

Encouraging Innovation in Sustainable Tourism Development

The case of the Øresund Region

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Abstract

Innovation is commonly discussed from the perspective of the manufacturing industry. Innovations can be the profitable market introduction of novelties, including new products, improved production techniques and logistics, or new ways of marketing and communication. Innovation can also be used to describe organisational and relational changes. While the service industry differs from the manufacturing industry in many aspects, innovation theories can also be used to describe changes in this sector. This thesis focuses on sustainable innovation in regard to tourism services.

On the basis of a sample of firms, the research seeks to indicate why service-based tourism companies innovate in the first place and shows that factors inside the organisation, such as entrepreneurialism and organisational character as well as outside influences, such as the market and the regional support structure, influence innovativeness.

Interviews with experts in tourism development on both sides of the Øresund region (Landskrona and Storstrøms Amt) and interviews with enterprises considered 'innovative' by these actors indicate that where the market pull to is too strong for long term business planning, innovation can be encouraged by external actors through various networking arrangements. The external actors play an important role in introducing a mind-set of sustainable innovation in small and micro sized tourism services.

The research concludes that companies need to learn to think with a long term perspective. Small businesses operate on a day-to-day basis, and may thereby lack a vision and strategic thinking. Especially for sustainable innovation, a more holistic and 'outside the daily business' thinking is a prerequisite. Both private and public sector actors are seen to play a role in encouraging the thinking behind sustainable innovation in small tourism enterprises. The thesis thereby points to the factors that innovation can be encouraged.

Executive Summary

The study focuses on tourism development through innovation in the outlying areas of the Øresund Region. The places studied represent areas which are located outside of the major growth centres, in this case the Copenhagen- Malmö- Lund axis. Because of the changing structure of the local economy that results from the diminishing role of manufacturing industry and/ or agriculture, these regions are prompted to look for alternative opportunities for the generation of income.

It has, for a while, been asserted that tourism is one such opportunity, which can act as a lever for peripheral development (EU LEADER1996). Tourism is a non-moveable employment creating industry (Sørensen), which is inevitably linked to the local production factors, through making value out of local resources. This is taken to indicate the importance of a flourishing tourism industry in outlying areas. With this underlying assumption in mind, the study asserts that a tourism industry that grows endogenously contributes to sustainable regional development. The thesis focuses on the opportunities that companies in outlying areas can take up in order to create a regional culture of innovation in a sustainable manner for the longer term

The thesis thereby presents the findings and recommendations for the research question:

- ***How can sustainable innovation in small, service-based tourism enterprises be facilitated?***

The preliminary literature review showed that research related to the subject is generally undertaken using qualitative methodology. Therefore a qualitative methodology was considered appropriate. After studying innovation theory to understand the basic descriptions of innovation and to be able to chose the models of innovation that best apply for the particular research, an interview based research (semi-structured to unstructured, open-ended) was carried out. The two main categories of actors interviewed were (1) those connected to tourism development from the municipal, county or tourism development companies and (2) sample of 'innovative' companies identified by the above-mentioned actors. In addition, two support interviews were conducted with an incubator and an institute specialised in innovative processes.

Sustainable development: In the study an enterprise is considered to contribute to regional sustainability if it “integrates activity, long term planning and partnership development, maintains and develops diversity, supports local economies, uses resources in a sustainable manner, involves local communities, stakeholders and the public, contributes to researching, sharing, learning and experience” (Johnson 2002 in Eriksson *et al* 2006). The enterprises interviewed are seen to take into consideration these factors of sustainable development.

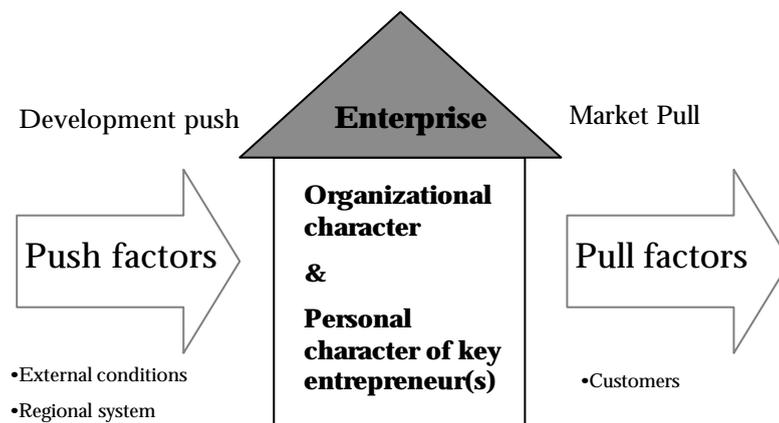
Innovation theory: Innovation is a complex phenomenon to study and is assumed to be so for the practitioners in the field of tourism. The purpose of studying the research published on the topic in detail was to understand (1) the kind of innovation that is relevant for the small tourism enterprises, (2) the ways in which the innovation process is generally modelled and (3) the possible motivations for sustainable innovation. The literature study guided the development of the framework for analysis (push and pull factors, innovation process), as well as the way in which the report and recommendations are structured.

Innovation in this research is defined from the firm perspective (*new to the firm*). To some extent the research also discusses geographical innovation (*new to the region*). The research

focuses on six types of innovation, namely product, process, market, logistics, organisational and relational innovation.

The innovation process is understood mainly as a social, open process, as opposed to a logical, linear, step-by-step process. This implies that the process is subject to feedback and movement between stages, comprises of overlaps and parallel processes. In order to structure the analysis of the innovation process, however, the linear innovation process of Haugaard (2006) is considered applicable. The non-linear model of Hallenga-Brink and Brezet (2005) provides the logic for the presentation of recommendations into a toolbox for key actors to use in their attempts to encourage innovativeness of companies.

Drivers, barriers and facilitating factors: The four factors for understanding motivations for innovation are therefore: The market, external conditions, the organisation and entrepreneurialism of key person(s) running the business. In summary, companies were shown to innovate because of changing markets (*market pull*), favourable regional conditions (*development push*), favourable organisational conditions and entrepreneurialism and innovativeness of the key persons running the business. Companies fail to innovate because of the lack of time and resources, the lack of long term vision and strategic thinking, non-innovative organisational and personal characteristics and lack of ownership of a project idea.



Networking is shown to facilitate innovation through the introduction of new ways of thinking. The social process is shown to provide inspiration for idea generation. **Vision** is shown to guide the direction of innovation that follows sustainable development. Strategic, long-term thinking is shown to start with a vision.

Inspiration and idea generation is shown to be easy. Inspiration and ideas are obtained from colleagues in the same or in other industries, from staff and from customers, as an example. Therefore, networking is important for inspiration. **Idea development and screening** is shown to be very dependent on the intuition and experience of the manager of the enterprise. Interviews indicate that there is no set way to screen ideas. However, this also is an open process where the process benefits from inputs from a group of people from different backgrounds. **Market analysis and observation of the customer** is important for

the product development stage. Even after market launch it is important to analyse the customer behaviour.

Tools and methods for facilitating the innovation process are taken to exist in a wide variety. Companies are aware of their existence to an extent. The use of tools and methods is indicated to a limited extent explicitly, and to a larger extent implicitly.

Broadly speaking, innovation involves **two types of processes**: creative and market oriented. It may be argued that some companies are stronger in creative, idea-generating processes and others at market oriented processes for launching ideas.

Facilitation of the innovation process it is dependent on identifying the working style of the company, in order to facilitate skills matching in a defined networking manner. A 'tool box' is, therefore, presented in a format that takes into account the division between diverging (*idea generating*) processes as well as converging (*product developing*) processes.

Recommendations are given in this through the idea that 'dynamo businesses' (Storstrøms Amt 2005) can work together with key actors in regional development. The recommendations give guidance for regional level actors on the kinds of external initiatives that appear to act as motivators and facilitators for innovation. In addition recommendations give indication to the networking type that may be useful in the innovation stages/processes. These are accompanied by specific tools and methods (techniques) that can be used by facilitators in the process.

Table of Contents

List of Figures

List of Tables

1	INTRODUCTION.....	1
1.1	BACKGROUND: INNOVATION AND SUSTAINABLE REGIONAL DEVELOPMENT	1
1.1.1	<i>Problem Definition.....</i>	1
1.1.2	<i>Problem Definition: The Øresund Region.....</i>	3
1.2	OBJECTIVE AND RESEARCH QUESTIONS.....	4
1.3	SCOPE AND LIMITATIONS	5
1.3.1	<i>Scope.....</i>	5
1.3.2	<i>Limitations.....</i>	6
1.4	METHODOLOGY.....	6
1.5	PRESENTATION AND FINDINGS.....	8
2	TOURISM RELATED SERVICES.....	9
2.1	INTRODUCTION.....	9
2.2	SERVICES.....	9
2.2.1	<i>Definition and characteristics.....</i>	9
2.2.2	<i>Services and Sustainability.....</i>	10
2.2.3	<i>Parameters for Sustainable Services.....</i>	10
2.3	TOURISM.....	11
2.3.1	<i>Defining tourism.....</i>	12
2.3.2	<i>Components and features of the tourism system.....</i>	13
2.4	SUSTAINABLE TOURISM.....	14
2.4.1	<i>Definition.....</i>	14
2.4.2	<i>Tourism Related Threats and Opportunities for Sustainable Development.....</i>	14
2.4.3	<i>Principles Underlying Sustainable Tourism Development.....</i>	15
2.4.4	<i>Recognition Schemes to encourage the sustainable development of services.....</i>	16
2.5	CHAPTER SUMMARY.....	17
3	OVERVIEW OF THEORY ON INNOVATION IN TOURISM.....	18
3.1	INTRODUCTION.....	18
3.2	INNOVATION.....	18
3.2.1	<i>Defining Innovation.....</i>	18
3.2.2	<i>Sources of Innovation.....</i>	19
3.2.3	<i>Features of Innovation in Services.....</i>	21
3.3	TOWARDS A TYPOLOGY OF INNOVATION.....	21
3.3.1	<i>Introduction.....</i>	21
3.3.2	<i>Incremental Innovation and Radical Innovation.....</i>	21
3.3.3	<i>Types of Innovation.....</i>	22
3.4	INNOVATION IN TOURISM.....	24
3.4.1	<i>Innovativeness in tourism.....</i>	24
3.5	SUSTAINABLE INNOVATION IN SERVICES.....	24
3.5.1	<i>Definition.....</i>	25
3.5.2	<i>Motivation for sustainable innovation.....</i>	25
3.5.3	<i>Examples of sustainable innovation in rural tourism.....</i>	26
3.6	CHAPTER SUMMARY- CONCEPTS FOR ANALYTICAL FRAMEWORK.....	26
4	THE INNOVATION PROCESS.....	28
4.1	INTRODUCTION.....	28
4.2	SYSTEMIC ASPECTS OF INNOVATION.....	28
4.2.1	<i>Regional Innovation Systems.....</i>	28

4.2.2	<i>Clustering as a means to innovate</i>	28
4.2.3	<i>Networking as a means to innovate</i>	29
4.2.4	<i>A sequence model of innovation</i>	30
4.3	INTERNAL PROCESS OF INNOVATION.....	31
4.3.1	<i>Introduction</i>	31
4.3.2	<i>Linear Innovation Processes</i>	32
4.3.3	<i>A Non-Linear Innovation Process</i>	34
4.4	SUPPORTING METHODS FOR INNOVATION.....	35
4.4.1	<i>Introduction</i>	35
4.4.2	<i>Identified problems in tourism development projects</i>	36
4.4.3	<i>Support methods for new service development</i>	36
4.4.4	<i>An example of a business incubator for the development of the tourism sector</i>	37
4.5	CHAPTER SUMMARY- CONCEPTS FOR ANALYTICAL FRAMEWORK.....	38
5	INNOVATION IN TOURISM IN THE ØRESUND REGION.....	40
5.1	INTRODUCTION.....	40
5.1.1	<i>Background</i>	40
5.2	INNOVATION IN SAMPLE OF TOURISM ENTERPRISES.....	42
5.2.1	<i>Description of sample enterprises</i>	42
5.3	INNOVATION DRIVERS AND BARRIERS.....	44
5.3.1	<i>Market Pull</i>	45
5.3.2	<i>Development Push</i>	46
5.3.3	<i>The Organisation</i>	51
5.3.4	<i>The Key Entrepreneur(s)</i>	52
5.3.5	<i>Key Considerations Applied to Sustainable Regional Development</i>	53
5.4	CHAPTER SUMMARY.....	54
6	FACILITATING THE INNOVATION PROCESS.....	55
6.1	INTRODUCTION.....	55
6.1.1	<i>Overview</i>	55
6.1.2	<i>Organising innovation within the enterprise</i>	56
6.2	EVALUATING THE POTENTIAL OF NETWORKING TO FACILITATE INNOVATION.....	56
6.2.1	<i>The purpose of networks</i>	56
6.2.2	<i>Business to business networks</i>	57
6.2.3	<i>Formal organisations</i>	59
6.2.4	<i>Project networks</i>	60
6.2.5	<i>Product related project networks</i>	61
6.2.6	<i>Concluding remarks</i>	61
6.3	A CHANGE AGENT APPROACH TO INNOVATION.....	62
6.4	KEY POINTS APPLIED TO SUSTAINABLE DEVELOPMENT.....	63
6.5	THE INNOVATION PROCESS.....	64
6.5.1	<i>Introduction</i>	64
6.5.2	<i>The role of vision and strategy</i>	65
6.5.3	<i>Inspiration and generation of ideas</i>	65
6.5.4	<i>Idea development and screening</i>	66
6.5.5	<i>Product development</i>	67
6.5.6	<i>Realisation and evaluation</i>	68
6.5.7	<i>The use of innovation tools and methods in sample companies</i>	70
6.6	START-UP COMPANIES' INNOVATION PROCESS.....	71
6.6.1	<i>Findings from the innovation process of start-ups</i>	71
6.6.2	<i>Business development services for start-ups</i>	71
6.7	CHAPTER SUMMARY.....	73
7	CONCLUSIONS AND RECOMMENDATIONS.....	75
7.1	CONCLUSIONS.....	75

7.1.1	Summary of Key Findings.....	75
7.1.2	Conclusions.....	77
7.2	RECOMMENDATIONS.....	78
7.2.1	Challenges.....	78
7.2.2	General recommendations.....	78
7.2.3	Recommendations for the facilitation of the innovation process.....	79
7.3	FURTHER GUIDANCE.....	83
7.4	EVALUATION OF RESEARCH.....	84
7.5	TOPICS FOR FURTHER RESEARCH.....	85
	BIBLIOGRAPHY	87
	ABBREVIATIONS	92
	APPENDIX 1: FURTHER INFORMATION ON METHODOLOGY	93
	APPENDIX 2: FURTHER INFORMATION ON THE CASES STUDIED	95
	APPENDIX 3: SUPPLEMENT TOOLBOX.....	98
	[A] Tools and methods suggested in literature.....	98
	[B] Example of a brainstorming tool from Texel, The Netherlands.....	98
	[C] Logic of toolbox presented.....	98
	[B] Brainstorming tool for sustainable tourism innovation.....	99
	APPENDIX 4: FURTHER ILLUSTRATIONS.....	105
	APPENDIX 5: FURTHER INFORMATION ON RECOGNITION SCHEMES.....	108

List of Figures

Figure 1-1 the Øresund Region.....	4
Figure 1-2 Outline of Research.....	7
Figure 2-1 Eco-efficiency curves	11
Figure 2-2 the destination in the tourism value chain	13
Figure 3-1 Market pull and technology/regulatory push	20
Figure 3-2 Logistics and organisational innovations as part of process innovations	23
Figure 3-3 The role of innovation for implementation strategies of sustainable development	25
Figure 4-1 The Attractor based model.....	31
Figure 4-2 Model of Service Sector Development	33
Figure 4-3 A basic, linear innovation model	34
Figure 4-4 A non-linear model of innovation.....	35
Figure 4-5 A Combined Model for Innovation in Services.....	39
Figure 5-1 External and internal factors influencing innovation	44
Figure 6-1 Level of Creativity in Innovation Process.....	69
Figure 7-1 Beginnings of a toolbox for innovation facilitation.....	84
Figure 0-1 Toolbox	104

List of Tables

Table 2-1 the components of a tourism system.....	13
<i>Table 2-2 A summary of tourism related threats and opportunities.....</i>	<i>15</i>
Table 3-1 Examples of tourism related sustainable innovations.....	26
Table 4-1 Expected problem identification for railing sustainable tourism projects, with rough estimate of who/what could find solutions for each problem	36
Table 5-1 Tourism in Storstøms Amt	41
Table 5-2 Green Key- a facilitator for innovation?.....	49
Table 6-1 Business-to-business networking as a facilitator?.....	58
Table 6-2 Tools and methodologies employed in innovation processes	70
Table 7-1 Indication of certain schemes to act as facilitators to the six innovation types	83

1 Introduction

1.1 Background: Innovation and Sustainable Regional Development

1.1.1 Problem Definition

The regional dynamics between *core* and *periphery* regions are often seen as the prime cause for the need for enhanced development of rural areas. The latter part of the 20th century, with the changing nature of agriculture to larger scale, industrial farms, has led to a decrease of employment from agriculture in the rural areas. Particularly in OECD countries, this employment shift from agriculture to urban employment has been accompanied by a decline in employment activity from the industry. Such a pattern implies that job opportunities are located more and more in urban regions, which in turn tends to lead to structural characteristics that are particularly prevalent in the rural areas.

On the other hand, employment from services has continued to grow. In terms of GDP, in OECD countries the service sector contributes by over 60% (Howells and Tether 2004). Many researchers in the field of futures research believe that the experience economy will be the leader of the next phase of economic growth (Pantzar and Shove 2005). The assumption made in this research is that the growth in services is a significant means for all types of regions to develop. Where the agricultural core industry is declining, for example, new ways of product diversification from those core agricultural features of the region can certainly be seen as a way towards creating a sustainable economy. The diversification of the agricultural core industry in new creative ways has been seen to lead to population movements into the periphery areas, further enhancing industrial diversification patterns through innovative ideas for self support. It is the '*otherness*' of the periphery regions from which value can be obtained to create regional exclusivity (Anderson 2000).

Because in today's economy innovation is seen as a precondition to a flourishing industry, the importance of innovation within the service sector as a means for regional or peripheral development is an intriguing phenomenon for study. Businesses innovate due to needs to stay in business, but to what extent can a region as a whole benefit from this? To what extent do innovations from the business contribute to the sustainable development of the region? From another perspective, how can such innovations be made to follow a sustainable development pattern and can 'sustainable' innovations be encouraged?

Much research concentrates traditionally on the high- tech and manufacturing sector and their systems of innovation. However, a focus on innovative activity in services, particularly within tourism in peripheral areas is a rarely touched upon topic. Within academia and the strategy level the importance of the 'softer' aspects of innovations is only lately received recognition. This despite the role of building new service industry within peripheral regions through noteworthy local assets can be considered a way to enliven the regional economy.

The discussion on innovation tends to focus on cities, or the so- called *core* regions. Core regions are agglomerations of resources, labour and skill, creating favourable innovation conditions (Anderson 2000:94). The cities are where the key players of the society and the institutions are located. These are the actors who have the power to make decisions about the use of resources, and therefore resources tend to have a better chance of being consumed in the core (Anderson 2000:93).

Although not a precondition in itself, the industrial clustering sets the favourable conditions for continuous innovation, at least in manufacturing. Such are for example major university towns or cities in general. With distance, lack of access to specialised knowledge as well as access to a flexible supply of labour, it is recognised that small local markets can diminish the industry's ability to innovate (Sundbo and Gallouj 1999: 410). In order for regional development to be in balance, however, both the *core* and the *periphery* are regarded to have success factors for development potential.

The challenge is that the peripheral regions are not able to produce the same scale economies and do not have the flexibility of labour, these areas have their own particular market for certain products and services (Krozer 2005:5). Peripheries are dominated by SMEs; there is a lower education and competence level, problem to keep highly educated workforce, higher unemployment, less knowledge business and more traditional business. Factors, such as an aging population, a decreasing workforce, a lower than average level of education and lack of culture for entrepreneurship, make up the ingredients for an underdeveloped rural region in its classical sense (Buchert).

However, according to Anderson (2000:91-92) the characteristics of the periphery which have traditionally been seen as weaknesses, can be transformed into core business assets. Through emphasising 'quality of life', new economic opportunities have arisen in peripheral regions. Basically, it is all about the commoditisation of what is already there, and creating new combinations out of these, which contribute to the innovativeness based on the peripheral assets.

The theory of competitive advantage claims that local endowments create the opportunities for businesses to prosper. It is such endowments which can be made valuable to encourage tourism. However, it is observed that even though the endowments may be present, the possibilities for capitalising these endowments are not realised. The explanation of Nordin (2003:20) indicates that the value of the tourist destination is not merely dependent on the local endowments, but also on the infrastructure that surrounds the attractiveness of the local area. All in all, the assets of the periphery regions can be used as growth potential for tourism industry.

Tourism is asserted by the European Union *LEADER II* programme to be "a lever for local development" because of its ability to boost traditional economic activities, promote local cultural specialities and to curb the outward movement from the rural areas by providing employment opportunities within the local community (Zimmer *et al* 1996). Efforts to encourage innovation should not take place in isolation from other general regional or rural development initiatives (Sundbo and Gallouj 1999:410). It is hence that such programmes are taking place, especially to promote a regional balance through innovation in the periphery.

It is assumed that larger businesses can act as a development dynamo (Storstrøms Amt 2005). The aspects of small and medium sized businesses, rural regions, innovation process and tourism related services are combined together in this thesis in order to depict the significance of innovation within tourism related services to the sustainable development of peripheral regions.

