

Innovative Approaches in Tourism Business Development

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Abstract

In order to provide superior experience for tourists, innovative approaches in tourism business and product development are needed. The objective of this paper is to highlight the key challenges in creation of innovative tourism business opportunities, and provide wider understanding of its importance, especially for SMEs. A review of relevant literature on innovations in tourism is undertaken, then focusing on the specific issues in areas of potential forms of innovation. Specialisation, thematisation, inscenation, diversification and resort concept are identified as key innovative opportunities. On the other side, several management and marketing issues are identified regarding mentioned innovative approaches. First of all, competitive tourism environment generates need for cooperative forms of business behaviour, where networking provides additional sources for implementation of innovative initiatives, especially by SMEs. Key benefits of innovations in tourism business are noted and clearly defined, but in the practical sense, these opportunities are still, to a large extent, underused.

Keywords: innovations, tourism, specialisation, diversification.

JEL classification: M21

Introduction

Innovation is critical factor that helps firms to achieve sustain competitive advantage especially in rapidly changing environment (Pekovic and Galia, 2009; Grolleau et al., 2013). What more, innovation can also help development of the national economy (e.g. Schumpeter, 1934). Innovation could be defined as the adoption of an idea that is new to the firm (Damanpour and Evan, 1984).

Tourism is considered as activity characterized by huge innovativeness (Hjalager, 2010). However, significant number of scholars underlined that measuring innovation in tourism sector is quite difficult (Camison and Monfort-Mir, 2011; Krizaj et al., 2014) what open a need for more research that link innovation and tourism sector (e.g. Hall and Williams, 2008; Williams and Shaw, 2011). Actually, it is argued that service innovation is multidimensional and characterized by much more emphasis on the organizational dimension of innovation such as new service concepts, new client interface and new delivery systems (Van Ark et al., 2003).

In this paper, we want to identify key measures of innovation in tourism sector since it could help us to further develop necessary policy framework for tourism development In Montenegro. Tourism as strategic economic activity for Montenegro, with other sectors of green economy such as agriculture and energetic, provides several benefits for society, economy and ecology. The significance of tourism for Montenegro is evident from decisions and strategies defined on highest level, especially through Master plan of tourism development till 2020. According to international organizations (e.g. WTTC), tourism in Montenegro generates around 21%

of GDP. Apart from that, tourism provides employment for around 30 000 employees. Rapid growth of tourism is expected in the future, and will be based on planned investments, and continuous growth of arrivals of foreign tourists, with significant implications on employment, development of underdeveloped areas, export etc. According to strategic guidance, Montenegro is dedicated to quality of service that could provide higher level of satisfaction compared to competition, with special attention on principle of sustainable development and responsible management of natural resources. Montenegro enjoys abundant tourism resources; tourism is the pillar industry and main source of foreign exchange receipt. Montenegrin government lays great importance on the development of this industry, but sorry to see little systemic research on capacity and competitiveness of tourism product is insufficient, tourism regional competitiveness is relatively weak, tourism revenue in year 2011 is only about 700 million euro and it leaves a mass of room for future promotions. Strategically, strengthening of research on tourism environment is of prime importance for the promotion of tourism competitiveness and economy in Montenegro.

In this paper, innovation is analyzed from holistic approach as a valuable perspective to expand the understanding of how it would help further growth in tourism sector.

Methodology and results

Hjalager (2002) adopted The Abernathy and Clark model to tourism (Figure 1).

Figure 1

The Abernathy and Clark model—a tourism perspective



Source: Hjalager (2002)

This model includes four types of innovations: regular, niche, revolutionary and architectural. Accordingly, the author provides examples of each type of innovation in tourism sector. For instance, examples of regular innovations in tourism sector present new investments in larger structures (hotels); internal training of personnel,

resulting in enhanced or speedier service, or enabling additional advantages to be offered to customers; Upgrading quality standards in well-defined ways, e.g. from a two- to a three-star classification, etc. Relating niche innovations the examples could be: establishment of marketing alliances (specialised tour operators in order to access new customer groups), etc. Example provided for revolutionary innovations is: diffusion of new technology in enterprises. Finally, the author includes in architectural innovations exploitation of a new resource such as arctic tourism, where the building of ice hotels and attractions requires new designers, builders, equipment, marketers, etc.

The present model help us to further understand the innovation activities related to tourism sector in order to present more accurate policy framework.

Discussion

The majority of firms in Montenegro present small and medium enterprises (SMEs), even more in tourism sector. However, SMEs in Montenegro helps to the improvement of national economy by, for instance, by creating new jobs and reducing the unemployment rate.

Moreover, it is well known that larger firms (comparing to SMEs) are more innovative since they have financial resources, better scale economies for raising capital, greater control over the environmental changes and wider opportunities for employee development, growth and promotion (e.g. Bolívar-Ramos *et al.*, 2012).

Considering those obstacles for developing innovations in SMEs in Montenegrin sector, policy makers should further help those firms to overcome those issues and become innovative.

In this sense, Novelli *et al.* (2006) propose clusters as a framework providing SMEs with innovative opportunities to operate in a competitive tourism environment. Clusters could be defined as concentrated businesses that have a common interest and allow members to join their efforts to achieve advantages (Gardiner and Scott, 2014). Accordingly, it is recognized that cluster can help SMEs in finding funding support and gaining access to expertise and assistance (Granek and Hassanali, 2006). Moreover, Decelle (2004) underlines that clustering could help firms to become innovative not only by using internal factors, but by exploiting the resources available in the cluster. Several EU countries, i.e., Italy, Denmark, Austria, already established their cluster projects what even demonstrates the importance of clusters for further economic growth. What more, Denmark and the UK are in the process of establishing national cluster policies (Novelli *et al.*, 2006).

Similarly, Moric (2013) also recognized the importance of clustering in tourism sector in Montenegro. However, the author discussed several important issues that could be improved in order to establish better clusters such as: (1) role of the state in fostering clusters' development; (2) lack of legitimacy and quality standards; (3) professional management as leverage to development; (4) the challenge of long-term funding; (5) the challenge of future trail development.

In general, clusters can be a great opportunity for collaboration, involvement in government initiatives, successful business operations and sector management (Novelli *et al.*, 2006).

Conclusion

In the face of changing customer demands and preferences, innovation could be considered as an important means of fostering national economic

development. Moreover, improved innovativeness is especially important in tourism sector in Montenegro due its importance for whole economy.

Given the various obstacles that firms can face in tourism sector related to innovation activities, the main objective of this paper is to develop a mechanism which will be able to be used by policy makers or decision makers in order to further improve innovativeness in tourism sector in Montenegro. We discuss that clustering can be used as a valid and reliable mechanism that could help firms in tourism sector to overcome innovation obstacles. Actually, clusters may foster collaboration and a range of partnerships what can help innovation performance. Notwithstanding, cluster establishment requires a clearly defined strategy to help create synergistic relationships between different cluster members.

Future avenues of research should use case studies or empirical analysis in order to identify how and to what degree cluster could help innovativeness in tourism sector. Additionally, other mechanism should be identify that could help firms in tourism sector to overcome innovation barriers.

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