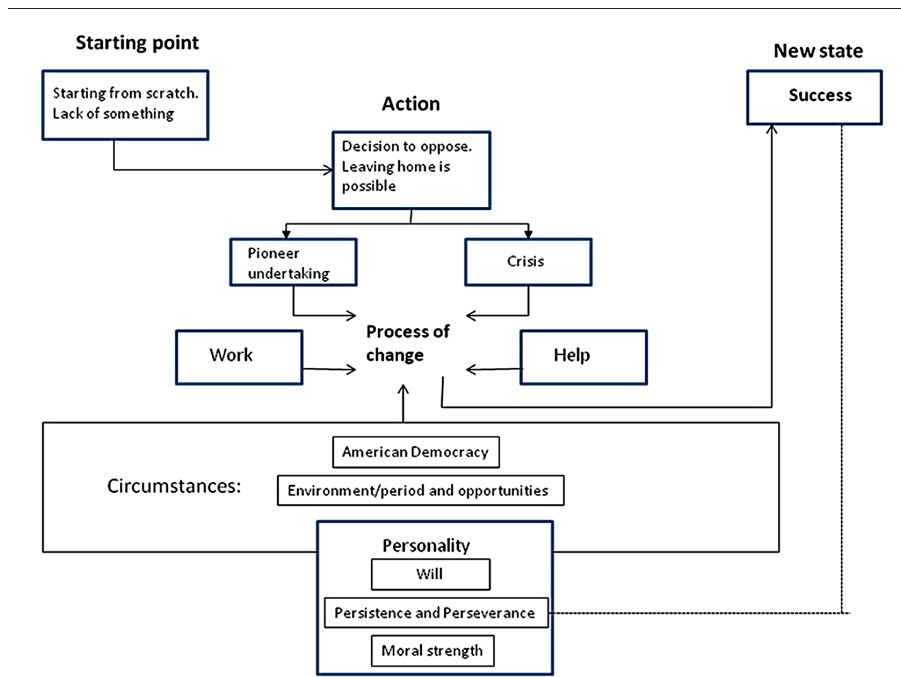


Fig.1: Success Scheme
Source: Drašković (2010)

and a pioneer in their fields of business (Drašković, 2010). It is the same in tourism where innovation laid the foundation for the modern age hospitality and tourism industry. There are several people that should be taken into consideration. Firstly, Thomas Cook who was an inventor and pioneer of commercialized mass tourism as he organized the first excursions ever, the first organized tours; Secondly, Vladimir Raitz, who pioneered the first mass package holidays abroad with charter flights; and Ellsworth Statler who led the hotel industry into the modern age with his innovations in hotel engineering and design with the first private bath *etc.* Many have followed their example including the current pioneers of web-based disintermediation, new tourism intermediaries, tourism marketing through social media *etc.* However, there is an important difference between the pioneering endeavours in the 20th century businesses and in today's global business environment, because today the impetus of innovation has not been required just at the top management level. Innovation culture today means innovation diffusion and knowledge transfer/ dissemination through organizations at all levels (Yakl, 2010). There is a need to have people at every level who are oriented towards learning and continuous improvement. The leadership in tourism should assume the key roles in nurturing innovative behaviour, flexibility and culture of constant learning and change in organizations. *Learning organization* is the term for the organizations that learn rapidly and use knowledge to develop people and become more effective through innovation and new knowledge (Chawla, 1995; Sengi, 2003). Consequently, competitive advantage in tourism through innovation can be achieved through changes in organizational culture in tourism organizations. Therefore, there is a need for leadership to develop flexible infrastructure in order not only to be able to respond to travellers' expectations of new and personalized products and services, but even more importantly, to develop business models, products and services, or the way of advertising them, which are not yet in demand in modern tourism.

There are organisations in tourism that have already developed the innovative and knowledge-based organisational culture. The *Association for Talent Development* has made a yearly list of learning organisations and the „2014's Very BEST Learning Organizations“ list. They include 42 companies of which two are the companies in the tourism and hospitality sectors: MGM Resorts International and Hilton Worldwide (ATD 2014). There are also some studies on learning organisations in tourism and the hospitality industry like the one discussing weaknesses in the „adventure of becoming a learning organization“ (Bayraktaroglu & Kutanis, 2003) or the one researching if learning organization concept can be applied in the context of tourism destination management (Schianetz, Kavanagh & Lockington, 2007). They both concluded that although organizational learning may be an important factor in building an organization's competitiveness, it cannot

guarantee success in today's fiercely competitive markets and they suggested that this approach should be further utilized and explored (Bayraktaroglu & Kutanis, 2003; Schianetz, Kavanagh & Lockington, 2007). All this suggests that research on the subject of learning organisations in tourism has just commenced, and that the subject of leadership roles in that context is yet to be considered.

3. SUMMARY

The competitive environment encourages companies to quickly and efficiently innovate products or services. Although traditionally innovation is more related to products, there is no doubt that its popularity is growing significantly in the services sector.

Innovation is found to be one of the key elements of business success in tourism at the individual level concerning the big leadership figures in tourism industry, but also as part of today's "learning organizations" in tourism. Even though innovation has always been important for leadership and business success (Drašković, 2010, 2011), innovation has spread to lower levels of the organization in the modern global economy.

Practical consequences for leadership/management in tourism are that they are forced to intervene through development of innovative, adaptive, flexible *learning organization* and to develop business models that would give an advantage to a "first mover". The concept of a learning organization is connected to the culture that involves experimenting, risk taking and the right to make mistakes. Leaders/managers in tourism should be encouraged to experiment on a small-scale and test new ideas. That creates opportunity to try new ideas without the risk of major change of programs/models/services and products in tourism. Guidelines for increasing learning and innovation listed by Yakl (2010) can be useful if adapted for competitiveness in tourism and applied by the country and economy leaders,



as well as leaders in tourism organizations. The Guidelines include as follows: Encourage appreciation for flexibility and innovation; Set innovation goals; Encourage and facilitate learning by individuals and teams; Help people to improve their mental models; Leverage learning from surprises and failures; Encourage and facilitate sharing of knowledge and ideas; and Reward entrepreneurial behaviour (Yukl, 2010, pp. 324-326).

Further research in the field of innovation and business success in tourism should include the role of a leader and focus more on innovation business models in tourism. The other field that is opened for researchers is the field of advantages and disadvantages of developing learning organisations in tourism, and leadership and managerial role in such context.

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