Innovation in tourism is generally considered from an economic and social viability point of view (e.g. Fussing 2005). The research of Hjalanger (1997) points to the possibilities of considering rural tourism innovations from a sustainability point of view, where innovations are related to environmental tourism products. A similar line of thought is taken in this

research. Especially where innovation is related to the development of a region, the sustainable development perspective is necessary. Within rural areas, there are possibilities to use the environment as a resource, and therefore the consideration of sustainability, not only from a social and economic point of view, but also environmental, should guide the tourism development of the region.

According to Seidl *et al* (2003:335-346) an economic activity supports the sustainable regional development when it builds on: regional production factors, entrepreneurship, niche markets and regional support. **Regional production factors** are local resources, existence of local knowledge and the existence of production and processing capabilities. **Entrepreneurship** is important as traditional knowledge can be linked with new knowledge in new combinations to create an innovative entrepreneurial product (Seidl 2003:345). **Niche markets** are a way to create regional exclusivity. Product differentiation or market segmentation are strategies that lead to (a) local diversification (b) regional exclusivity (c) high entry barriers and (d) can be developed further through integration of regional resources and sophisticated products and their promotion. **Regional support** in terms of financial support for start-up capital, subsidies, ideological support by NGOs, public support is especially important for bigger projects.

The thesis argumentation underlies these sustainable regional development factors. The regional production factors are seen as a source of value for the entrepreneur, who sees the opportunity to create value out of local resources. Thereby the entrepreneur acts as an intermediary in the creation of niche market value that stems from the characteristics of the region. The success of the sustainability entrepreneur is linked to the external innovation conditions, such as the regional support system.

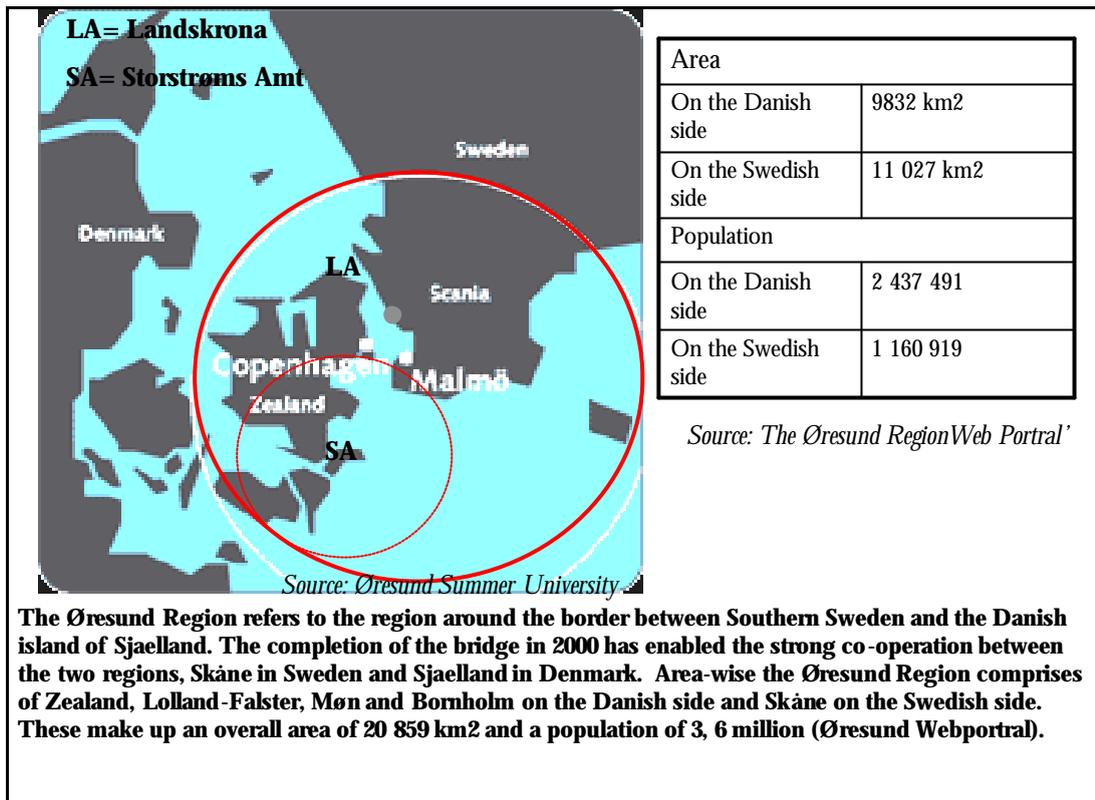
1.1.2 Problem Definition: The Øresund Region

The thesis study focuses on two localities in the Øresund Region: Landskrona and Storstrøms Amt. These localities have traditionally been places with a “thriving concrete social democratic society”, whereby entrepreneurship was low. In Storstrøms Amt the sugar beet industry has decreased in importance and in Landskrona it has been the diminishing role of the shipyard that has created the need to look out for other opportunities.

The current aim of both localities is to focus on the possibilities that arise from a changing structure of the economy. One such opportunity is seen to be tourism development, through combining the traditional values with a lively tourism economy. Tourism is a non-movable job creating service, with potential to contribute to a lively region. This logic is confirmed by EU programmes that aim at creating jobs in rural areas through tourism (Sørensen). It is predicted (Buchert, Nilson) that an attractive tourism economy will draw settlers from either Copenhagen or the Malmö-Lund region to the Southern parts of Storstrøms Amt and Landskrona respectively.

The defining idea is that the development of tourism in outlying areas makes it possible to link consumption to the region. Nevertheless County and Regional development strategies often undermine tourism in their plans for business and entrepreneurship development (Sørensen). In summary, tourists give feedback on the regional performance, which acts as a driver for further development and bringing out the value of local produce for example. Through positive word of mouth, visitors act as a facilitator for attracting settlers to the localities.

Figure 1-1 the Øresund Region



1.2 Objective and Research Questions

The objective of the thesis research is to find out what drives, hinders and facilitates innovation in service-based tourism enterprises. It is assumed that understanding what drives and what hinders innovation in those companies will enable the use of appropriate means to facilitate the process to be employed in the companies that find it more challenging to innovate. The outcome of the thesis is an analysis of the 'lessons learned' from these successful case studies, which could be transferred to other – less innovative – enterprises.

Justification for research: The research on the topic of sustainable innovation in tourism that exists is rather limited. Several attempts to model the innovation process, both inside a company and with other actors involved, exist. However, an identification of the facilitating factors for sustainable innovation, in terms of actors and process aids, is not a topic that has been studied particularly in relation to tourism related services. The topic is rather broad and therefore the aim is to portray and answer the above-mentioned research questions through good examples of enterprises from the Øresund Region.

The research aims to answer the question:

- **How can sustainable innovation in small, service-based tourism enterprises be facilitated?**

Such understanding builds on the knowledge of the company character and the specific characteristics of innovation in service-based tourism businesses. It is also necessary to

understand the process of innovation and the actors that are involved in it. In addition, it is interesting to investigate how the principles of sustainable development can underlie innovation.

Sub-questions:

- What is sustainable innovation in tourism related services, and what is the innovation process like?
- What drives and hinders innovation?
- What actors, tools, methods and other techniques facilitate innovation?
- Which actors should be involved in innovation and how can innovation related knowledge be spread?

1.3 Scope and Limitations

1.3.1 Scope

Perspectives: Innovation literature is often very abstract and theoretical. On the other hand the enterprises studied are likely to work with a very practical approach. The nature of the topic, therefore, allows for it to be approached from a variety of theoretical schools, balancing this with the very practical considerations. The perspective taken here has a strong focus on innovation taken from a process perspective.

The industry is dominated by small businesses. The entrepreneur is therefore considered a key factor both in the development of tourism through innovation as well as in the regional enhancement context. In this study the entrepreneur is taken as the actor that drives the idea generation and innovation process (Schumpeter). Nevertheless, instead of focusing solely on the entrepreneur, the abovementioned innovation process perspective is taken.

The regional development literature puts the company innovative processes in the context of its surroundings. This perspective makes it possible to connect innovation with sustainable development, where the aim of sustainable innovations is not only to create benefits for the enterprise itself but also to the surrounding society.

Small and medium sized enterprises that operate tourism related services are the scope of the study. Because holiday tourism builds on inputs from the various components of the tourism system (accommodation, restaurant, attraction, activity, information and so on) the study did not specify a particular sector. The section on the selection of case studies shows that the companies studied range from attractions related to natural and cultural heritage, accommodation (hotel, campsite), harbour and tourist information centre and restaurant. As will be further explained in the methodology, the chosen sample of enterprises was identified on the basis of multiple interviews with key regional actors.

The geographical scope of the research was guided by the key actors involve in the Interreg IIIA project on innovation in the Øresund Region. The two localities from where tourism actors were chosen for study are the Municipality of Landskrona (Landskrona

kommun, Sweden) and the County of Storstrøm (Storstrøms Amt, Denmark), which both share some peripheral characteristics.

These two localities are seen as examples of periphery regions with activity and interest in tourism development. They represent two different models for tourism development: Landskrona is taken as a case of a municipal actor with a lot of influence on tourism development from the public sector side, whereas Storstrøms Amt has a tradition of co-operation between the municipalities, the county with regional tourism development agencies and destination development offices.

1.3.2 Limitations

Regarding approach: The topic allows for study from many different perspectives and on the whole allows for a variety of different factors to be included. The strong focus on the innovation processes therefore limits the consideration of certain topics, which are discussed in detail in Section 7.5 on Further Research.

The thesis research does not cover innovations relating to information technology, mobility, major events and sporting facilities. It is, nevertheless, recognised that activities that there are activities that are at the edge of tourism, such as sports tourism and events, and that these can play a large role in spurring innovation.

The thesis takes the perspective of the enterprise and although the surrounding external conditions are considered as an important factor driving or hindering innovation, a discussion on the decision-making relating to infrastructural decision-making is left uncovered.

A major limitation of the study is a full analysis on the potential of favourable economic conditions, including loans and start-up capital, to influence innovation. This factor is mentioned and is recognised as important, but a presentation on the opportunities for companies, and most influential instruments is left uncovered in this research.

Regarding the sample The list of enterprises interviewed is recognised as being non-exhaustive, considering the components of the tourism bundle that operates in a destination. The enterprises were identified in interviews with regional key actors and can be taken to be a sample of illustrative cases of successful innovators. From these lessons can be extracted which can be used in other, less-innovative companies.

The present study gives an overview of diverse 'tourism enterprises' without focusing on a particular sector. Additionally, the sample consists of innovative firms, where the 'innovativeness' of a firm is an evaluation based on subjective opinion of key actors. Therefore, any analysis of why firms do not innovate is not based on interviewing 'non-innovative' firms. The implications are further discussed in Chapter 7.5.

1.4 Methodology

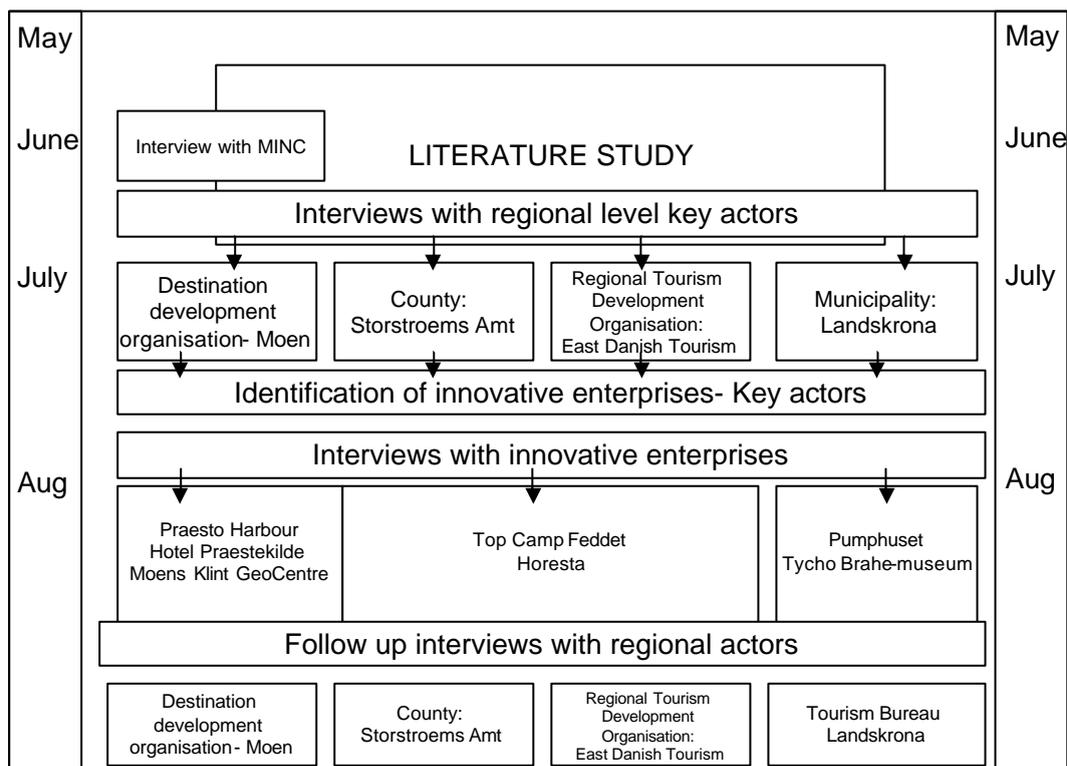
The research approach is qualitative¹, where interviews were made with seven regionally innovative enterprises and key actors in the regional tourism development. A literature

¹ Most research relating to the topic is carried out through Grounded Theory (Strauss and Corbe 1967). This is perhaps explained through the newness of the topic study area. A qualitative approach in the research was therefore considered suitable also for this thesis work.

review was conducted during June-July 2006 based on academic journal articles, textbook style literature, strategy documents and innovation reports. The key non-enterprise actors were interviewed for problem identification and finding out the innovative companies in the region. Open ended, semi-structured to unstructured face-to-face interviews were performed with the sample of enterprises July-August 2006.

For the most part, the research uses the cases in an inductive way. For the section on the innovation process, the data is employed in a deductive way, to structure the findings in accordance with the innovation models obtained from literature. The data obtained from interviews was analysed according to preset factors and placed in the framework: Drivers, barriers, actors and innovation process. From these recommendations for innovation facilitations are made. The factors for the analytical framework are presented at the end of Chapter 3 for the characterising innovation in tourism and at the end of Chapter 4 for the innovation process. Figure 1-2 presents the timeframe and outline of the research process.

Figure 1-2 Outline of Research



1.5 Presentation and Findings

The paper is structured as follows:

- Chapter 2: Introduction to tourism and principles underlying sustainable tourism
- Chapters 3-4: Theoretical overview of innovation, classifications, characteristics and innovation process.
- Chapter 5: Findings and Analysis: Innovation in sample enterprises and Innovation drivers and Barriers
- Chapter 6: Findings and Analysis: Innovation Process
- Chapter 7: Conclusions and Recommendations

2 Tourism Related Services

2.1 Introduction

One of the distinct characteristics of tourism enterprises is that they function in a bundle, and are inevitably linked to the location. Therefore, the tourism enterprises that function and innovate sustainably contribute to the positive development of the region, such as the destination, as a whole. Regions can, therefore, be assumed to experience renewal through innovative services in tourism. With this assumption in mind, it can be claimed that those peripheral regions, where agriculture or manufacturing industry is diminishing in importance, have the opportunity to become flourishing places through innovative tourism. This section aims to assert that the development of peripheries in a sustainable manner has a strong role for the tourism related entrepreneurs.

The service sector is a broad classification and includes a number of sub-industries, of which tourism is one. The purpose of this chapter is to firstly generalise on the characteristics of services which are important to realise when taking a closer look at the development of service products in tourism related services. Additionally, the chapter aims to indicate the variation within the industry. Finally, the chapter presents tourism as a service with distinctive characteristics and shows this category to consist of a variety of operating sectors. The complexity thereby implies dynamism which needs to be considered when developing methodologies as well as models.

Services play more and more of a role in the developed economies. Around 70% of the total value added and 70% of total employment on average across the OECD countries is the contribution of the service economy (Wöfl 2005:10). Tourism as an industry comprises of many different sub-sectors, all of which work in a bundle to satisfy the visiting customer. In this chapter the notion of 'tourism' is first introduced as well as those components which make up the tourism system.

Today, sustainable development is an underlying set of principles that shapes the development of many tourism destinations. While initiatives such as *Destination 21* and *Agora* aim specifically at the destination level sustainability, these are public sector initiatives. The second part of this chapter addresses the concept of sustainable tourism as a vision that guides the innovation at the level of the tourist firm and the region.

2.2 Services

2.2.1 Definition and characteristics

In a report compiled by Sundbo and Gallouj (1999:7) on innovation in services in seven European countries, tourism services as well as hotels, restaurants and the such were classified as a service among a variety of functions that ranged from wholesale and retail, transport, telecommunications, postal services, finance, business services, architecture, health care services, fire services and public administration. Defining a "service" is challenging and therefore a variety of slightly differing definitions exist. Broadly defined, a service can be a business service to firms, a consumer service to private households, a knowledge service, manual service, a physical service or a personal service (Sundbo and Gallouj 1999:11).

Services are characterized as 'more or less intangible'. They take place in interaction between the customer and service employees. Services are perishable in time, consumed and produced simultaneously, operate in a process and involve the customer (Gustafsson and Johnson 2003:4). Services take place in a process form where several processes are parallel, overlapping or sequential (Edvardsson et al (2000:32)

The fact that services are produced and consumed at the same time means that they are on the spot experiences, which are difficult to replicate and cannot be stored. A service experience is therefore to a certain extent unique for the consumer. Because services are intangible they may be difficult to evaluate and measure (Gustafsson 2003:5). What therefore is important is that the consumer dictates the development of a service. Consumer demand and feedback on an already experienced service guides the further development of any service.

The focus of this research is on small and medium sized service companies, the precise definition of which is presented in the box below.

EU Definition for Small and Medium Sized Enterprises (SMEs)

Medium size: <250 employees

Small size: < 50 employees

Micro size: < 10 employees

Source: European Union (2003)

2.2.2 Services and Sustainability

Services are most of the time considered a harmless activity in comparison with highly polluting industry. However, the environmental impact of the system of service consumption derives from the physical products associated with the service and the facilities that are used to produce the service, such as transport means and buildings. It is necessary to keep in mind that services comprise not only of service characteristics, but also physical and infrastructural functions (Kisch 2000: 45).

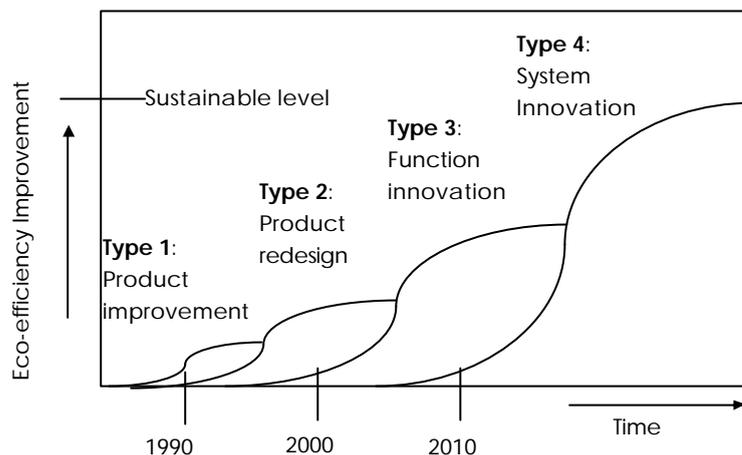
According to Kisch (2000:53) the determination of the magnitude of environmental impact from services is difficult. For this, benchmarking schemes and projects that indicate the minimization of environmental impacts of the service provider have been set up. Examples include eco-labelled retailers and hotels (for example the Nordic Swan) and implementing Environmental Management Systems (such as ISO 14001).

2.2.3 Parameters for Sustainable Services

Based on the framework of sustainable service design which builds on the principles of sufficiency, efficiency and consistency, an approach that derives from the Product-Service Systems methodology is presented here as a way to create more sustainable services. The principles of the methodology can be used as a guiding vision.

The purpose of produce-service system type innovative services is to improve eco-efficiency. By doing so, the function of the system causes “minimum environmental impact with maximum added value” (Bijma, Brezet and Silvester 2001:8). This is achieved through innovating around the idea of delivering the function of a product instead of a product to the customer.

Figure 2-1 Eco-efficiency curves



Source: Bijma et al (2001:8)

Eco-efficient services, which are also referred to for example as non-material services, need-oriented services, product-based services (Bijma, Brezet and Silvester 2001:28), are designed based on the parameters relating to environmental, socio-cultural and economic dimensions.

Parameters for Sustainable Service Design

Environmental dimension: system life optimization, mobility reduction, resources reduction, waste minimization/valorisation, conservation/biocompatibility, a-toxicity

Socio-cultural dimension: possibility of customers to be socially more responsible, health and safety of employees, customers and stakeholders, employment/working conditions, equity and justice/relation to stakeholders, respect for cultural diversity

Economic Dimension: market position and competitiveness, profitability/added value for companies, added value for customers, long term business development/risk, partnership/co-operation, macro-economic effect.

Source: Tischner Ursula and Vezzoli Carlo (2003)

2.3 Tourism

Most sources agree that tourism is the largest industry in the world and also the one that has most growth (Nordin 2003:14). As a result of rising incomes and increased leisure time the tourism industry is seeing a positive growth, with impacts on sectors indirectly linked with tourism.

The impacts of tourism as a whole are difficult to give in numbers, because a holiday creates turnover in various statistics. The measurement of tourism impacts therefore usually takes place through overnight stays (Eurostat) or the number of arrivals (World Tourism Organisation) (Leidner 2004:11). Using Eurostat statistics, between 1980 and 2000 the overnight stays rose 64% in the EU. Between 1995 and 2000 the rise was 24, 2% (Schmidt 2002).

It was earlier argued that because of the rising significance of tourism in the world, there is potential for making tourism industry a vehicle for local, peripheral development. In this chapter, the sustainable development contribution of tourism is discussed.

2.3.1 Defining tourism

The tourism system is made up of many sectors that function together to provide an overall experience to the visitor. Authors in tourism related topics generally state that defining 'tourism' is complicated. Therefore, the literature sometimes describes tourism firms as 'all those firms that could not describe tourism', for example (Fussing 2006). In this research, more specific and descriptive definitions are considered necessary to understand the complexity. For innovation facilitation, it is worthwhile to point out in detail the target group, i.e. 'tourism'.

Tourism: By definition, the 'tourism industry' consists of a variety of business sectors that provide an overall tourist experience for the consumer. The industry as a whole consists of for example restaurants, hotels, airlines, travel agencies, shops etc. (Nordin 2003:14). By the definition of the World Tourism Organisation (1991) 'tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or other purposes' (*in* Mattsson *et al* 2005:358).

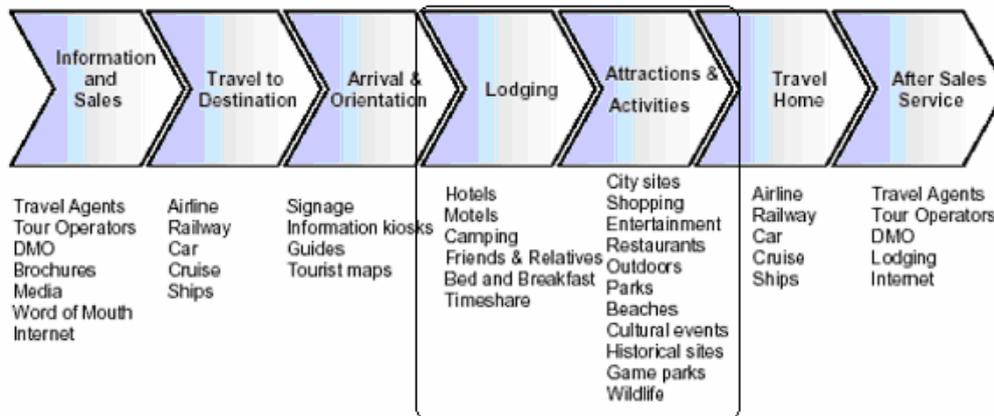
Drawing the line between what is tourism and what is not is not straight-forward. At times, leisure activities and other branches that are not directly part of the tourism industry are to be included in the definition. These include cultural institutions, municipal sports facilities, transport companies etc. Such activities are referred to by some as those 'at the edge of tourism' (Mattsson *et al* 2005:361).

The tourist is a visitor who stays at least one night in collective or private accommodation in the place visited. In addition to overnight tourists, those who do not spent the night in collective or private accommodation in the place visited are referred to as **same day domestic visitors** (Leidner 2004). The visitor is 'any person travelling to a place other than that of his/her usual environment for less than 12 consecutive months and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited' (Leidner 2004). It is worthwhile to point out that most statistics on tourism development focus on 'the tourist', thus leaving out the same day domestic visitors.

Destination: The term destination is defined by Machiavelli (2001 in Nordin 2003:17) as "A locality that offers the tourist the opportunity of exploiting a variety of attractions and services, usually based upon geographical criteria". Therefore, the destination can be anything from an amusement park to large geographic areas such as Söderslätt in Southern Sweden. The important factor is that in these destinations a bundle of services are provided for the visitor.

The tourism value chain shows the sequential flow of a holiday maker. Along the tourism value chain depicted below, the destination can be interpreted to include the lodging with attractions and activities.

Figure 2-2 the destination in the tourism value chain



Source: Günther et al (2006:8)

Tourism Product is a combination of various products made available to the customer (Sundbo et al 2003:4). The term tourism product can be referred to in two contexts: (1) A complete tourist experience or (2) when considering a certain product offer in a destination (Smith 1994 in Günther et al 2006:1). This implies that the tourist product as a term refers to not only physical products but also intangibles such as services, places and people are a part of the overall product. According to Leidner (2004:9) the tourism product is made up of: location, transport, attractions, activities, accommodation and catering.

2.3.2 Components and features of the tourism system

The overall tourism experience, in a destination for example, consists of many branches including accommodation, travel organizers and intermediaries, transport, catering, attractions, information, reservation and guide services as well as secondary services such as taxis, museums and sports (Leidner 2004:10)².

Table 2-1 the components of a tourism system

Component	Examples
Producers	Transport, attractions, accommodation, catering
Distributor	Tour operators
Facilitators	Tour guides, information and travel agents
Consumers	Independent travellers, inclusive tour travellers

Source: Adapted from Leidner 2004:33

² Appendix 4 presents the tourism system in graphic form

The components of the tourism system are integrated in a manner that requires the consideration of actors outside of the individual company to be taken into account in any tourism product development and innovation.

The tourism system can only be seen to function when the following features are present (Nordin 2003:14): Entrepreneurship, a community, competition, supportive government policies, natural resources, cultural resources, organisational leadership, finance, labour force, logistics and infrastructure.

These features show that tourism rests on existing resources, such as a community and natural and cultural resources as well as labour force and on the appropriate infrastructure in terms of logistics, government policies and finance.

It has been estimated that 99% of the enterprises in the tourism sub-sectors and small and medium sized businesses or micro-enterprises (Leidner 2004:33). Therefore it can fairly be concluded that the tourism industry is dominated by many small firms. Many of these are artisanal and family owned (Sundbo *et al* 2003:6). These characteristics must be taken into account when discussing the innovation process that takes place in such organisations.

2.4 Sustainable Tourism

The introduction to this chapter described that the concept of sustainable development in tourism has evolved from eco-tourism and green tourism to sustainable tourism. This section briefly outlines the notion of sustainable tourism, as well as related threats and opportunities. Most importantly, the section presents sustainability principles which are seen as a guiding vision for innovation that follows a guiding vision of sustainable development.

2.4.1 Definition

The World Tourism Organisation applies the Brundtland definition of Sustainable Development to tourism:

“Sustainable tourism development meets the needs of the present tourists and host regions while protecting and enhancing the opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled, while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems” (WTO)

It is necessary to emphasise that sustainable tourism development has a strong cultural and socio-economic aspect to it. European Commission (2006) weighs participation and consensus building, as well as a continuous process of tourism development and awareness-rising as necessities for sustainable tourism development (Eriksson *et al* 2006: 18).

2.4.2 Tourism Related Threats and Opportunities for Sustainable Development

Needless to say, tourism as an industry can result in both positive and negative impacts on the host community. When conducted in the appropriate way, with the sustainable development aspects in mind, tourism related services can be an opportunity for a local community in terms of employment and income generation. However, where the growth of a tourism location does not consider the possibility of endogenous development in relation to the capacity of the locality tourism development can end up as destructive.

The threats and opportunities from tourism activity in relation to sustainable development aspects, as described by United Nations Environment Programme, are summarized in Table 2-2.

Table 2-2 A summary of tourism related threats and opportunities

	Threats	Opportunities
Environment	Pressure on natural resources Water resources Land degradation Disruption of ecosystems Pollution and littering Sewage Infrastructure	Improved environmental management and planning, use of cleaner production techniques. Raising awareness Conservation
Socio-cultural	Loss of local identity: Standardization Adaptation to tourists' demands Crime	Strengthening communities Job creation Revaluation of local cultural heritage
Economic	Economic leakage Infrastructure costs Seasonal character of jobs	Investment in infrastructure Employment creation

Source: Adapted from UNEP Sustainable Production and Consumption- Tourism

2.4.3 Principles Underlying Sustainable Tourism Development

The notion of sustainable development builds on three pillars: Economic sustainability, environmental sustainability and socio-cultural sustainability (Eriksson *et al* 2006:18):

Economic Sustainability which implies viable long term economic operations and providing socio-economic benefits to all stakeholders, which are fairly distributed. These include stable employment and income-earning opportunities and host communities as well as a contribution to poverty alleviation.

Environmental Sustainability which implies making optimal use of the environmental resources. These natural resources are a key source of tourism development. In line with sustainable tourism development the essential ecological processes, natural heritage and biodiversity is nurtured.

Socio-cultural Sustainability which implies respect for the socio-cultural authenticity of host communities, conserving the built and living cultural heritage and cultural values, contributing to inter-cultural understanding and tolerance.

Johnson (2002) has suggested some guidelines to follow which guide sustainable tourism development, also presented in the Euro Stat guidelines for the measurement of sustainable tourism (Eriksson *et al* 2006: 7).

- Integrating activity, long term planning and partnership development
- Maintaining and developing diversity
- Supporting local economies
- Using resources in a sustainable manner
- Involving local communities, stakeholders and the public
- Researching, sharing learning and experience. ³

These principles underlie the sustainable development considerations of enterprises that are taken as good examples in the case study.

2.4.4 Recognition Schemes to encourage the sustainable development of services

Recognition schemes, such as eco-labelling, are one attempt to encourage a more sustainable development of tourism services. Such schemes tend to focus in particular on the environmental aspect of sustainability. There are those schemes that have been developed specifically for the tourism sector, and those that apply across industries. Examples of recognition schemes include⁴:

- Nordic Swan
- European Union Flower
- Destination 21 for sustainable destinations
- Blue Flag for beaches
- The Green Key for tourism facilities
- Söderslätt Gåsamärkt for local produce in Söderslätt, Skåne

Recognition schemes are generally characterised as membership organisations. In order to be labeled an organization is required to fulfil a set of criteria and maintain the fulfillment afterwards. The way in which the set of criteria is developed, and to what variety depends on the scheme.

³ Johnson (2002) Article in Harris, Rob and Griffin, Tony and Williams, Peter (2002), Sustainable tourism: a global perspective, Oxford, Boston, Butterworth-Heinemann

⁴ Nordic Swan: www.svanen.nu, European Union Flower http://ec.europa.eu/environment/ecolabel/index_en.htm, Destination 21: Ramm (2001), Blue Flag www.blueflag.org, The Green Key www.green-key.org, Söderslätt Gåsamärkt: Andersson et al.

2.5 Chapter Summary

In this chapter it was shown that the tourism industry operates in a bundle where each component service, whether it is accommodation, attraction, restaurant, tourism information office or transportation, contributes to the overall experience of the tourist. Therefore a tourism related company rarely functions successfully or innovates alone. Therefore, the sustainable development of tourism is often linked to some extent to regional development.

The underlying principles for sustainable tourism development on the economic, environmental and socio-cultural sustainability as well as Johnson's (2002) guidelines are seen as a strategic vision that guides innovation in sustainable tourism.

The character of the tourism companies and the way in which they function in an interconnected system will be considered important in the discussion of the innovation in tourism in the next chapters.

3 Overview of Theory on Innovation in Tourism

3.1 Introduction

The innovative behaviour of enterprises in services and especially in tourism has gained attention only rather recently. Invention and innovation are complex phenomena to put into a generalized framework. Nevertheless, several common features can be found across the sub sectors of the tourism or service sector. The purpose of this chapter is to present a theoretical framework for the study of innovation in tourism related services, such as hotels, campsites, restaurants, attractions and tourism bureaus.

The chapter first defines innovation and described the sources and characteristics of service innovation. Section 3.3 then builds a typology of innovation based on (1) the level of change that the innovation introduces in the organization and (2) on the elements of the organisation's functions which the innovation takes place.

Innovation always has the aim of improvement where the resulting change makes profit on the market. This end result may not always be straight forward when arguing for sustainable innovation. The chapter recognises that those who undertake sustainable innovations have a sense of their enterprise being embedded in the community that surrounds it. In this section the motivations for innovating sustainably are, therefore, also introduced.

3.2 Innovation

3.2.1 Defining Innovation

The first distinction that needs to be made is that between an invention and an innovation. An invention becomes an innovation when it is profitably introduced to the market (Storstrøms Amt 2005). Inventions on the other hand are 'brought about without any specified industrial use in mind' (Hjalanger 1997:35).

The multitude of definitions that exist round innovation highlights the use of new markets, improvements of production techniques besides new products. During the innovation process existing resources are used in new combinations to create something novel (Gallouj and Weinstein 1997:547), regardless of whether this "search, discovery, development, improvement, adoption and commercialization" of the invention regards "new processes, new products or new organizational structures" (Nordin and Svensson 2005, for example) including the development of services or the development of concepts (Storstrøms Amt 2005).

Schumpeter definition: Most definitions of innovation relate back to Schumpeter. Joseph Schumpeter (1934) defined economic innovation from four perspectives which are still the basis of the concept of innovation today. Following Schumpeter's analysis, the concept of innovation refers to one of five types of changes (in Fagerberg 2005:6-7 for example):

- The introduction of a new good or a new quality of a good, which the customers are not familiar with.

- The introduction of a new method of production. Schumpeter points out that the method of production does not need to be 'founded upon a discovery scientifically new'. Also new ways of handling a commodity commercially count as innovations.
- The opening of a new market, referring to a market into which the particular branch of manufacture of the country in question has not yet previously entered, despite whether this market existed before.
- The introduction of a new source of supply of raw materials or half-manufactured goods, independent of whether this source has existed before.
- The carrying out of the new organization of any industry.

The key aspect of Schumpeter's definition is that the goal of an innovation is to develop an invention into a practical or commercial use (Tetzschner and Herlau 2002:7). According to the project 'Innovation systems and the periphery' (Norden 2005:2): "An innovation means implementing a novelty for the purpose of strengthening or improving the competitive status of the firm in question".

Company perspective: Innovation, according to a report of the Nordic Innovation Centre (Norden 2005:1-2), is defined from the firm perspective. This implies that something that is new to the firm is an innovation, even though it is not new at the local, national or wider markets. The ownership of the development of the novelty, therefore, is irrelevant. This is especially relevant to keep in mind when discussing innovation in tourism. The thesis, similarly, considers novelties in a region as innovation (*geographical innovation*).

Broad perspective: The emphasis of innovation has been shown to be very focused on technical innovations as well as on product innovations. It is necessary to emphasise that the concept of innovation refers, in a broader perspective, to both technical and social innovations (Mattsson *et al* 2005:357, Storstrøms Amt 2005), the latter of which often applies most appropriately to innovations in services.

When discussing innovation in service companies, a broad perspective of the term is most relevant. In this research, the explanation of Innovation Systems and the Periphery is considered a key to understanding the kinds of novelties in companies that this research presents as innovations.

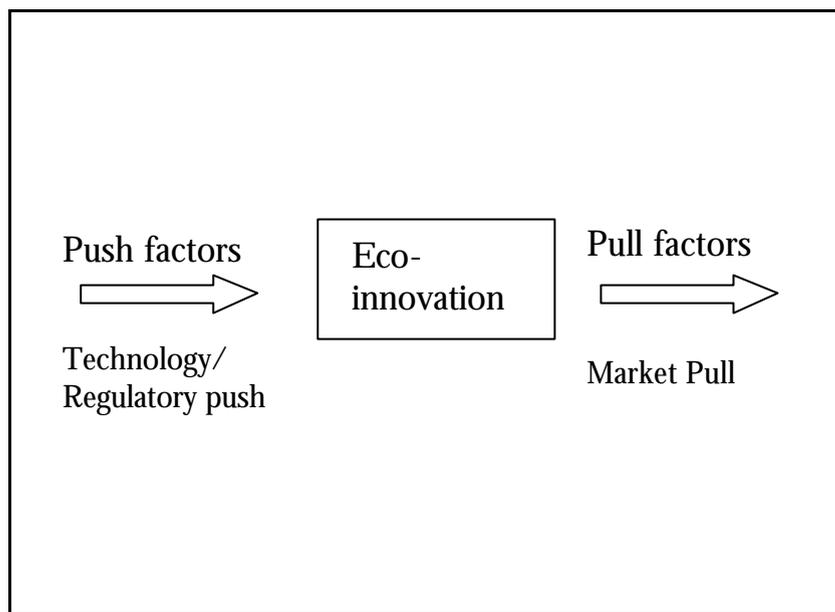
3.2.2 Sources of Innovation

The possibilities of innovative ideas are seen by those entrepreneurial individuals, who understand that innovation can create growth in turnover or profit (Norden 2005, Cooke *et al* 1997:478, Gallouj and Weinstein 1997:547, Nordin and Svensson 2005, Sundbo *et al* 2003:3).

Innovation in manufacturing has often been described as a linear process, arising from specific R&D departments within an individual firm, motivated by a market pull and a technology push (Figure 3-1). The same assumption, that enterprises will not change unless they are challenged, applies to tourism enterprises as well. The motivating factors for innovation are (1) push factors and (2) pull factors (Hjalanger 2002:466):

- Push factors = new technologies and appropriated methods that offer more efficient solutions to the production processes or make the product more attractive to the customer
- Pull factors = the demand for individual customer or (pressure) groups of customers

Figure 3-1 Market pull and technology/regulatory push



Source: Adapted from Cleff and Rennings (1999)⁵

For service innovations, more specifically, the factors that have been identified in the literature to motivate innovative behaviour in enterprises of the service sector are: the **market** and customers (Hjalanger 2002:466), **strategy** (Sundbo *et al* 2003:13) and **entrepreneurialism** (Sundbo *et al* 2003:3). According to Krozer and Simon (2005:3, 5) it is people and organisations who, by satisfying customers' demand and by gaining profit, who innovate. Especially innovations that arise from networks are, according to Sundbo *et al* (2003) strategically based.

Innovation is 'made possible by entrepreneurs' (Sundbo *et al* 2003:3). Entrepreneurs are individuals who see innovation as a possibility to create value. In this research, it is therefore important to consider the entrepreneur in an intuitive way as a source of innovation.

A way to classify the sources or motivations for innovation is to categorise them as research driven, price driven or user driven innovation. Research driven innovation arises in R&D departments in a company or in the official innovation system and is seen to be most relevant for product and process innovations. Price driven innovation is motivated by a company's attempts to minimise costs and strengthen their internal logistics. The most

⁵ Appendix 4 presents the original diagram

relevant source for this research is user driven innovation, which arises from interaction between a company and the customers. This type of innovation is driven by new wishes or demand of customers or as a reaction to a concrete problem (Storstrøms Amt 2005).

3.2.3 Features of Innovation in Services

The broader understanding of innovation allows the discussion of innovation in manufacturing as well as services, in high-tech as well as socially. Whether the presumptions that have originally arisen from innovation in manufacturing and technical innovation can be applied to the service and organisational innovation has been a matter of intense discussion (Mattsson *et al* 2005). It is now widely agreed that to some extent these presumptions are interchangeable and that some aspect of the innovation approach developed from manufacturing studies can be applied for services (Sundbo 1998, Boden and Miles 2000, Vermeulen 2002, Gallouj 2002 in Mattsson *et al* 2005), but that it must be done in a specific manner.

The factors that distinguish innovation in services from innovation in manufacturing can be summarised from Mattsson *et al* (2005:358). Their overview of previous research shows that innovation in services has a focus on the '**softer**' aspects of innovation based in **skills and inter-organisational cooperation** practices (Tether 2005). It is more **social and organisational** than technological (Gallouj 2002). It is **not usually R&D** based (Sundbo 1998) and less structured (Sundbo *et al* 2001). It is often driven by practical experience (Sundbo 1998). Also, for example the Danish Innovation Strategy (Storstrøms Amt 2005) emphasises user-driven (*brugeredriven*) innovation.

Innovation in services is often **incremental** (Sundbo and Gallouj 1999). It may involve collaboration among a **network** of firms to bring about organisational changes (Sundbo *et al* 2001). Often also the **employees** are involved in the innovation process (Sundbo *et al* 2001). Therefore, when addressing the question of the innovation process within service enterprises these features are to be considered as factors that shape the innovation process.

3.3 Towards a Typology of Innovation

3.3.1 Introduction

Innovations in services must always be seen as relative to something else. Innovations can be new to the firm, new to the region, new to the industry and so on. Innovations are further classified according to the level of novelty it is associated with, into radical innovations and incremental innovations. Additionally, innovations are classified according to the object of innovative activity to describe them as product, process or social innovations (Gerlach 2003:4). In order to construct a typology of innovation to be employed in empirical research, this section expands on the Schumpeterian definition presented earlier in this chapter (3.2.1).

3.3.2 Incremental Innovation and Radical Innovation

The Danish innovation strategy (Storstrøms Amt 2005, 2.3) describes radical and incremental innovations as innovations with different tempos. An incremental innovation is a step-by-step improvement on something existing, which brings about new functionality. A radical innovation creates a whole new product or a whole new concept. In terms of a new concept, they provide one excellent example to understand the difference: The starbucks

concept would classify as a radical innovation, whereas the Christmas market (*Julmarknad*) in Tivoli would be considered an incremental one.

According to Gallouj and Weinstein (1997:547) improvement innovations differ slightly from incremental innovations. These differ from incremental innovations in that these do not affect of the structure of the system, but rather takes place when a character is added to the system. Gerlach (2003:4) refers to incremental and radical (fundamental) innovations as a classification based on the level of novelty. The effort of implementing an innovation and the impact that it has on the actors involved is dependent on the degree of novelty (radical, incremental) and therefore this classification is worthwhile to keep in mind.

3.3.3 Types of Innovation

Schumpeter originally distinguished between five types of innovation (see above). Generally, the object of implementing a novelty (innovation) is to (1) develop new products, (2) develop enhanced processes and (3) implement organizational changes (Howells and Tether 2003, for example). According to Edquist *et al* (in Fagerberg 2005:6-7) product innovations have an impact beyond the enterprise, whereas the purpose of process innovations is in essence to cut costs and therefore impacts outside of the enterprise are uncertain.

In this research seven innovation types are specified as important for the empirical study of innovation in tourism. In their overview of prior innovation research (Gallouj 1994, Mules *et al* 1996, Haukness 1999, Sundbo 1998, Gallouj and Sundbo 1998) Tetzschner and Herlau (2002) describe five innovation types. Further two types are added based on the analysis of Drejer (2002).

Product Innovations: New tourism products or achievements or the introduction into the market of new products of which the product characteristics or used applications differ from existing products in the market (Crul and Diehl 2005:8).

Process Innovations: When referring to services, the definition of a process innovation tends to differ. Tetzschner and Herlau describe process innovations as new ways of communicating tourism experiences, but a process innovation can also be taken as an enhanced process within the service. Hjalanger (2002) for example interprets process innovation as new or improved technology.

Market Innovations: Refers to new forms of marketing or newly induced consumer behaviour with regards to the product (Tetzschner and Herlau 2002). Other times market innovations are taken as entering into new markets and market expansion, as well as new ways of serving the customer (Crul and Diehl 2005:8).

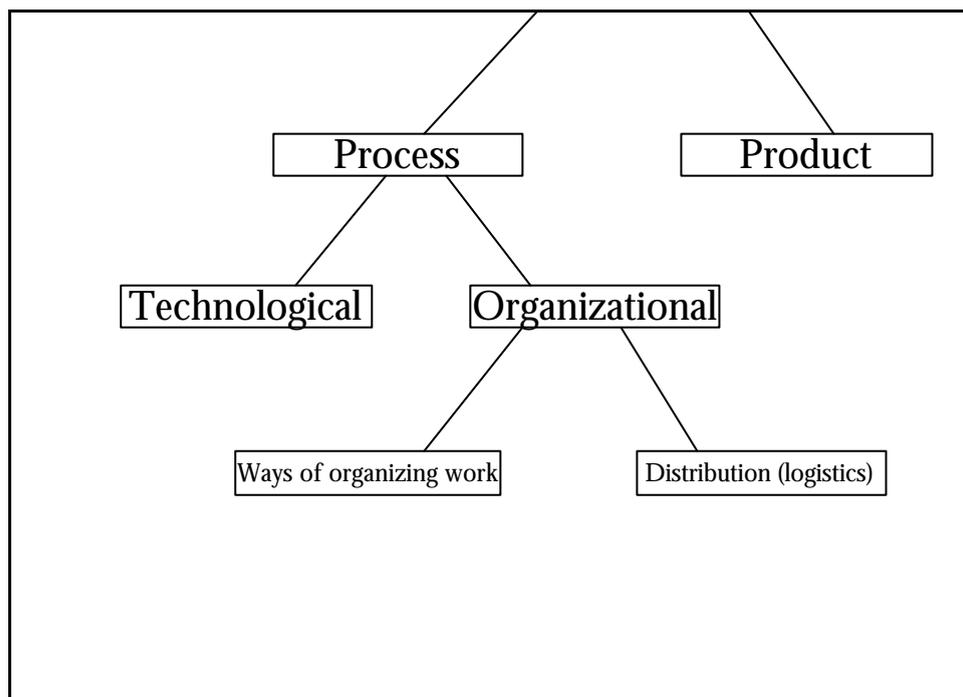
Logistics Innovation: Tetzschner and Herlau (2002) interpret logistics innovation as new ways of delivering the product to the customer. This definition allows also space for interpretation.

Organisational Innovation: New organizational and management forms (Tetzschner and Herlau 2002). Nevertheless, the definition of organizational innovation is not this simple. Lan (in Fagerberg 2005:138) states that there is 'no consensus' on the term and that it can mean any aspect of the relationship between the organization and innovation. Generally, "organisational innovation is a vehicle or a facilitator of innovation rather than an innovation itself".

Relational Innovation: Otherwise described as *external relationship innovation*, the concept of relational innovation has been especially developed for services (Drejer 2002:11) and has been studied for example by Djellal and Gallouh (2001), whose definition refers to the ‘establishment by a firm of particular relationships with partners (customers, suppliers, public authorities or competitors’. Sometimes regarded as a part of organizational innovation, in this study relational innovation is considered its own category.

Formalisation innovation (Gallouj and Weinstein 1997, Gallouj 2000) can be interesting for local development authorities and tourism bureaus, for example, who formally or informally offer advisory services. Formalisation innovation refers to concretizing, specifying and giving shape and making explicit actions that were formally implicitly known (Drejer 2002:12).

Figure 3-2 Logistics and organisational innovations as part of process innovations



Source: Adapted from Fagerberg 2005: 6-7

The logic presented in Fagerberg (2005) aims to show that process innovations can be technological or organisational. Organisational innovations, according to Schumpeter, may refer to new ways of organising work (i.e. organisational innovation in the sense discussed above) as well as new ways of organising distribution. Hence logistics innovations may be characterised as organisational innovations.

3.4 Innovation in Tourism

Following the conclusions of Mattson et al (2005:359) the innovation theory that applies to tourism, as suggested by Coombs et al 1987, Freeman and Soete 1997, are:

- The network approach or the systems approach to innovation. The focus of this type of theory is on the focus of innovation on the society (Macro level)
- The entrepreneurial approach and innovation management issues (Micro level).
- Meso level literature, proposed by Mattson et al (2005: 360) themselves, which focuses on the regional and local innovation systems (as has been studied by Lawson and Lorenz 1999 and Boekema et al 2000).

Generally the limited amount of research performed in innovation in tourism can be seen to cover **networking** (Sundbo 1998, Jensen 2001), **clustering** (Nordin 2003), **regional innovation systems** and learning (Hjalanger 1997, 2002), as well as **technological** innovations and their diffusion in tourism (Poon 1990, 1993)⁶.

3.4.1 Innovativeness in tourism

The tourism industry is dominated by small, artisanal firms that conduct their business sometimes with a low degree of professionalism (Krozer and Tijsma 2005:10). In a survey carried out by the Danish Ministry of Industry (1999) it was found out that tourist firms were the least innovative (Sundbo *et al* 2003:3).

Small firms in the tourism business rarely operate alone. Neither do they innovate alone. Innovation in tourism is often network based. By networking the companies are able to get information and ideas for their own internal innovation purposes. On the other hand, innovations can also take place within the network (Sundbo *et al* 2003: 13).

The organisation of innovation activities has been shown to be flexible, like in the service industries in general. Innovations in tourism include for example co-operation with new partners, new market positioning, new products and the use of new technology (Sundbo et al 2003:3).

In summary, the tourism industry has excellent potential for innovative activities that draw value from the local surroundings. Realising the innovation potential may be hindered by the non-innovative traditions of small, artisanal, life style businesses and the non strategic nature of such small businesses. In addition, such traditions of non-innovativeness are encountered in business at the mature stage of the business cycle (Sundbo *et al* 2003:13).

3.5 Sustainable Innovation in Services

Sustainable development as an accepted vision inevitably demands innovations. Hauschildt (1997:30 in Gerlach), therefore, calls sustainable development a 'multi-innovation process'. In this chapter the concept of sustainable innovations, its motivations and practical applications are introduced.

⁶ The approach of Poon (1990, 1993) is not discussed in detail in the context of this thesis.

3.5.1 Definition

Krozer and Tijmsma (2005:3) describe sustainable innovations as:

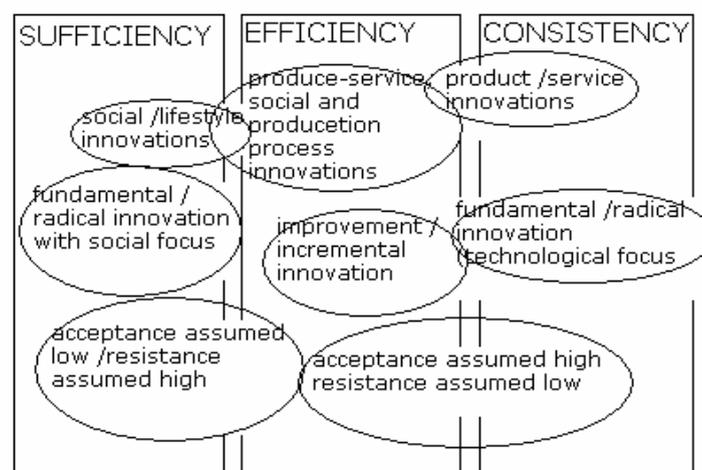
“New activities with substantial contribution to social, ecological and economic progress, which benefit not only individuals but serve a wider public interest”

These innovations aim to not only benefit the individual but the society as a whole. Understandably it can be assumed that innovations that aim at eco-efficiency do benefit the innovator as much as the society as a whole. However, innovations which to a greater extent result in the society’s benefit, must be assumed to have an external driver, such as the profiling of the region itself as ‘sustainable’ by which the strategic level supports sustainable innovations. Therefore, innovation that is sustainable, builds on a business vision that relates to all three sustainability aspects (Hallenga-Brink and Brezet 2005:142).

3.5.2 Motivation for sustainable innovation

Entrepreneurs who work to innovate sustainably, or as ‘social entrepreneurs’, are driven by values to a larger extent than by profit. The vision of sustainability, if considered in more detail, can derive from a sufficiency, efficiency or consistency strategy (Gerlach 2003: 3-6). Following the assumption that natural resources are limited, social innovations are implemented to change consumption and production patterns (*sufficiency*). In line with Factor X approaches (Weizsäcker *et al* 1996), innovations deriving from the *efficiency* strategy aim to improve current production processes relating to resource use at the micro level. The third motivator besides a normative sufficiency driven motivation for innovation and a rational efficiency approach derives from the qualitative factor. Instead of quantitative growth, those with a vision for the *consistency* strategy aim at the quality of materials and consumption patterns (Gerlach 2003).

Figure 3-3 The role of innovation for implementation strategies of sustainable development



Source: Gerlach 2003:6

3.5.3 Examples of sustainable innovation in rural tourism

The types of innovations introduced in section 3.3.3 are a way forward in analysing innovativeness of firms. Below, the typology is applied to sustainable innovation in rural tourism. This kind of logic has been applied by Hjalanger (2002) for example, in her study of rural tourism in Denmark. Table 3-1 gives examples of innovation in tourism according to the typology.

Table 3-1 Examples of tourism related sustainable innovations

Innovation type	Description	Examples
Product Innovations	Entirely new services or products	Environmentally sustainable accommodation, events based on local tradition
Process Innovations	New or improved technology	Computerised management and monitoring systems, energy efficiency
Management Innovations (*organisational innovations)	New job profiles, collaborative structures with introduction of new products, services and production technologies	Training and informing staff, residents, tourists of environmental aspects
Logistics Innovations	Recomposition of external, commercial liaisons	Establishing vertical linkages in the food and restaurant industries, integrated destination information systems.
Institutional Innovations (*also relational innovations)	Like organisational and relational innovations. Collaborative and regulatory structures, public –private partnerships, financial incentives	Introduction of the Blue Flag Scheme

Source: Hjalanger (2002)

3.6 Chapter Summary- Concepts for Analytical Framework

The chapter has clarified the notions related to innovation as a concept, the way innovation takes place in services such as tourism enterprises. When discussing innovations and innovative activities in tourism related services, defining innovation from a broad perspective comprising, product, process as well as social innovations is of utmost importance.

The concept of Schumpeterian innovation has developed and evolved. Therefore, in any discussion on innovation must clarify the types of innovations which are considered significant for the particular purpose. Different authors frequently use several innovation concepts. One must note that even the concepts themselves can have different meanings for different authors

Tourism as an industry is dominated by small scale enterprises, which do not have a formalised innovation procedure, and therefore innovation in these companies is often incremental, practical experience based and takes place in networks of firms. It derives from the strong market pull and from the entrepreneurial character of the innovators. From the variety of definitions it is possible to extract that innovation basically refers to the “adoption and diffusion of a new idea, practice or product, aiming at market success” (Gerlach 2003).

In this chapter it has also been shown why and how to innovate with the consideration of sustainable development in mind. The guiding values of sufficiency, efficiency and consistency can be translated to specific principles which in this case were derived from the Product-Service system methodology. The design process in this case builds on the awareness of the three pillars of sustainability.

4 The Innovation Process

4.1 Introduction

The notion of innovation refers to a process in which an idea is realised. The purpose of this chapter is to give a brief overview of the way in which the innovation process has been modelled previously. The aim of the chapter is to illustrate with those innovation models applicable to services and tourism especially, the logic of innovation.

The general agreement today is that innovation is a dynamic, open process, and thereby involves other actors beyond the innovating company itself. The actors involved are presented on a general level in section 4.2 on the systemic aspects of innovation. Section 4.3 describes models for the process(es) of innovation that take place within an innovating company. The chapter acts as a basis for structuring the analysis in the next chapters.

4.2 Systemic Aspects of Innovation

It is a widely researched fact that firms do not innovate in isolation. Instead, they involve a variety of external actors in the innovation process, often referred to as an innovation system. Such systems have been shown to exist at national, regional and even sub-regional levels. The perspective of an open process of innovation is taken here. The focus of this work is not on the systems of innovation and therefore the concept is only introduced in order to discuss the significance of two more important systemic aspects of innovation: that of tourism clusters as systems and networking as a means to innovate within the enterprises in question.

4.2.1 Regional Innovation Systems

The discussion on systems began with that of national systems of innovation in the 1990s, by researchers such as Lundvall (1992), Nelson (1993) and Edquist (1997) (Cooke, Uranga and Extbarria 1997). The theory of innovations taking place in a system has since then expanded to include the regional and sub-regional scales. All in all, it can be agreed that innovation has systemic aspects to it, regardless of the geographic scale at which it takes place.

According to Cook *et al* (1997:478) an innovation system has the following elements: it is an **open process** of innovation, where the innovator gets **feedback** from the surroundings. Actors in the system include firm suppliers, partners, knowledge centres, governance structure, associations etc. Between these actors linkages are formed from flows of knowledge and information, flows of investment funding, flows of authority etc. in stronger or weaker forms of associations. Some additional benefits of the systemic perspective to the innovation process is that it functions with a culture of co-operation and learning, where learning is considered an aspect that is very closely connected to innovation (Cooke *et al* 1997:488).

4.2.2 Clustering as a means to innovate

The role of clusters is essential when discussing the efforts that have been made to encourage **innovative regions**. The examples, which are classically presented as examples derive from the manufacturing clusters in Northern Italy or Western United States. These

studies indicate that it is beneficial for companies to cluster. Companies that operate in a cluster are able to share a common labour pool, draw supplies from common suppliers, access to local public goods and take advantage of knowledge spill-overs.

Porter (1998) shows that: “proximity amplifies the pressures to innovate and upgrade” (in Nordin 2003). Clusters are a part of the resource base of a region, which on the other hand rise from the regional innovation system. The resource base includes businesses, counties, municipalities, trade unions, professional councils and centres, networks and knowledge centres, education institutes, development funds, consultants and business parks. The cluster is therefore similarly dependent on the innovation system (Storstrøms Amt 2005).

Nordin (2003) applies clustering theory to tourism development as a means for enhancing regional economic growth and development. Since it has been shown that clusters provide an opportunity for economic growth and innovation in manufacturing, it is assumed that there should be benefits for the services as well. Such benefits Nordin (2003:19) concludes to be that the clusters enable social interactions, builds trust and impacts the company’s ability to innovate⁷.

However, using this approach as a strategy for encouraging innovation, cluster policies have been shown not to work top down. Instead clusters appear to originate from a common interest in the raw material, the proximity to the market or other return to location by the companies in the cluster (Cluster Navigators 2001).

4.2.3 Networking as a means to innovate

It was earlier indicated that the tourism business functions in relationship with many actors that operate in a bundle. Thereby many opportunities for co-operation between the tourism actors exist. Rather a well spread concept in the innovation literature, **networking** can perhaps be described as a part of the resource base of an innovation system (Storstrøms Amt 2005). The network lies in the hierarchy:

System → Network → Social relation

A network is defined as “a relation between firms, the purpose of which is to develop business, either by innovating or by increasing productivity” regardless of whether it is geographically limited (Sundbo *et al* 2003:3). Both formal contractual relations and informal ties between actors can constitute a network (Powell in Fagerberg 2005:60).

The classification of Grabher and Powell (2004) of the different types of networks is based on temporal stability and forms of governance (Powell in Fagerberg 2005:60). These authors distinguish between informal networks, project networks, regional networks and business networks. **Informal networks** are based on shared experience. **Project networks** are short term combinations created to accomplish specific tasks. **Regional networks** are formed based on short distances between actors. **Business networks** are strategic alliances between two parties (*Ibid.*).

⁷ Appendix 4 shows the model of an innovative cluster in the ski resort of Åre, indicating the actors that relevant.

Sundbo *et al* (2003:11) explain the networking of firms in tourism by the possibility of firms to obtain information and ideas for their internal innovations. Networks, additionally, expand the capabilities of the innovating firms by enabling an access to resources (Fagerberg 2005:79).

Also the network in itself can be an innovation. The same authors claim that the purpose of the networking can be two-fold. Firstly, a *collective innovation oriented* firm concentrates on developing innovations in the network. A *self innovation oriented* firm, on the other hand, will use the network for the development of its own innovations.

4.2.4 A sequence model of innovation

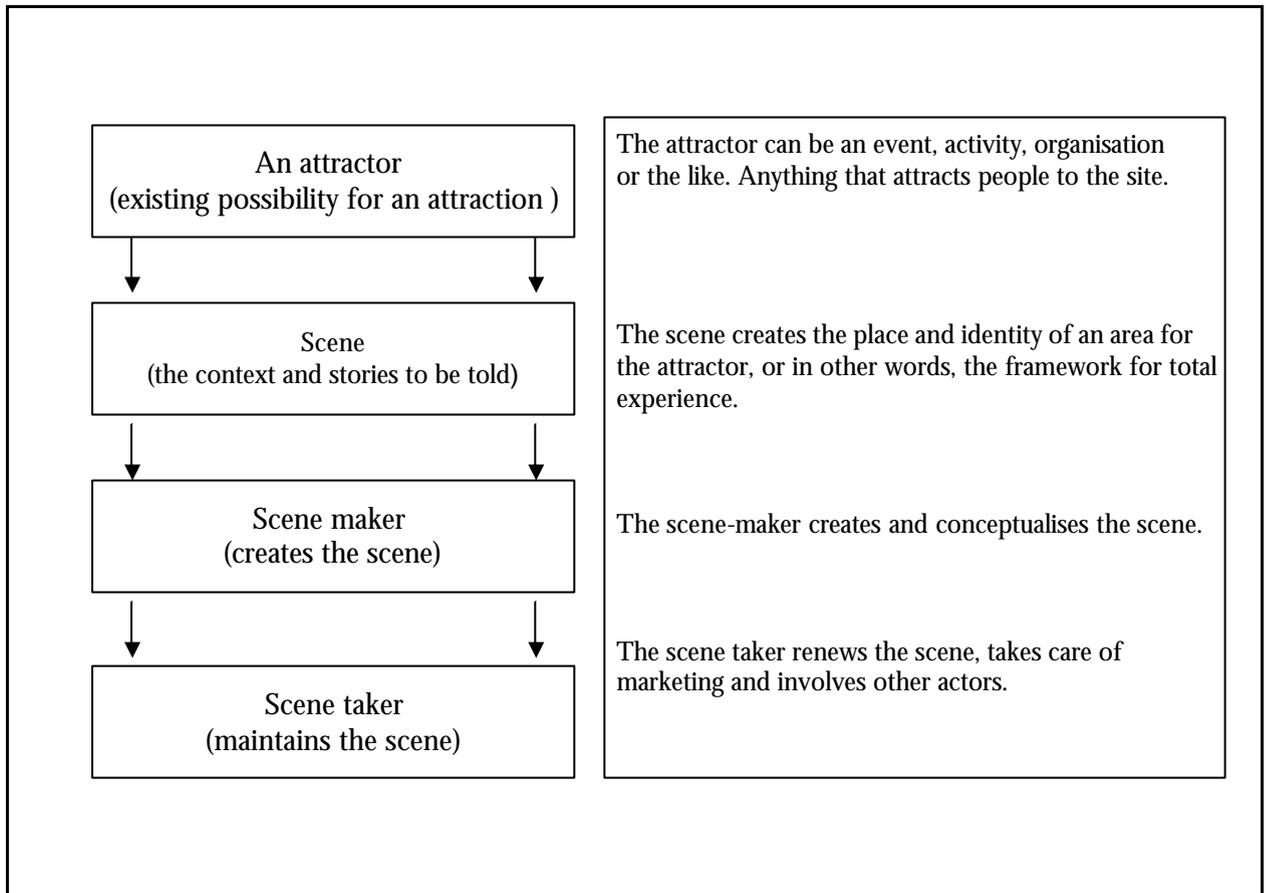
The **Attractor based model** (Mattsson *et al* 2005) is an example of how a series of actors can work together in a sequence to bring about innovation in tourism. The model illustrates a group of actors among which innovation takes place relating to an attractor.

In this model the innovation originates from using an **existing local asset** or the existing attractor to **create value** by making it into a tourist product in an innovative way. The model proposes an 'attractor' which is an event, activity, organisation or the like that attracts people to the area. The 'attractor' refers to those attractors that exist inherently and those that have been established to enhance tourism.

The 'attractor' through innovative activity becomes a 'scene' once the **context is created** for the existing asset. This gives place and identity to the area and the framework of 'total experience' of visitors. It is not necessary that the 'scene' is created and maintained by the entrepreneur. The 'scene-maker' is seen as the actual innovator, because he creates and conceptualises the scene. The scene is maintained possibly by another agent than the innovator; this is where support actors such as those responsible for organisation, renewal, following incremental innovations, marketing, and so on, have a role to play.

This sequential process of creating an innovation shows how local assets can be used in an innovative way to create value. The interesting aspect is that the context matters and there need to be those who create the idea and those that maintain the idea. Following from these assumptions, the model presented by Mattsson *et al* (2005) is one where the innovation takes place in a network which functions in a sequential order.

Figure 4-1 The Attractor based model



Source: Adapted from Mattsson et al 2005

The model of Mattsson *et al* (2005) implies the importance of creating a ‘scene’ and therefore ‘storytelling’. Through scene creation an existing local asset can be made into an experience for the visitor. The model also shows the importance of networking in tourism, in which the enterprises function in a bundle. The impact of networking, the extent to which it takes place and in what combination of actors will be further discussed in the findings and analysis chapter.

4.3 Internal Process of Innovation

4.3.1 Introduction

Traditionally, innovation was taken as a linear process, which assumes logical step-by-step thinking from creativity to introduction in the market. This kind of thinking is at times criticized as un-realistic. In reality, “problem solving is more an inductive, searching and discovering activity than a logical analysis of a problem” (Hallenga-Brink and Brezet 2003:144).

Nevertheless, linear innovation models provide a way to structure the analysis of findings of empirical work. It is necessary to recognise that what here is shown as a linear innovation

process, in reality is likely to be a set of innovation processes that take place in a parallel manner.

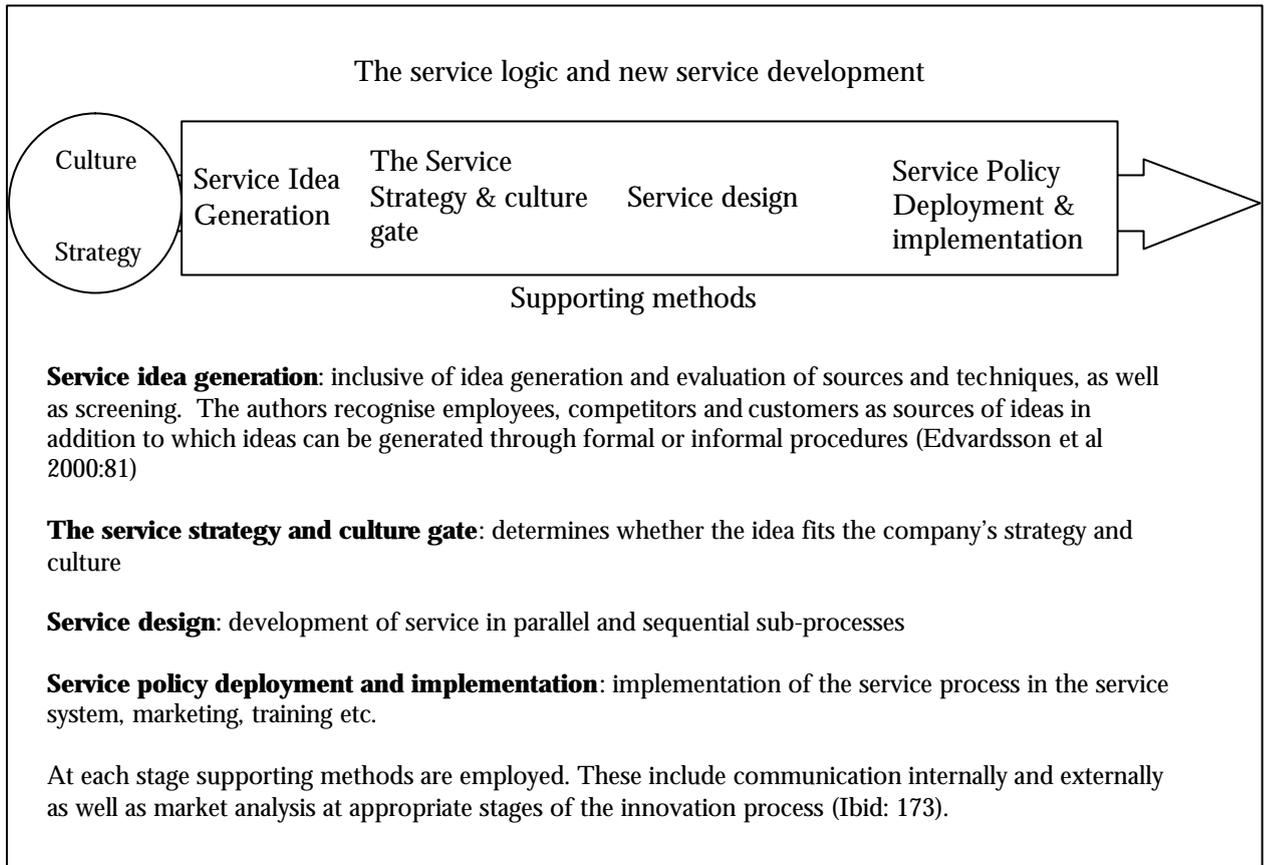
The process of innovation is referred to as 'innovation management' by some (Thorball and Kollerup 2005:15-16). This differs from project management in the sense that innovation management is always associated with known and unknown activities, whereas project management is carried out with a time framework and a budget. This implies that innovation is 'manageable' to some extent, but that also involves **uncertainties** in the process.

The section also presents support mechanisms for innovation, including the methodologies that are used alongside the service development process, and gives an example of the support services an incubator provides.

4.3.2 Linear Innovation Processes

New Service Development Edvardsson *et al.* (2000:29) explain that there is no difference between new service development and service innovation. Alike innovation, the authors' view of 'new service development' includes new to the world services, new service lines, additions to existing service lines, improvements to existing services, repositioning on the market and cost reductions (Edvardsson 2002:58). Thereby their linear model of new service development is an appropriate basis for the study of the stages of the innovation process within a company.

Figure 4-2 Model of Service Sector Development

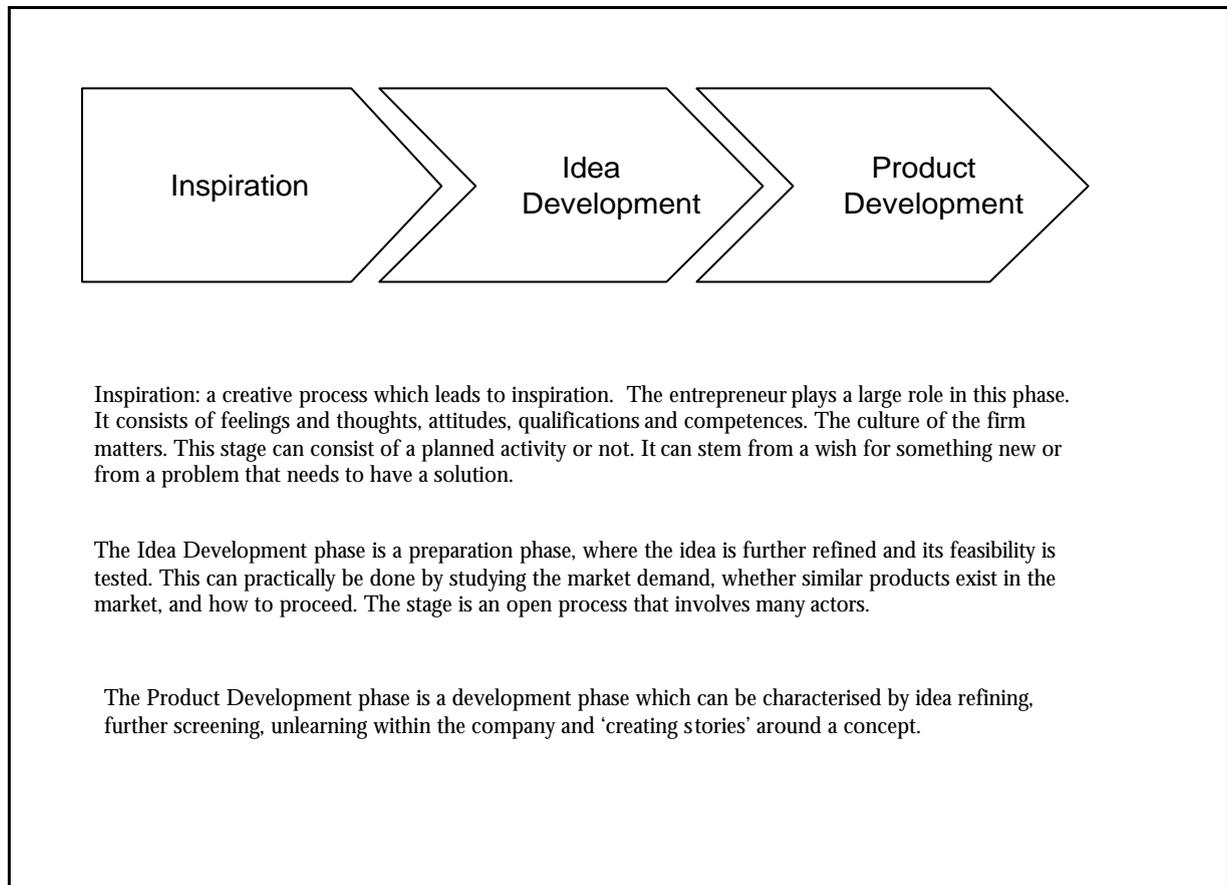


Source: Edvardsson et al 2000

Because the model of Edvardsson *et al* (2000) is applied to larger service companies in their work, it is unlikely that this model is applicable to the sample of SMEs. However, several of the ideas presented in the model are applicable: the role of strategy, the necessity to understand the ‘service logic’, checking whether the service idea fits the company strategy and culture and the continuous use of supporting methods are ideas to be placed in the framework of other, more applicable models.

The Linear Innovation Process: The model of new service development presented above is seen as a linear process which is based on a culture or a strategy. It starts by the idea, goes through a test phase to the design phase and final realisation. Similarly the most simple innovation processes are depicted as linear models. The model of *Koan- innovation* communicates similar stages from an innovations perspective.

Figure 4-3 A basic, linear innovation model



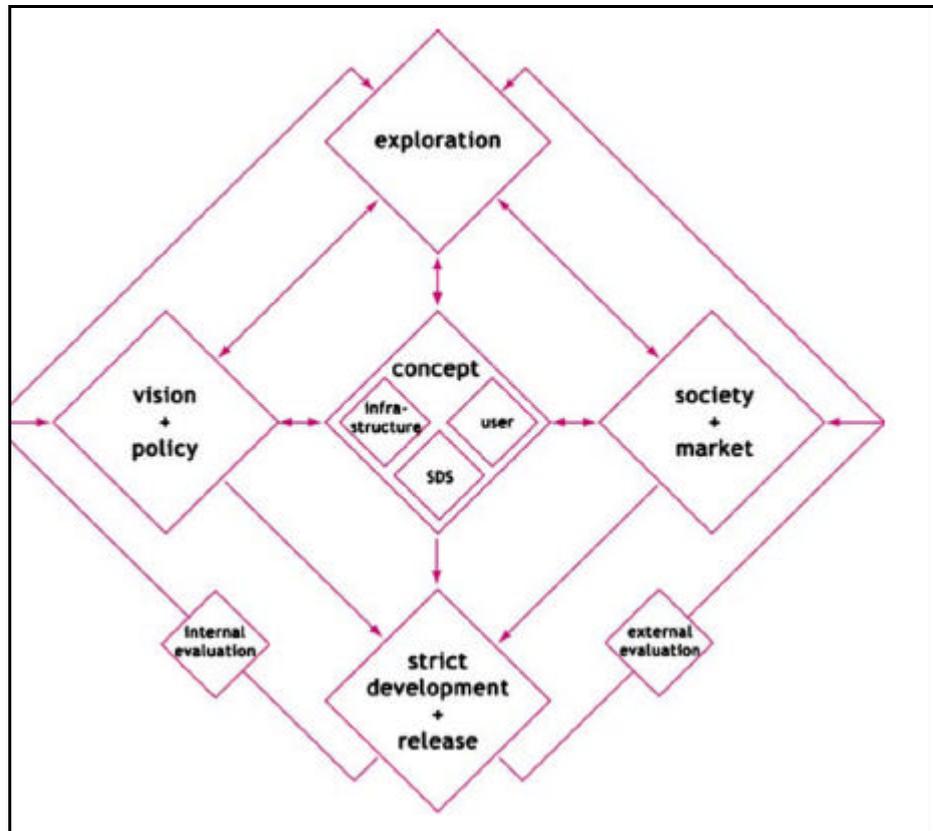
Source: Haugaard 2006

The model provides a clear overview of the kinds of stages present in an innovation process. It, however, lacks the implementation phase, which was shown by the model of New Service Development to be important. It is noted by some authors that the innovation process consists of sub processes rather than stages (Pavitt in Fagerberg 2005:86) - a consideration not covered by this model. The model, nevertheless, provides a clear structure for analysing findings on facilitation factors and techniques for the innovation process.

4.3.3 A Non-Linear Innovation Process

The linear innovation models presented above were shown to contain relevant thoughts, but the applicability to the sample of enterprises studied in the thesis was questioned. The model presented by Hallenga-Brink and Brezet (2002) is an example of a non-linear innovation process. This type of approach takes into account the feedbacks and chaotic nature of the innovation process, especially applicable to small enterprises. Each diamond represents **divergent** and **convergent** processes, where divergent processes refer to the process of new emerging business idea and convergent processes imply fixing details, making decisions on the design and the organisation, for example.

Figure 4-4 A non-linear model of innovation



Source: Hallenga-Brink and Brezet 2002

It is, therefore, clearly shown that **two kinds of sub-processes** are present in the so-called innovation process. The model also points to the importance of the internal as well as external influences, role of interaction within a network, as well as the **importance of vision, policy and feedback loops**.

4.4 Supporting Methods for Innovation

4.4.1 Introduction

One of the significant features of the model of New Service Development presented above is that it suggests the use of support methods all through the innovation process. Many consultancies as well as researchers have developed specific tools and methods for idea generation, selection and implementation. However, the practitioners of tools and methods in innovation processes appear to define and differentiate the two in an intuitive way. In this thesis it is, therefore, considered appropriate to use the terms *tool* and *method* as sub-categories of support techniques, where a method may comprise of several tools.

This chapter presents several possibilities of how the innovation process has been facilitated. Further possibilities are discussed in Appendix 3.

4.4.2 Identified problems in tourism development projects

Table 4-1 gives indication of the following are the reasons for which sustainable development projects can fail and the possible ways to overcome those problems, according to Dutch experience. These are further investigated in the empirical study. In addition, the brainstorming tool associated with this Dutch study is presented in Appendix 3.

Table 4-1 Expected problem identification for railing sustainable tourism projects, with rough estimate of who/what could find solutions for each problem

Reason for failure	Possible problem solver
No funding can be found for a risk-full innovation	Subsidized local project
Lack of new ideas	Brainstorm
Unrealistic goals before hand	Local network, keep in mind a trial and error
Lack of feedback from surroundings, loss of interest	Local network
Risk avoidance	Local network
No (financial) room for repetition	Local projects
Absence of a supportive managerial framework	Consultancy
Falling apart of collaboration between parties involved, failing communication	Brainstorm
Lack of communicative skills to emphasize advantages or importance internally	Brainstorm, local network
Drivers are not strong enough and/ or persistent enough and/ or predictable for companies	Local network

Source: Brink 2001 in Hallenga-Brink and Brezet 2003:142

4.4.3 Support methods for new service development

Following the model of new service development presented above in Figure 4-2 here some of the recommendations for innovation support tools by Edvardsson *et al* (2002) are outlined. Further applications can be found in Appendix 3.

- **Strategy:** Guides the search for new services and provide general screening criteria (Edvardsson *et al* 2002:81).
- **Service idea generation:** Can originate from within or outside the organisation through formal or informal procedures (Edvardsson *et al* 2000:81). Research by Easingwood (1986) showed that it is rare for organisations to engage in formal idea generation, and that companies are able to produce new ideas without procedures. Nevertheless, those companies that are successful in the long term are shown to form procedures and systems that generate idea generation (Edvardsson *et al* 2000:81). The authors identify **employees**, **competitors** and **customers** as the most important sources of innovations. Idea generation is a continuous process.
- **Idea screening:** Opinions differ on whether idea screening is based on subjective decisions or on predetermined criteria that reflect the characteristics of the organisation. The purpose of this stage is to 'allocate resources to those ideas that have the most likelihood of helping the firm meet its objective (Edvardsson *et al* 2000:83).

- **Project team:** Service development takes place in networks. It is important that the partners in the network share the service concept and the same values. Creating a mental model can help (Edvardsson *et al* 2000:105).
- **Service design:** Benefits from needs analysis and specifying the needs content, and therefore information regarding demand must be collected (Edvardsson *et al* 2000:120-122). In addition, 'the development of the needed resources and the service process must be integrates and done in parallel'.
- **Service policy deployment:** Includes an assessment of the new service from a market perspective and from the perspective of processes, participants and physical facilities. The techniques employed are practical methods such as conjoint analysis (Edvardsson *et al* 2000:149-150).
- **System analysis:** Requires both qualitative and quantitative research methods and a number of respondent groups; involves the assessment of the role and characteristics of customers, the benefits provided to customers.

Sandholm (1995) describes the five natural stages of work: state the direction for the project, identify the customer, decide the customer needs, develop the offer, develop the performing process or series of activities that realise the service (Edvardsson *et al* 2000:59). The customer orientated process is therefore worthwhile to keep in mind.

Edvardsson *et al* (2000) emphasise the use of those support methods and tools that help understand the customer. What they list as prerequisites for the new service development process are as follows: (1) developing a deep and thorough understanding of the **customer**, (2) creating a customer centric culture and strategy within the company (3) applying a **multi-method approach**, including asking and observing the customer, (4) involving the customer in the development process, (5) appointing **multi-teams**, (6) managing internal and external **communication**, (7) appointing a project leader with skills to lead, coach and develop team members, (8) taking a holistic approach, (9) focusing of the whole integrated **customer** solution and (10) monitoring and understanding customer needs (Edvardsson *et al* 2000:208).

4.4.4 An example of a business incubator for the development of the tourism sector

The purpose of presenting a case study of an incubator is to draw attention to external business development services, who can be a major facilitator for new and existing enterprises. The Spanish case of an incubator is unique in that it focuses only on tourism (Ayela 2006).

In order to promote the diversification of the industry structure into tourism and leisure sector, the incubator Goieki S.A. was set up in 1993 in the Basque Highlands. The incubator provides the means by which new businesses can reflect upon their business idea, and undertake viability analysis before setting up the company. The incubator assumes that although the entrepreneurs are very skilled in their own job, they may not know how to run a business, and therefore the services provided by the incubator largely useful for the entrepreneurs.

Training in business management

- Training courses in the business idea, legal and labour related issues, marketing, taxation, economic and financial area, management and leadership, teamwork, negotiation with financial institutions and health and safety issues.
- Tutoring to produce a business plan and analyze the viability
- Providing practical assistance by offering a computer, internet access and so on
- Financing assistance, such as financing at favourable conditions (2% interest), agreements with different financial bodies and help in applying for financing.

The Goieki incubator suggests that companies make sure to look into the future, make use of **'Reflection Groups'** and prepare a **strategic plan**.

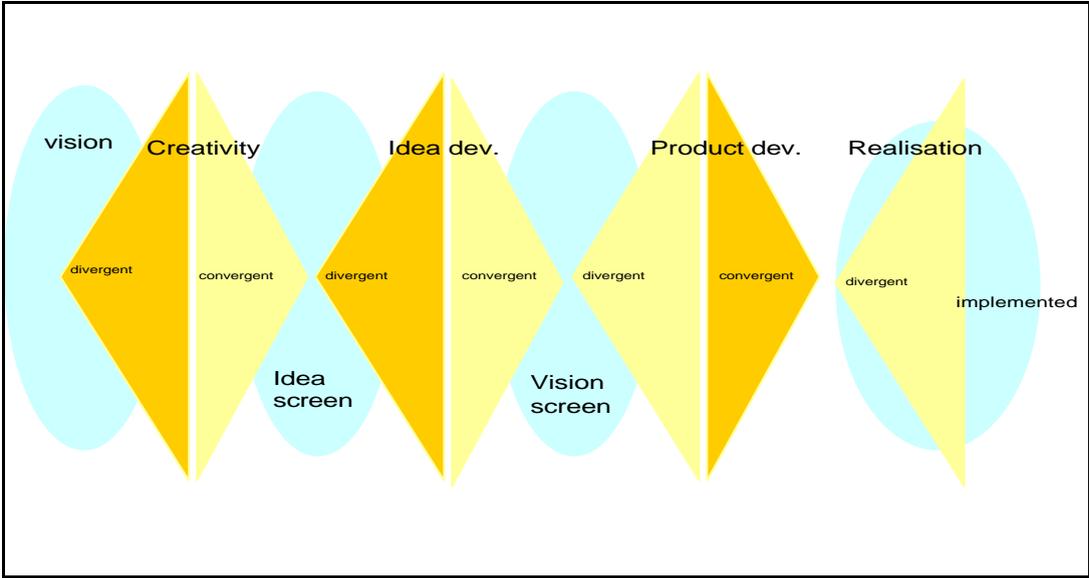
4.5 Chapter Summary- Concepts for Analytical Framework

It is uncommon for firms to innovate alone. The innovation is at least to an extent an open process, which involves a variety of actors with different roles. The chapter has shown that innovation, although often considered a stepwise linear process is dependent on various feedback mechanisms and therefore a non-linear innovation model may be more applicable. This is true especially when the innovation concept is adapted to its specific context, the small sized service enterprise in the tourism business.

The message that needs to be carried further into the following chapters is that the innovation process involves creativity as well as structured, systematic management, together with a mechanism to filter and screen ideas. For these aspects different aids, tools and methodologies have been proven to facilitate the innovation process. These will be further looked at in the coming chapters.

The linear model of Haugaard (2006) is taken as a basis for structuring findings and corresponding recommendations. The model is supplemented by the model of Edvardsson *et al* (2000) on new service development to add vision and screening as well as implementation. From this chapter it is understood that innovation is an open process, and therefore networks will further be analysed for best way to organise innovation. The model of Hallenga-Brink and Brezet is considered the most relevant for small businesses and will be applied to the development of a tool box.

Figure 4-5 A Combined Model for Innovation in Services



Source: Haugaard (2006), Hallenga-Brink (2005) and Edvardsson et al (2000)

5 Innovation in Tourism in the Øresund Region

5.1 Introduction

This chapter is the first part of the findings and analysis of the empirical study carried out in Landskrona and Storstrøms Amt over the summer period 2006. The chapter presents an overview of innovativeness in the sample enterprises and discusses the main findings on innovation drivers and barriers, as indicated by the interview research (5.3). The following chapter (6) continues by discussing the systemic aspects of innovation and the innovation process in more detail.

5.1.1 Background

Landskrona is a city of 39, 000 inhabitants in the North-Western Skåne. The bankruptcy of the previously thriving shipyard led inhabitants relocating, an influx of immigrants and diminished job opportunities. The current aim of the Municipality of Landskrona is to attract new inhabitants to the municipality (Nilson). In line with this strategy, Landskrona aims to increase the number of tourists.

Storstrøms Amt is one of the 14 counties in Denmark, and consists of 24 municipalities at the South of the Zealand Island. Particularly the most remote parts of the county have faced underdevelopment. The region has been very proactive in developing the tourism product with sustainable development in mind and the county has initiated a number of regional sustainable development initiatives. Tourism is considered an important focus for regional development.

Tourism and tourism potential in the Region: The Øresund Region is generally profiled as having excellent potential for high tech industry. Nevertheless, the other side of the profiling focuses on the Scandinavian quality of life. Altogether the region offers 60 theatres, 6 symphony orchestras, 130 art galleries, 107 museums and 536 medieval churches on the cultural side, 90 golf courses, cities, villages, nature and beaches (Øresund Region Web portal).

Skåne is profiled for tourism in golf, nature and culture based visitors. Visitors can enjoy the nature as well as access to Copenhagen (Eriksson). **Landskrona** lies along to coastline of Skåne. Despite excellent opportunities for tourism development (excellent transport connections, well preserved coastline, history related to military, industry and literature), tourism in Landskrona has not been developed to its full potential, the reason being the long industrial history of the city (Nilson, Hellstrand). The island of Ven is the major attractor of tourists for the Municipality of Landskrona. Visitors to Ven travel through Landskrona to reach the destination. Therefore, the Ven visitors present an opportunity for a group of tourists to attract to the city of Landskrona itself (Appendix 1- SWOT for Landskrona).

Zealand is one of three major Danish tourism regions. In Zealand the focus is on rural tourism and the major places are Roskilde, South of Zealand and Storstrøms County (Sørensen). **The County of Storstrøm** has been working actively to utilise the region's tourism potential to the maximum. Tourism is one of the growth possibilities for which the region should strive (Østdansk Turisme). The region is known for its nature-based tourism and coastal tourism, in addition to which there are a number of historically significant buildings as well as holiday centres and major attractions. Furthermore, business tourism

(meetings, courses, conferences etc) is a large market for the tourism in the region (Sørensen).

East Danish tourism is a key actor for promoting innovation in peripheral tourism. The strategy of Region Zealand is to increase the turnover from tourism by 3% by the year 2010 (Fonden Østdansk Turisme 2006:5). The strategy is to 'make the region more known, to inspire and initiate **user driven innovation**, to spread information, competence and have their impact for sustainable development in an economic, ecological and social way' (*Ibid.*).

Table 5-1 Tourism in Storstrøms Amt

Main tourism products	Family, culture, nature, business tourism
Main tourist attractions	Møn- cliffs Nature parks and outdoors, beaches Lalandia, Middelaldercentret, Knuthenborg, Bon Bon Land and other family attractions
Main markets	Denmark, Germany, Sweden, Norway, Holland, with potential to expand to Poland and the Baltic Countries
Number of overnight stays/year	Storstrøms Amt = 5 302 811
Workforce in tourism related activities	7655 full time
Contribution of tourism to local economy	4 874 mia DKK
Main actors in tourism development	Transport providers, accommodation enterprises, tourism networks, Visit Denmark, regional tourism organisations, sales and distribution providers, official institutions, municipalities and the region

Source: Fonden Østdansk Turisme

Innovation: Following from the **European Union Lisbon strategy**, which aims that Europe will be the world's most competitive and dynamic knowledge based economy in 2010, the focus of the growth strategies of Sweden and Denmark is on developing favourable conditions for innovation (Lorentz-Hjorth 2006).

The Swedish Innovation Strategy, '*Innovativa Sverige-En strategi för tillväxt genom förnyelse*' (2004)⁸, aims to achieve the objectives through knowledge based innovation, taking globalisation as an opportunity, strengthening the innovation potential of existing SMEs, and increasing the commercialisation of ideas and results of research. In addition the strategy sees the public sector as a driving force for sustainable development by promoting the renewal and effectiveness of the public sector, develop the infrastructure which promotes renewal and sustainable development; stimulation of entrepreneurship and making use of peoples real competences⁹.

The County of Storstrøms Amt has been a key actor in developing a project on the how to proceed with the establishment of an innovation strategy for a region (2005). The main goal

⁸ Regeringen (2004) Innovativa Sverige- En strategi för tillväxt genom förnyelse Available Online: www.regeringen.se/propositioner/sou/pdf/remiss.pdf

of the project was to establish an innovation strategy for outlying areas in Denmark, the starting points being the existing projects and the analysis of innovations data.¹⁰

Sustainable Development: Storstrøms Amt has been extremely active in regional sustainable development initiatives. According to a survey carried out by the Danish Society for Conservation of Nature in 1999, the County was the “greenest county” in Denmark (Rasmussen 2002). Some of the initiatives carried out at the regional level include Grønt Amt, European Sustainable Cities and Towns Campaign, Local Agenda 21 (including participatory decision making, nature conservation, education, networking, sustainable water resources management etc), The Green Council , Green business development, by means of cleaner production in industry.

5.2 Innovation in Sample of Tourism Enterprises

5.2.1 Description of sample enterprises

In Landskrona and in Storstrøms Amt the locally important actors for tourism development were interviewed. These were the Landskrona Municipality and Landskrona Tourism Bureau, Storstrøms Amt County and East Danish Tourism and Møn Tourism Development organisation. Through them a sample of innovative enterprises were picked for further interviewing. Appendix 1 gives a detailed list of enterprises studied.

Many of the enterprises were chosen either for their well-known innovativeness in terms of implementation of new ideas. Other reasons included their contribution as an important actor in the current tourism system of the locality and activity in a network that has an important function in the tourism development, renewal and innovation. Three of the interviewees were considered “geographical innovation”, i.e. that they are a whole new activity in the region.

Three of the most innovative case studies are presented here.

- **Case: Feddet Camping (Zealand)**

General Description: Top Camp Feddet, located in Feddet Peninsula, Zealand, Denmark is a campsite with spring, summer and autumn camping and caravanning possibilities. The owner (Ivan Reedtz-Thott) and the manager (Peter Lützen) have made Feddet an experience beyond camping, through their vision of ‘looking outside the campsite’.

Innovations: The campsite has farming and forestry activities on site and a lot of other activities, such as a role play based on a local legend, which visitors would not expect to find on a campsite. The campsite makes use of what exists on and around the site to create innovative concepts, for marketing and attracting customers (‘the cleanest beach in Zealand’, sheep, farming, forestry, fisherman). Feddet camping has built innovative and environmentally efficient service buildings (since 1998), with a natural ventilation system, for example. The motivation for innovating was originally to attract customers. However, the direction of the innovativeness is built on a basic vision of heritage conservation, and so the ‘snowball started rolling’. Membership in Top Camp, a membership organization for

¹⁰ Storstrøms Amt (2005) Etablering af en innovationsstrategi- et projekt under Nyskabende Aktioner i Danmark. [Online] <http://www.innovationsstrategi.dk>.

high-quality campsites, motivates the continuous development of a very high quality product.

- **Case: Møns Klint Geo Centre Project (Møn)**

General Description: The world famous white cliffs of the island of Møn will have a geological centre as of May 2007. The Geocentre project decided to take an innovative approach to presenting geology: The story of the cliffs will be told by artists, sculptors and film directors. The concept was built from inside out, starting with the idea, going further into a story telling competition and thereby choosing the team for nature interpretation. The building was designed only afterwards.

Innovations: The Geocentre as a whole is an innovation, geographically and concept-wise. The concept is built on experiencing nature through interpretation by the cultural sector. The process of presenting science by storytellers is innovative. A combination of people from science and arts has led to increased creativity, but also access to alternative and innovative funding and marketing channels.

- **Case: Pumpuset (Borstahusen, Landskrona)**

General Description: Pumpuset is an example of a geographical innovation. It was opened in May 2006 on the coast of Borstahusen, Landskrona. The original motivation of preserving cultural heritage expanded into a project where the old pump house is joined to an art gallery and a restaurant. The 'mini-destination' looks over the island of Ven and is in immediate vicinity of a fishing harbour, with whom the restaurant works.

Innovation: Joining three different sectors in one space has led to the possibility of creative funding and marketing. The concept in itself is a relational innovation: museum, art, food and fishing harbour.

Establishing a connection between **innovation and sustainable development** can be somewhat challenging as much of the motivation behind innovative enterprises does not underlie considerations of regional sustainable development. One of the major reasons for choosing these enterprises for interviewing was the example they set for being key actors in innovation that does consider sustainable development, either implicitly or explicitly in their development vision. Where the innovations are realised with a consideration that the surroundings of the enterprise are valuable, the innovations are seen to be motivated by a sustainable development mindset.

As described in Chapter 2.4.3 the Sustainable Development principles are seen to underlie regional sustainable development are:

- Integrating activity, long term planning and partnership development
- Maintaining and developing diversity
- Supporting local economies
- Using resources in a sustainable manner
- Involving local communities, stakeholders and the public
- Researching, sharing learning and experience.

5.3 Innovation Drivers and Barriers

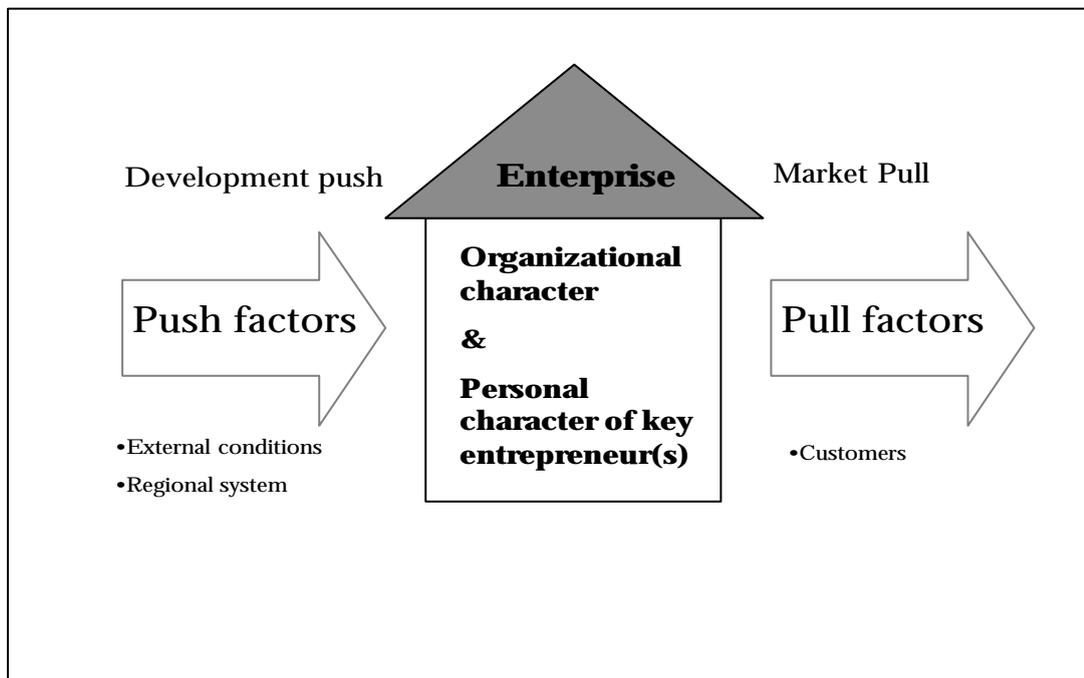
The section presents the fundamental logic that needs to be understood for making recommendations on facilitating the innovation process and for creating favourable conditions for innovation. This reasoning is further used to make recommendations on how companies could innovate in a way that follows sustainable development.

The question of what drives and hinders innovation is analysed from four perspectives: the market perspective, the perspective of external factors and the perspective of the key entrepreneurs running the company and the organisational culture of the enterprise.

The market refers in this analysis to the customer demand where the local population can also be seen as a part of the customer base. **The development ‘push’** is a term given to locally implemented schemes and projects, to funding, to political factors as well as vision and opportunities that the local ‘system’ enables.

Lastly, but most importantly, innovation drivers and barriers are as much related to external factors as to the internal environment of the company. **The set-up of organisational culture**, group functions and vision within the company are decisive drivers or hindrances to innovation. The vision, personality and interest of **the individual entrepreneur** can be the **most decisive** factor for innovativeness. The innovativeness of a particular company is very much interplay between these three elements and the personal properties of the innovator.

Figure 5-1 External and internal factors influencing innovation



Source: Adapted from literature and empirical findings

5.3.1 Market Pull

In the innovation literature the driving forces for innovation are often described as a market pull on the one side and a technology push on the other. The market pull must be considered as an extremely strong driver for innovation in services.

- **As a Driver**

The basic reason for which companies innovate is to keep up with the ever-increasing **competition of the market**. The market changes with changing trends and customer preferences as well as with globalisation. **Customers** demand more choice in the product offers. They demand experiences and better quality. For this reason it is important for companies in the tourism business to develop their product and implement novelties.

Much of the innovation that takes place in the companies does, therefore, take place with **market survival** as a driver. Small businesses in the accommodation sector, such as Holiday Homes and Bed & Breakfasts need to continually respond to changing sets of customers and growing expectations of what an experience in a Holiday Home or a Bed and Breakfast should ideally be like.

Additionally, **investors** can be considered a market driver for continual innovation. In cases where investments into an enterprise flow only if the business continues to improve the product, the investor acts as a driver to implement a continually improved product (Sørensen).

- **As a Barrier**

When considering the prospects of long term business development the strong market pull of responding to changing customer requirements can be considered a hindrance to innovation. This can make running the business a survival game, where **time and resources for creativity and innovation end up being very limited** and leaves very little time for strategic thinking.

A **lack of a local market pull** was identified as a potential barrier for successfully realising a tourism-related geographical innovation. Two interviewees pointed to the potential of the lack of interest from the local population or even resistance towards a new attraction, as a potential barrier for successful realisation of an idea. The local population acts as the loyal consumers of an attraction. Therefore from the business perspective they have the responsibility to visit (Hellstrand). Where the local population is resistant to a new development, the **word-of-mouth marketing** which is generally very important to the enterprise may be insignificant or even pose an issue of negative image of the attraction.

It was also argued that a company that innovates based on choices that endorse sustainable development, has a particular kind of a 'ground thought' or vision on which these innovations build on. Where the **market pull for incremental improvements** is extremely strong, it is difficult for the company to find time and resources to reflect on a long term vision on innovating towards an environmentally, socially and culturally sustainable direction.

Since it appears that there is no real demand for sustainable tourism (Rasmussen, Reedtz-Thott and Hansen), the relevant question would, thus, be to consider how to create a market **pull for a more sustainable** innovation.

5.3.2 Development Push

The systems of innovation, as presented in Chapter 4.2 have been a fundamental question in the discussion on innovation. The idea of systemic aspects of innovation can be interpreted as clustering, networking, the collaboration with research institutes and the authorities. The section points out how innovation is **externally driven** through different regional schemes and projects, termed here as '**development push**'. The next section indicates how some of the same factors can act as barriers.

Considering the efforts of the regional and local development organisations and the local authorities as a 'development push' these should mostly serve an innovation motivating function. It is assumed that local authorities and development organisations promote innovation through **channelling economic incentives**¹¹ and implementing **informational** instruments. Taken from this perspective, the public sector can act as an efficient **catalyser** for business development. If resources are put into formalising the public sector undertaking as a business developer, it can play a role in both the creativity and the practical sides of innovation and as a functioning advisory system.

In Denmark there are eight regional tourism development agencies and 12 destination offices. In this research a regional tourism development office, East Danish Tourism, and a destination office on Møn, were interviewed (Østdansk Turisme). In addition the Storstrøm County, which has been running the Green Region Project since 1991, within which it works with tourism, was interviewed.

At a city level (Landskrona), the relevant actor, besides a tourism bureau, is the municipality. The municipality was thereby identified as the most relevant development actor in Landskrona. The discussion in this chapter involves also opinions of enterprises interviewed. The discussion below outlines the how the functioning of these types of actors can act as a driver for innovation among enterprises within a region, mainly through creating favourable conditions for innovation.

During the interviews the following elements of the system came up:

- Projects and schemes; recognition schemes
- Regional vision
- Services of tourism development offices
- Funding opportunities
- Local politics

- **As a driver**

¹¹ For example, the European Union funds (e.g. the European Regional Development Fund) are financial instruments for sustainable development projects which are channelled through the local development offices to the project developers (EC 2006).

Projects A key activity of the authorities and regional development organisations interviewed is the creation of new projects both at the level of the enterprises and at the level of a region. The specific ways in which project creation is organised is through creating project ideas, organising a project group, organising funding, following up with a project. The way in which a project can facilitate innovation is through transporting ideas and proposals into reality in the region, or in other words, facilitating innovation diffusion, facilitating the process for getting ideas and forming project groups (Rasmussen).

- *The Green Region Project* is an institutionalised project (running since 1991) in the County of Storstrøm, which aims to promote Sustainable regional development through the identification of key actors. Within the project, the County gives guidance and advice as well as carries out meetings, awareness raising, campaigns and other knowledge building initiatives. The project runs demonstration / pilot projects for new ideas. In this way the project has innovation as an aim and an outcome.
- *Tourism All Year Round* is a currently running project between Møn and Marielyst. The project, funded by short term finance, finalised as a regional marketing innovation. The aim of the project is to extend the tourism season beyond the normal 12 weeks. The two regions have joined their forces for common marketing. They profile a holiday where Møn and Marielyst compliment each other by advertising the nature and culture side of Møn and the activity and accommodation side of Marielyst (Büchert).

It must be reminded here that it was earlier pointed out to the fact that innovation management differs from project management. Therefore, the process of project management is more certain and gives rise to more purposeful innovation than that from a non-project innovation.

Other Activities of Authorities and Organisations: On the practical side of the innovation process, the **access to funding** was shown in interviews to be a central concern. The different sources of funding, private and public, are typically channelled to a project through the development organisations. In addition, some of these funds can be channelled to finance the development of an individual company. For such purposes it is important for the enterprises to be aware of the existence of public or semi-public organisations through which funds can be applied. According to Büchert from Møn destination development organisation, it is a time-consuming task for the organisation to make sure that the companies learn to use the opportunities they have for obtaining funding, for example in the framework of the EU Objective 2 funds.

A regional vision can act as a driver for innovation. Clearly communicated, a vision can give companies inspiration and direction and thereby spur companies to take advantage of a theme and come up with concepts accordingly. For example, the main strategy with regards to tourism on Møn is Sustainable Tourism. This has translated into deriving value from the activities which visitors like to do most on the island, including enjoying the scenery in peace and quiet. The current theme, '*Sound of Silence*', led to the idea of 'thinking benches' as a product where the core value is silence. Individual companies, knowing that creating a product within the theme can get them free marketing, have innovated using the theme as a guiding vision.

Administrative boundaries have a role in creating the right conditions for innovation. Changes in administrative boundaries can change the area where the destination is marketed, thereby bringing more people (Nilson). Administrative regions can also join forces to use resources, as has been done in Storstrøms Amt to bring four municipalities together to form an 'entrepreneurship region' (Büchert).

Summing up, authorities and development organisations have a role in creating the right 'push' environment to strengthen the impact of the market pull as a driver for innovation. The formal or informal advisory services offered to new and existing companies are a function which innovating companies can greatly benefit from. However, when advisory services are informal, small companies may be unaware of their existence. The role of development organisations in creating incentives for innovation through projects, visions, strategies and schemes clearly communicated to the industry is fundamental to regional renewal. In addition, the role of such establishments in channelling funding for enterprise development initiatives is central.

Recognition schemes: Even though selling the whole eco-label concept has proved challenging, the ways in which an eco-label acts as a driver for innovation towards sustainable tourism is a worthwhile discussion. Here, experience of the **Green Key** in Denmark is presented as an example.

Companies find it hard to see the logic of following a **rigorous set of criteria** if the benefits do not show as improved marketing opportunities and as identifiable profits in the short term (Reedtz-Thott). For local produce such as crafts and food a label can add value to create a more easily marketable brand (Buchert). Most interviewees agreed, however, that the real benefit of the Green Key scheme is the **internal changes** which it can introduce and encourage.

The problem with the Green Key is that **the public is largely unaware** of the Green Key label. They are more aware of, for example, the Nordic Swan and the European Union flower. Therefore, as a concept, it does not sell. And therefore the introduction of the label as a sales argument is very difficult to justify. In this explanation, the starting point for understanding the usefulness of the Green Key is that as a brand the Green Key is not worthwhile but as a concept it is (Hansen). The value of a labelling scheme, in this case the Green Key, is summarised by the owner of Feddet Camping as: "*The Green Key label functions best as a reminder inside the company on how they do things*".

Accordingly, the Green Key functions, not only as a label to indicate the good practise of the establishment to the consumers, but more likely as a mechanism that facilitates innovation within the company. Efficiency improvements that Hansen is aware of include 90% savings in electricity costs through the change of light bulbs. Hansen, the local chairman of *Horesta*¹², states the Green Key certification leads to money savings and benefits through organisational improvements.

The Green Key is in essence a network with membership criteria. In order to fulfil the criteria to be awarded the certificate, the organisation must put effort and investments into making the necessary changes in the processes of the organisation. The criteria, as well as the network itself, can function as an **idea bank for inspiration**, where the member can pick out interesting ideas to implement in the business.

¹² Danish employer association for Hotels, Restaurants and other tourism related enterprises.

Interestingly, the use of an eco-label can motivate **organisational innovation**. The topics for the Green Key criteria are Environmental Management, Communications and Training and Technical Criteria. A part of the criteria on Communications and Training encourages staff and guest engagement in the environmental management of the establishment.

The best way to develop the Green Key is to hand over the responsibility to the staff (Hansen). According to Hansen, “if you do not involve the employees you will not get any results”. Because this way the staff feels the ownership and the responsibility for the idea, giving the responsibility to the staff facilitates following through with the changes within the organisation.

The Green Key was implemented in the hotel through the formation of environmental groups, where the key responsible for a particular criterion was independent of the position of this person in the hierarchy of the organisation. Thereby all employees were aware of their possibility to contribute to further innovation. This way the employees feel the responsibility and ownership, which, according to Hansen gives rise to innovation. The staff and the guest are part of the programme and the responsibility of the scheme was handed over to the staff

The organisation that is set up for environmental management purposes **differs from the traditional hierarchy** of the management of the hotel, for example. Holding several meetings to find those persons who are interested in making up ‘environmental groups’ and taking responsibility for developing the system for certain criteria, creates a hierarchy of responsibility where the role that the employee has within the organisation’s daily work is irrelevant. To illustrate, a maid may have say over the head chef when it comes to a particular criteria of the environmental management of the Green Key.

Involving the staff in the development of the Green Key benefits the organisation through a continuous process of innovation in the enterprise. Hansen, as an example, strongly believes in involving employees to get ideas for innovation. The Green Key can implicitly encourage such a process. Once the employees understand that they get a benefit from the Green Key scheme, they will have inspiration for more good ideas.

A Green Key- type eco-labelling scheme can be considered an external driver for innovation. The study of enterprises with the Green Key label indicated that this scheme has the potential to promote process and logistics innovation in the form of efficiency improvements, in addition to which it has much potential to encourage organisational innovation. The extent to which product or relational innovations are enhanced through the Green Key is uncertain and largely dependent on the organisation. Importantly, an eco-label should not, as often is believed, be taken as a new way to carry out marketing. Its impact on marketing innovation is therefore more limited than companies often believe.

Table 5-2 Green Key- a facilitator for innovation?

Innovation	Facilitator?
Product	?
Process	+
Logistics	+
Marketing	-
Organisational	+
Relational	?

In summary, the eco-label criteria can act as an idea bank or as a way to gather ideas. In a later stage the criteria can be a way to screen the ideas and can act as a basic value set or a way to communicate the common understanding which the whole organisation can use to develop their ideas as a continuous process.

Awards: It was indicated by two of the interviewed services (accommodation, attraction) that awards spur innovation. Nomination for a particular award encourages companies to investigate further improvement possibilities and induces them to pay attention to quality. However, another interviewee indicated that award schemes do not impact their innovation habits.

If the award scheme is set up so that the award is granted by the customers, it can be taken as an indication of market satisfaction. For example, an international customers' organisation awarded Feddet Camping an environmental recognition. Although in this case the interviewee did not consider the award as a trigger for the environmental improvements made, it can certainly be taken as an indication of market satisfaction.

In the case of the Tycho Brahe museum in Ven, the opinion of Nyström was clear in that awards act as a trigger for improvements. Nomination for the European museum of the year 2006/2007 motivates the organisation to continually look into opportunities to improve the quality of the experience in the museum.

- **As a barrier**

Projects: It was indicated by East Danish Tourism (*Østdansk Turisme*) that the success of a top-down implemented project is sometimes limited to the period of the project. Thereby companies that have participated in the project do not actually continue the work beyond the project by themselves.

Enterprises take a network project, for example, as additional marketing, rather than a tool for product development (Sørensen). Therefore, where companies are encouraged to develop their product during the project, the product development does not necessarily continue afterwards without the same level of support. This can be explained **by the lack of ownership for the product**.

For example, in the Baltic Dish project, whereas restaurants were delighted to have additional marketing through common templates and brochure for the Baltic Dish, they were not proud of the dishes and therefore did not actively promote the local produce based dishes in the restaurant. In addition, after the project, the enterprises have not continued to develop the product and require more help than expected (Sørensen).

Recognition Schemes: The discussions during this research pointed out to the concern that strict criteria can hinder innovation. The extent to which a top-down tool, such as environmental management system or an eco-label induced the company to follow a system and a set of criteria or on the other hand encourages long term innovation cannot be taken for granted. Such schemes initially facilitate innovation diffusion, but the extent to which they lead to innovation later on is questionable.

Local Politics: Two interviewees pointed out that local politics can at times be tiresome for developing innovations, especially when the question is of 'new to the region' (geographical)

innovations, i.e. larger scale projects (infrastructural, building changes). Events, such as elections can put off decision making, in addition to which political discussion can make development projects slow and challenging to go through with. General suspicion to new things can also be a major barrier that originates from the population. Where an innovation requires the acceptance of locally important group of people, it is important to be acquainted with the surrounding population. This can be especially true for settlers, who relocate with good ideas (Natorp, Hellstrand).

5.3.3 The Organisation

The way an enterprise functions, its dynamics and organisational culture is perhaps the most fundamental factor of innovation driving forces and barriers. The elements, which are discussed here in connection with the typical organisational character of small tourism related businesses include:

- Time and resources
- Hierarchies and group dynamics
- Role of staff and customers; communication
- Vision and strategic thinking

- **As a driver**

Any discussion on innovation drivers and barriers that are directly related to the business, should note that these businesses are very **'personal'**. For some it is even a realisation of a life dream, where the person basically equals the company (Büchert). This is why innovation is very often driven by the interest and enthusiasm of the owner(s) of the organisation, elaborated in the next chapter.

A vision drives innovation from within the organisation. A common vision inside the company drives the creation of new ideas that fit the vision of the company. A holistic vision, on the other hand, guides the direction of the innovation. The vision may be interpreted as a basic thought on which all development builds, like an ideology, or a vision of the future.

In Feddet Camping a **strategic perspective** and a **holistic vision** have set the 'snowball rolling' for the development of an overall experience of the campsite. The vision of holism has in Feddet been closely connected with sustainable development of the campsite and its surroundings. Today, the owner and the manager of the camp site employ a **forward looking** thinking (Lützen). Interviewees additionally indicated that a vision of heritage preservation drove them to innovate (Hellstrand, Reedtz-Thott).

The culture of organisational dynamics and communication in the organisation are also considered as a central driver for innovation. Several of the most 'innovative' owners of accommodation businesses in Storstrøms Amt believe that **engaging staff** creates the conditions that encourage innovation. Hansen refers to staff engagement as a whole concept of working. This kind of organisational arrangement gives responsibility for the staff, feeding them with ideas but allowing the staff to develop the business (Hansen). Many other interviewees (Reedtz-Thott, Nyström, Hellstrand, Rasmussen, and Brandt) describe that a culture where employees can suggest ideas and everyday improvements, and ideas they have

created from the interaction with the customers, creates an atmosphere that drives innovation in an organisation.

- **As a barrier**

In broad terms a company's innovation is driven by (a) a problem to be eliminated and (b) a vision to move to 'tomorrow' (H.S. Jakobsen). The role of vision was brought up in several of the interviews, where as a problem-responsive attitude was seen to be more of a barrier.

The attitude of small organisations is **problem oriented**. The culture or the mindset of many small enterprises is to deal with a problem once it arises, instead of looking into the future and building up long term vision to avoid major problems. According to Hansen, from Horesta, these companies would benefit from being planning and being more prepared for the future.

Typically interviewees pointed to the **lack of resources** as a major hindrance for innovation in small companies. The small businesses have an excessive amount of work in fulfilling the daily activities, and therefore they **lack the time, money and personnel** for any additional tasks (Rasmussen, Sørensen, Reedtz-Thott and Hansen). Because daily business takes more than enough of the time, these companies do not have time for strategy building and development, certainly not in the long term (Büchert). They do not have time to 'sit down, discuss and reflect' and therefore most do not have a written business plan (Rasmussen and Sørensen, Reedtz-Thott).

Many small businesses are actually in need for help, but they do not realise it (Hansen, Sørensen). Even when they perhaps do realise their needs, it is impossible for many SMEs and micro-companies to hire external support, in addition to which they may be unaware of where to find help (Rasmussen, Sørensen).

In addition, **the costs** of investing are large for small companies if one wants to meet customer expectations (Büchert). However, Reedtz-Thott states that after the initial investments further innovation becomes relatively cheaper, as the base business is running successfully.

5.3.4 The Key Entrepreneur(s)

- **As a driver**

An innovative person with a strong will and belief in the idea is the definitive source and driver of innovation. From the interviews it appears that the most agreed upon argument to the question "what makes companies innovate?" is that the personality of the key person(s) running the business is the key to the innovativeness of the company. Competent people drive innovation (Sørensen, Rasmussen).

Many of the tourism sector companies have a very personal character. Owners have a good intuition, which is difficult to replicate (Reedtz-Thott, Büchert). According to Reedtz-Thott, from Feddet Camping, "all campsites are unique and dependent on the personality of the owner". Natorp, from the Møns Klint Geo Centre Project believes that a company's innovativeness is dependent on the person. It appears that some personalities are by nature more innovative.

Good ideas do not success without **commitment** (Hellstrand). In the view some interviewees an innovative person is “a person who does not take a ‘no for a no’ (Natorp). An innovative person believes in the idea and one’s own concept, commits in it, invests in it and reminds him/herself at every stage that s/he believes in the concept (Natorp). In addition to belief, one must have the practical ability to go through with the idea (Hellstrand). The business incubator in Malmö (MINC) considers that the important abilities of a successful innovator are experience, competence, learning ability, entrepreneurial spirit and ambition.

The personalities of a **group of people** are also central in the innovation process. According to most interviewees it is the right group of people that makes innovation happen (Hellstrand, Natorp etc.)

- **As a barrier**

According to Sørensen owners do not necessarily believe that their companies are in need of innovating. They focus on the daily business and on the next season without seeing the opportunities they have to innovate. In addition, some persons believe that they do not need help from a particular person, as they do not like when others (competitors) are recognised.

The age of the owner can act as a barrier. The owners of small businesses, especially Bed and Breakfasts are growing old. Knowing that they will retire in a few years does not motivate them to carry out any major development of the product (Rasmussen, Sørensen). For this reason a *generation shift* project is currently being carried out on Møn.

A person in an organisation who does not believe in a concept, thinks traditionally, does not engage the right group of people in the process and does not have the competence to drive the innovation process is an essential barrier for the innovativeness of the company.

5.3.5 Key Considerations Applied to Sustainable Regional Development

Regional Vision

The regional vision of Sustainable Development communicated through strategies and regional efforts and incentives is the underlying driver for companies to develop in line with a vision that they have a role in the region. The region communicates that ‘growing from within’ is their preferable strategy (Büchert). Common agreement between private and public interests and inhabitants to work towards a destination and in which way this contributes to endogenous growth is crucial (Hellstrand adapted).

Company Vision

The companies that have a Sustainable Development vision understand that they are embedded in the region and that they can benefit individually by growing in line with regional vision (Rasmussen). Translated into a holistic vision the company develops in line with sustainable development. This can introduce companies to networks and improved marketing, as well as and a long term strategy for development as direct benefits.

Market Pull

The role of the market is controversial as a driver for sustainable development. Because of the changing market companies focus on short term objectives thereby disregarding their embeddedness in the region. There is no real market pull for sustainable tourism either. These two factors combined imply that the role of the market as a driver for sustainable innovation is limited.

Recognition Schemes

The development of recognition schemes such conceptualises, visualises and brands sustainable development. Recognition schemes are generally taken up by companies who have an interest and therefore a vision in line with sustainable development (Büchert).

Personal Character

Small tourism related firms have a strong personal touch to running the business. Such companies function in line with sustainable development in a non-recognised way by for example promoting their own favourite nature places and through being very locally embedded. However, what some of them need to understand is to see how the concepts that are envisioned at the regional level can be of benefit to their business development.

5.4 Chapter Summary

Companies innovate because of (1) the changing market (the market pull), (2) entrepreneurialism and innovativeness of the person, (3) favourable regional conditions (development push) and (4) favourable organisational conditions.

Companies fail to innovate because of (1) the lack of time and resources, (2) non-innovative organisational and personal characteristics, (3) lack of long term vision and strategic thinking and (4) lack of ownership of a project idea.

The recognition scheme Green Key was shown to facilitate innovation in internal processes and organisational innovation. Award schemes were shown to promote at least incremental innovation inside the company, mainly in process nature.

It was indicated that vision and strategic perspective, together with long term thinking and looking into 'tomorrow' have an important role to play.

6 Facilitating the Innovation Process

6.1 Introduction

Whereas the innovation drivers and barriers presented in the previous chapter can help understand the motivations for innovating or the lack of them, in this chapter focuses on the structure of the actual innovation process. A suggestion was made earlier that innovation consists of several overlapping processes, generally in two types: divergent, or idea generating, and convergent, or product oriented, processes. The processes used for this analysis are: idea generation, idea development, product development and realisation, in accordance with the model of Haugaard (2006)**Error! Reference source not found..** To this framework the role of vision, as well as vision screens and evaluation of the concept after its launch are added, as was proposed by the model of new service development by Edvardsson *et al* (2000) (Figure 4-2 Model of Service Sector Development).

The chapter first analyses the way in which innovation can be organised among the various actors that are involved in the management of innovation. The significance of the different types of networks for the facilitation of innovation is the main argument in the chapter. The purpose is to answer the research questions:

- Who should be involved in the innovation process?
- How to best spread the information about innovation among SMEs?

Following the analysis on networks the latter part of the chapter looks into facilitating the innovation process and finally the consideration of tools and methods that could aid in the various parts of the innovation process is elaborated upon.

6.1.1 Overview

It is important to connect these considerations to the findings on the drivers and barriers originating from the organisation itself. The company character and organisational culture largely determines the way in which innovation is managed, especially when considering the actors that are involved, or managing, the process. In summary, where an organisational culture and vision do not consider sustainable development an asset of the organisation, then the function of external actors is seen as essential.

In this chapter the focus is on different alternatives of arranging innovation between the key actors. First four approaches are presented, after which a networking approach and a change agent approach are described in detail.

Interviews with a County level actor and an actor from a Regional Tourism Development organisation, who in this case are classified as the 'external actor' organising and inducing innovation and change processes in SMEs, indicated that companies that the organisation of innovation between actors can be initiated either by the company itself or by an external actor.

Accordingly, the company can undertake innovation processes **on its own**, provided that it has sufficient resources. A company can create **a project** intended for product development or innovation through inviting external experts from the private or public sector to achieve

the desired change. Alternatively a **structured project** can be organized for a few years by the private or the public sector.

A network structure, whether aimed at product or process development or for marketing, can produce innovation. Resources can be brought to the company through networking. Besides these formations, a company relates to the innovation system of the region which involves the public supports system, universities and research centres etc. which innovating companies with an idea can approach for assistance.

A situation where a company innovates totally alone is rare. Innovation is a social process, besides which resources within a company tend to be insufficient (Rasmussen). Therefore the networking approach to innovation is considered a significant facilitator for the process. The different types are elaborated in the following section.

6.1.2 Organising innovation within the enterprise

Several interviewees pointed out to the importance of **involving the whole organisation** in the continuous innovation process. It is worthwhile to consider the **employee-customer** interaction as a prime source of innovation. In addition, a successful innovation process in a company is not organised according to traditional organisational hierarchy but rather takes place in a network formation, even within an organisation. According to Lützen from Feddet, **'floor management'** (being close to the employee) is the best way to find ideas from the staff.

6.2 Evaluating the potential of networking to facilitate innovation

Much of the development of peripheral tourism takes place in the form of some kind of networking. In this section whether networking, either informally between individual enterprises or through project networks and formal organisations, has potential to facilitate innovation is discussed. The discussion indicates the types of innovations that have grown out of networks in the sample of enterprises interviewed.

In this research business to **business networks**, **formal organisations** and **project networks** are discussed. The purpose and the potential for the types of networks to enhance the innovation potential of a company are elaborated on here

6.2.1 The purpose of networks

Networking in tourism has a two-fold function. According to Büchert from Møn Tourism Development organisation, networks firstly and foremost aim at the **common marketing** of the product. Secondly, networks often aim at **product development**.

The perception among those involved in tourism development is that networking and co-operation between the segments of the tourism industry is beneficial. Where networking between the different segments of the industry, such as transport, hotel and attractions does not exist, it is presumed that this kind of co-operation would lead to a more lively and attractive tourism destination (Nilson, Eriksson). In the perspective of the Landskrona Municipality, the tourism potential of the town is not developed to its full potential because of the lack of co-operation between the Island of Ven as a destination and Landskrona as well as the lack of co-operation between the different businesses that contribute to the destination development.

The relationship between innovation and networking is sometimes questioned. Networks often exist with the primary purpose of **marketing a destination** or a common product or service, such as harbours, culinary experiences or a particular form of accommodation, such as high quality campsites. The benefit of networks for marketing is very clearly apparent: a common brochure makes it financially possible for all participants to carry out marketing and access to events such as fairs is made possible. From the customer perspective in some cases the network creates a recognised 'trademark' of the product.

For the smallest businesses the benefit of common marketing and creating a common brand is especially apparent. This is why in Lolland Falster, a network of 'Small Tourism' (*Den Lille Turisme*) exists as a way to advertise small shops, bed and breakfasts, galleries, arts and handicrafts, restaurants and other activities which may be of interest to the visitor in the region.

Interestingly, a network which has been created for marketing functions can benefit the participants in other ways. For example, Feddet Camping, a member of a network for high quality campsites, the 'TopCamp', purchases in bulk with the other member of the network, thus the **network can be seen as a cost-saving initiative**.

6.2.2 Business to business networks

Business to business (B2B) networks refer to those co-operations where different branches come together to create a holistic product. For example Hotel Öresund in Landskrona co-operates with a curling hall to create more opportunities for its customers. The whole concept of Pumphuset is built on business to business co-operation to create a holistic product that consists of a restaurant, a small shop, and art gallery and a museum with exhibitions on local heritage. Feddet Camping co-operates with various small producers of local produce and food, as well as additional services which increase the experience factor of the accommodation.

Business to business networks are formed by businesses themselves for two basic purposes. They can be a way to **draw resources** to the individual company in order to enable an idea which would otherwise not have been possible. Secondly, enterprises often form an informal network to create an **overall experience** for the customer, consisting of activities from different sectors, such as a restaurant combined with an art gallery and a museum.

For example, the Pumphuset in Landskrona started as an aspiration to restore the old pump room as a museum, but today the museum is only a small part of the overall 'mini-destination' that the Pumphuset represents. The museum association (*föreningen*) of Borstahuset joined their forces with the Landskrona arts association and a manager for the restaurant to be able to create the 'mini-destination' that consists of those three services that make the destination an interesting place for tourists to visit.

Møn's Klint Geocentre will open in May 2007 on the Møn Cliffs. The aim of the project was to build a nature centre on the Cliffs, which are a major natural attraction on the island. The concept, which will be implemented, is based on nature interpretation. This means that in the exhibitions the story of the cliffs, their geology, history and the present, are interpreted through artists, film directors, actors, sculptors and others from the cultural sector. Through combining the cultural sector with science an innovative nature-interpretation centre has been created.

According to Natorp, the manager of the GeoCentre project, combining science with culture and placing the skills that one has in communications and advertising in a totally other branch, a traditional one, such as nature, has the main benefits of:

- A group of people from very different backgrounds is good for creativity
- It gives access to alternative funding, when one can obtain funding from science foundations, in addition to which one has access to non-scientific funding

Another reason for B2B networking is **skills matching**. The new general manager of the hotel located next to the Middelalders Centre in Nykøbing has initiated a co-operation with the experience centre, because of the realisation that the visitors often go to both places. Together the two actors are building a large arena for knight fights which is accompanied by restaurants and meetings facilities around it. The owner of the Middelalders centre is skilled with the arena whereas the hotel general manager is experienced with restaurants and conference facilities. By combining resources and skills from two worlds, what would otherwise not be possible is realisable through a business to business network.

Hotel Praestekilde indicated that working in co-operation with another hotel is beneficial, since in this way they can make use of the skills base of both hotels. Whereas Praestekilde's skills encompass for example wines and food, the hotel they co-operate with is knowledgeable in financial processes.

This kind of networking facilitates the creation of **new tourism services and products**. They can also encourage at least **process, logistics and marketing** innovations through novel ways to carry out tasks which would otherwise have been conducted within an organisation's boundaries. A business-to-business network can in itself be a **relational innovation**, depending on the composition of enterprises that come together to form such a co-operation. This type of network tends to be innovative then it **'combines two worlds'** (Natorp).

Table 6-1 Business-to-business networking as a facilitator?

Innovation	Facilitator?
Product innovation	+
Process Innovation	+
Market Innovation	+
Logistics Innovation	?
Organisational Innovation	?
Relational Innovation	+

The research shows that B2B networking is used rather commonly for the development of a tourist product, both at the scale of the individual company and at a local or regional level. Where networking does not take place commonly, those involved in the development of tourism believe that co-operation between the different branches of the bundle that makes up the overall product would maximise the tourism potential of the locality (Nyström). In

summary, networking is related to innovation through more holistic product development, through the ability to use extra resources, skills and expertise, through standards that need to be filled and through inspiration and creativity which stems from interacting with persons in the industry but outside one's own daily work. Although in some ways formal membership organisations can hinder innovation based on creativity, especially where rules to follow are rigid, they can also facilitate the diffusion of other innovations into the business.

6.2.3 Formal organisations

Formalised organisations are well established for any branch of industry. These organisations may have sub-networks in them. Tourism development networks exist on a regional level, for example between Zealand and Møn. According to Büchert from the Møn, a large part of the daily work in tourism takes place through networks, or some form of co-operation. On Møn, the tourism network is a co-operation between the tourism associations, the municipalities and the local tourism enterprises. Practically all businesses are members of the network, and sub-associations exist, for example the Bed and Breakfasts have their own association and own activities.

In the context of this research two main types of networks which are formalised organisations were discussed. Firstly, there exist networks which are formalised in time. On the other hand, there are those organisations in which the members of a particular industry are organised. These are interest organisations and negotiate contracts on a basis of a few years.

The research showed that network co-operation sometimes becomes a formalised organisation (*formalisation innovation*). The Culinary Network (*Føevarenetværk Storstrømmen*) is an example of a project that developed into a formalised association with membership fees (Sørensen). **Formalised organisations** such as the Top Camp in Denmark have certain membership criteria, which can be based on high quality.

The Horesta organisation is the national employer organisation of the hotels, restaurants and other tourism enterprises in Denmark. Its functions are to drive the interests of the member organisations, and to provide seminars, trainings and discussions on ideas, troubles and solutions.

Fulfilling **membership criteria** can act as an external driver for innovation. However, a formal network organisation can hinder creativity. For example chains of hotels have many rules for the individual hotel to follow, which means that an individual hotel cannot make decisions on its advertising and some purchasing (Hansen).

Additionally, when considering any membership organisation in this second category, also the **Green Key** organisation requires membership based on following particular criteria and demands a membership fee, and thus eco-labelling organisations are a type of formal organisation discussed in the context of innovation.

The networking that takes place between members of a formal organisation in **trainings, seminars** and **working groups** can facilitate innovation through **competence building**. The networking was also shown to lead to **inspiration**. Some interviewees agreed that they have got some new ideas through the interaction with others in the sector. Many formal organisations arrange **seminars** and **trainings** on a particular topic to raise awareness on a topic and improve to skills.

Organisations such as the Green Key and the Top Camp have certain quality criteria which its members must follow. Hansen, the local chairman of Horesta, tells that many of the ideas on energy and water savings that he has implemented during his career come from the membership in the Green Key organisation.

- **The Top Camp** is a network of high quality campsites in Denmark, which was originally formed as a channel through which to market a high quality camping experience to the customer. Because the members aim to communicate to the potential customer that these campsites provide high quality, there is a set of membership criteria to join this organisation. According to Reedtz-Thott from Feddet Camping, a member of the Top Camp, the high quality follows as a value concept which guides the interest to develop the campsite on the longer term.
- **A Horesta type of formal network**, which serves as a voice for its members in negotiations and drives the interests of its members, can provide practical support to plan ahead for the future in order to avoid situations from arising. In such a case, the members of an official association can expect to obtain assistance from the association, either in the form of information sent home or in the form of help for questions.

The research indicated that formal organisations can promote process innovation in the form of diffusion of environmentally friendly innovations, such as those on energy and water savings for example. They can encourage the upgrading of products to a high quality, or in other words, **incremental product innovations**.

The Top Camp example indicates that **marketing innovation** can take place through a formal network. In this case, the top quality campsites came together for marketing purposes. It may be added that the learning that takes place in meetings within a formal network can give inspiration for organisational and relational innovation.

6.2.4 Project networks

Project related networks are formed, for example, by an outside actor, like the local tourism development organisation, in order to carry out a project at the regional, local or destination level. Sørensen, from Østdansk turisme, explains that such project networks are formed when the organisation sees a good idea. The organisation sets up a network based on the key persons related to the idea, who can then act as 'ambassadors' for the rest of the related businesses. The idea of a 'dynamo business' is further elaborated at the end of the chapter.

A project network is generally set up by **public or private actors** for a certain period of time. Project networks are organised, for example, by tourism development organisation and financed through programmes such as European Union funding. The Møn tourism organisation was the initiator of the Harbour network. The Østdansk turisme –organisation has, among other projects, has initiated the project network Baltic Dish, the objective of which is to create a new product based on culinary tourism.

Project networks are run by **an outside expert** who brings new ideas and solutions into the enterprise and can therefore be considered **a facilitator to innovation**. As discussed earlier, small businesses often lack time and resources to concentrate on recognising their needs and factors which may benefit from new solutions. The possibility of an actor from outside the

organisation to import fresh ideas and solutions has been considered as an option to encourage innovation.

On the one hand, the benefit of involving an outside expert as a facilitator to **introduce new ideas** into a company is that the novelty is developed and implemented within the project through persons with an interest in implementing an idea. They have the knowledge and resources. It can be speculated that where company vision does not involve sustainable development, an outside expert can introduce this way of thinking through a project network.

On the other hand, an idea that has not grown from within the company can be difficult to implement in the long run. Within second phase of the Baltic Dish- project it was realised that because the companies that were a part of the Baltic Dish network do not feel **ownership of the products**, they were using the network as merely extra advertising instead of promoting the local food produce through proactive storytelling techniques.

All in all, **project networks** are one way to **encourage and facilitate product innovation**. Project based networks often involve common marketing of the product created within the network, in which a new way to market can be developed. Such **marketing innovation** within a project is, for example, the use of common templates to tell the story of the product which the project network has generated. Implicitly, through competence development and through interaction with others in the industry, other types of innovation may result beyond the initial product.

6.2.5 Product related project networks

Networks that are formed based on a particular product can operate within a project network. Many such networks exist in Storstrøms Amt. Examples include networks based on local food such as The Baltic Sea Dish, the Culinary Network and the Small Tourism. Many marketing networks that circle around accommodation exist on Sjælland and Mon. Product related networks also operate internationally. DestiLink connects destinations supra-nationally and the Tycho Brahe museum belongs to a network with four other European museums.

The Baltic Dish is a product related project network, where participants are restaurants in the Storstrøms Amt region. The first phase of the project brought together restaurants to serve food produce from local suppliers and to tell the story behind the food. In addition, the network markets together through a common brochure.

Besides a business to business network, which itself can be a 'relational innovation' or give rise to other types of innovation, networking rarely aims explicitly at encouraging innovative behaviour. Networks which are not aimed as innovation undertakings can act to facilitate innovation implicitly.

6.2.6 Concluding remarks

The members of a network often visit each others' businesses for ideas to implement in their own business. Thus, although not originally set up as an 'innovation network' innovation does arise within the businesses of the network due to the co-operation. Being active and interacting in different working groups with different people inevitably leads to inspiration. Additionally, expert groups based on acquired experience or knowledge, or on consumers or

other companies sometimes contribute to the networks. This way these actors of the network are a source that creates new ideas and evaluates the existing processes.

Nevertheless, according to Hansen, the local chairman of the network of hotels, restaurants and other tourism related services, Horesta, the impact of networking on the innovation of an individual enterprise depends on the personal entrepreneurialism of the individual. Where the members of the organisation actively seek support, the support will be provided.

6.3 A Change Agent approach to innovation

The term '*change agent*' is adapted here from AtKisson's amoeba theory of innovation diffusion (AtKisson 2006). Based on the approach of Storstrøms Amt, this section presents a hypothesis of the best way to spread information and reach small companies with the purpose of encouraging them to innovate.

The proposition presented is that where companies do not have the innovation mind-set to carry out such processes alone, the best way to facilitate the processes and innovation diffusion is through so-called (1) change agents and (2) dynamo businesses. It is implicit that these roles underlie the work of many of the regional key actors interviewed.

A change agent can be an actor from the public sector, an actor from a university, from a private sector organisation or from a business: actors from accommodation businesses, destination development organisations, individual entrepreneurs, consultants, actors from business universities and researchers, and those from the public sector (Rasmussen, Sørensen). What characterises these actors as change agents is that they facilitate the spreading of innovation in the region of Storstrøms Amt.

The functions of a change agent include looking out for opportunities and ideas, transporting ideas and proposals into reality, facilitating the process of innovation, carrying out or co-ordinating the innovation process, formation of groups of people for projects, and training people to build capacity for innovation. The roles include the facilitation of the process to get ideas as well as the facilitation of innovation diffusion, which can be considered the main function of such a regional change agent (Rasmussen)

A **change agent** can observe and pick out the key actors when it comes to regional sustainable development and spur the development of such companies further with the direction of regional sustainability in mind (Rasmussen). The term '*Dynamo Business*' (Storstrøms Amt 2005) can be given to some of these key actors.

A **dynamo business** is a company that can act as an example for other companies as well as introduce innovativeness in less innovative companies. Feddet Camping can act as a dynamo through innovation in the new service buildings. They have made an agreement with an architect company to design these buildings in an innovative way. Reedtz-Thott speculates that in the future these kinds of buildings may start to appear in other camping sites as well, which implies the 'dynamo' character of the campsite.

A dynamo business can run courses and trainings for their colleagues on the innovations that it has already successfully implemented in its own company. It is assumed among several interviewees that staff from the less innovative enterprises is most likely to listen to those that are in the same business as themselves. It is assumed that hearing about the experiences of those that are fully aware of the every-day functioning of the business is the means of learning which is most likely to succeed (Hansen, Rasmussen).

Nevertheless, many of the companies are **problem-responsive**, i.e. they do not look into the future to avoid problems, but only respond to problems when they arise (Hansen). These companies do not actually listen to advice. They understand the benefits and consider the ideas presented excellent, but do not want to deal with the implementation of these ideas. This appears the focal problem of spreading innovation. It is a challenge to open companies to implement ideas, if they are not ready to fully listen, despite the efforts taken by change agents.

The individual, non-innovative company benefits from the existence of change agents if they are aware of their existence. This, however, is not always the case. Companies may not realise that the public sector may be able to respond to their needs and encourage them to implement innovations (Rasmussen).

The change agent/ dynamo business approach is assumed to encourage and facilitate innovation because:

- Dynamo businesses are familiar with the business sector they have the intuition for how to interact with their colleagues, in addition to which they know the organisational culture.
- Whereas the businesses themselves may be extremely limited in their time and resources, the change agents and dynamo businesses have a mind set to look out for opportunities which can be implemented in the enterprises.

6.4 Key points applied to sustainable development

Sustainable Development Mindset

Especially enterprises that do not possess the mind set and vision for sustainable development benefit from the expertise and vision introduced by external actors. These companies should through external agents understand their role in the sustainable development of the region that they are embedded in.

Networking

Innovation takes place in collaboration with others. By seeing the innovations that others have implemented, less innovative enterprises receive inspiration for generating ideas. Therefore facilitating the organisation of networks that have good examples of innovations that are in-line with sustainable development could potentially act to encourage such innovation.

Change agents and Dynamo businesses

It is assumed that these actors are best suited to spread information and train enterprises to encourage and facilitate innovation process. The activities undertaken by these actors range from innovation diffusion aid to organising networks and project groups to being a good example. Change agents can introduce the sustainable development vision to enterprises in addition to which through examples of colleagues' innovation initiatives, an understanding of the benefits of innovating can be presented.

Other external actors

Enterprises that do not have the resources to carry out innovation on their own can join forces with others to create a common resource base. In addition, the expertise of other external actors from consultancy and municipal and regional authorities and development organisations can set the 'snowball rolling' for eco-innovations, for example

6.5 The Innovation process

6.5.1 Introduction

In Chapter 4.3 the process thinking to innovation was introduced. This kind of thinking is seen to apply at least to product and process innovations. It can be presumed to apply also to market and logistics innovations. However, whether this sort of process thinking actually applies to organisational and relational thinking is uncertain, since these types of innovation can be taken as ways to organise innovation of other types.

This chapter presents innovation simply to consist of:

- Vision and strategy
- Inspiration and generation of ideas
- Idea development and idea screening
- Product development
- Realisation or commercialisation

The stages presented below are not to be taken as a self-evidently linear process. It was shown in chapter 4.3.3 that small businesses are more likely to function so that convergent and divergent processes take place simultaneously, rather than undertaking a linear or a structured process. Even several interviewees doubt that there is an 'innovation process' as such and rather see it as an effortless and natural implementation of good ideas (Jakobsen H, Reedtz-Thott). Therefore, considering that innovation is a process or processes with several sequential and overlapping stages makes interpreting how to facilitate the process easier.

The sections explain the typical procedures that take place in each of these stages, more correctly termed as partially parallel sub processes, according to the findings from interviewees. It is important to note that the stages of the innovation process are based on assumptions made prior to the field study. The interview findings were then placed in this context to make identification of needs, requirements and difficulties typically present at each stage. The classification into different processes that takes place during innovation makes it easier to find the corresponding facilitating factors.

It was hypothesised during interview discussions that it could be possible to differentiate between companies according to the **types of processes they are good at**. Thereby there would, broadly speaking, be those companies that most comfortably operate with creativity processes and those that more comfortably operate within market oriented product development processes (Rasmussen). This argumentation can be valuable for when bringing people together for project groups and innovation networks, so that both **types of skills** are present.

Furthermore, innovation is interaction with chaotic and structured activities (H.S. Jakobsen), which makes structuring the process somewhat contradictory to what is successful innovation. The challenge is to find the right balance between chaos and space, such as getting out of one's daily work (Hansen) and precise knowledge of the daily routines and the culture of the particular business which can, with structure, be developed through innovation.

The sections indicate the types of tools and methods that are used in the companies or suggested by others to use in the particular stages. Finally, the last section of the chapter

presents the tools and methods found in the enterprises interviewed as ways to facilitate the processes that take place in innovating enterprises in a summary form.

6.5.2 The role of vision and strategy

Long term vision and strategic thinking can (a) aid the development of a **common vision** within a project group, which guides the whole process in a commonly-agreed direction, (b) if communicated well to the whole organisation, aid the creation of **new ideas** in accordance with a common aim and (c) act as a **screen** for choosing the ideas to implement to follow the particular strategy in the long term.

Vision thinking can start off a process of overall development and continuous innovation. In Feddet Camping the holistic vision of 'thinking outside the campsite' has been a decisive factor for many of the innovations on the campsite. The campsite has a holistic and an experience-oriented approach to campsite accommodation. Their vision is strongly connected to regional sustainable development, as it is clear that the 'thinking outside the campsite' vision implies that they see themselves as embedded in their surroundings. The findings on the role of vision and strategy from Feddet Camping can be applied to indicate that a vision well communicated within the organisation encourages innovation.

In many instances a common vision, accompanied by a long term strategic outlook, acts as a driver for innovation. This was found to be frequent for geographic innovations. In the case of Pumphuset, Hellstrand states that 'the museum would be popular and profitable on its own for one year'. Looking out for what the market would be like after commercialisation determined that a wider concept needed to be implemented.

It can also refine the direction of innovation, where there are a variety of interests involved (Natorp, Nyström). Innovation support services, like the Minc incubator, use the methodology of '**vision processes**' to ensure that all interests have a unified vision of the innovation.

6.5.3 Inspiration and generation of ideas

The research findings indicate that generally it is *not* the creation of new ideas which the sample of interviewed companies find problematic. It must be noted, however, that the sample is biased towards the key actors in the regions and the research did not focus on the less innovative companies. Therefore, it is only logical that these enterprises find the generation of ideas unproblematic.

Inspiration and generation of ideas originates from many sources. The basic prerequisite is to look out for opportunities and experience situations **outside of one's daily routines** in the enterprise. Interviewees state that by visiting places, seeing what others even in other sectors are doing and meeting people are the best way to generate ideas of innovation (Reedtz-Thott, H. Jakobsen, Rasmussen, Sørensen, Nyström, Hansen, and Brandt).

In this way the active participation in a network can encourage the generation of ideas. The challenge is for the smallest companies to find time to take **excursions outside** their daily work. Previously the organisational culture of a small tourism enterprise was concluded to be characterised by the **lack of time and resources**.

Professional interaction: Seeing what other actors in the same industry are doing builds up experience and intuition, which furthers these actors' ability to innovate. Additionally, this kind of observing means that the ideas are implemented at the right moment in time, as sometimes companies create ideas which are not implemented at the right time (Sørensen).

Interaction within enterprise: Many interviewees believe that involving **employees and customers** in the idea generation is of utmost benefit. Therefore, according to some interviewees the choice of the right employee is a decisive factor. Employees must also be able to look out for customer preferences and to be able to suggest these ideas to the general manager. By **observing and listening** as well as having good and open relations and short communication distance with the employees facilitates obtaining ideas (*'floor management'*) (Lützen, Brandt).

Skills (experience) matching: According to other interviewees joining people from **different backgrounds** to develop an innovative concept is very good for creativity. Rasmussen, for example, believes that innovation is always a social process driven by a group of people. In the view of Natorp, the different skills that people from different backgrounds possess are a facilitator to creativity at all stages of the innovation process.

The challenge therefore is to find time, resources and space for small enterprises to be able to combine groups of different people, to be able to look outside of their own daily business and to be inspired by ideas originating in their own or another industry.

Killing Loop hypothesis of Minc (Malmö Incubator): In the first phase of the innovation process (creativity), the entrepreneur has an idea and supporting narratives to show why there is demand for a product and why the product idea is good. Once the reality hits the entrepreneur, who sees competition, no demand, someone else already doing something similar, (s)he returns back to the beginning to refine the idea. The logic behind starting the process again is to make the product idea better and more unique. However, in reality this is about returning to the comfort zone of the creative entrepreneur. Ideas are easy to produce and the entrepreneur feels that (s)he is good at creating or refining ideas. The repetition causes the entrepreneur to lose time and money

6.5.4 Idea development and screening

Some interviewees indicate that they **keep an idea bank** from where they choose ideas to be further developed to be realised. Other times screening of ideas follows from the creative phase. It appears that the process of screening ideas for further development has some creative elements and other elements that are considerations for the practical aspects of the innovation process. Therefore tools and methods used for this process originate from both ways to approach the concept.

It reoccurs in interviews that after the creative stage, the concept which will be further developed is decided as well as the conditions under which the new concept will operate, such as costs. It is implied that communication is important in this stage with all other stakeholders, in order to concretize the plans. **Concretization of plans** makes it easier to choose the concept to be further developed.

Also during this process it is frequently emphasised during interviews that **common objectives** and **belief** are important. The vision defined earlier in the process can help screen ideas and help giving the innovation a focused purpose.

Access to the **right funding** is important for realising the innovation (Natorp). This cannot be said to hold for private companies who are innovating inside the company, however. The access to funding shapes the innovation and determines to some extent those persons who are involved in the innovation process. **Analysing customers** is important in this stage, to understand the feasibility of the innovation on the market.

Based on the research carried out, there is no consensus on whether screening of ideas takes place in accordance to preset criteria or whether it is based on **intuition**. In addition, the processes that relate to idea development and product development are actually rather overlapping and share similar elements.

6.5.5 Product development

What here is termed as product development consists of **product/market-oriented processes** (convergent) aimed at understanding where the product (*concept*) fits in the market after its launch. For process innovations perhaps this implies understanding how the process fits the market. Logistics innovations can be taken as similar to new products, and therefore for example when designing a new common transportation for local produce from the suppliers to the restaurants the product development phase takes the plans made within the idea development process to a more **concrete level** that tests the **feasibility** of such a system. Perhaps the realisation of a particular idea requires some organisational or relational innovation.

The Landskrona tourism bureau pointed out that companies generally have a lot of ideas, but cannot estimate the feasibility of realising an idea. Companies do not necessarily recognise the demand for a particular idea (Eriksson). Therefore, outside experts, who are familiar with market analysis techniques, are helpful in the stages before the realisation of a novelty.

Two subjects for product development came up frequently in interviews: **market analysis and competence development**. Taking into consideration the assumption that there are two types of companies, creativity-oriented and market-oriented, these product development processes are likely to pose a challenge to those companies who are not used to formalised business planning and to market analysis.

According to Sejer Jakobsen, a specialist in creative processes, companies are very likely to **analyse the past**, because this is familiar to them. They look into the past to find answers for how to succeed. They do not take the market analysis as a continuous project, do not explore new areas and in essence undertake a market analysis as an event. Two interviewees state that it is challenging, but extremely important to imagine what the business will be like in the future (5-10 years time) (Lützen, Hansen).

Market analysis to understand the demand for a particular concept is usually undertaken through interviews or surveys. For the innovation project at Mariebo Sjøpark, the project group **interviewed** potential customers in the region to enquire what kind of services they are missing. From these answers he began to **refine the idea**.

Before the realisation of the Pumphuset project in Landskrona, Hellstrand made **telephone interviews** with 50 companies to enquire about the representation needs in the area. The response that most of company representation takes place outside of Landskrona led to the conclusion that the new service would have a profitable market locally. For the development of the Geo Centre a **survey** on the number of people that would be **willing to pay** to visit the attraction was made. Based on this the size of the centre was decided.

Another set of opinions circled around the lack of competence, for which courses were suggested as an appropriate way to develop the relevant competences. An entrepreneur's ability to implement a good idea with a market demand depends to an extent on the ability to budget for the longer term, especially where the innovation project is larger scale (Hellstrand). **Competence development** for making business is therefore just as important factors for carrying out a successful innovation than the ability to be creative. For both creativity and business development there are courses offered on the market.

In order to facilitate the market launch, Minc has a market oriented competence development process, which involves learning how to find the first customer through learning basic customer communication; how to reach the next customers after a pilot project and preparation for growth.

The Minc Development process (NB: A loose phase development process)

- 1. Learning to communicate with the market and the first customer**
- 2. Learning about the customer; what to do to make a pilot project succeed**
- 3. Learning how to access a larger group of customers**
- 4. Preparing for growth**

The process focuses on how to sell, on general communication with the market and on visualizing the future and what the entrepreneur needs to do in practice

6.5.6 Realisation and evaluation

The realisation or commercialisation of a novelty is the goal of any innovation process. In order to reach the realisation stage one must believe in one's idea and must have invested in it (Natorp). It is pointed out that the process must be rather short as **'time kills idea'** (Natorp). Also it is stated that with experience innovating becomes just a matter of implementing ideas (Reedtz-Thott).

For the processes that aid the realisation of a concept, it is worthwhile to study the support mechanisms of an incubator, since this is where business incubators are specialised. Natorp adds the importance of belief in the concept. According to Thagaard, from Malmö Incubator, the innovator must be able to sell the product and for this reason **courses** and **competence development for selling** an idea are important. The interview also indicated that

connections to the **first customers** are important for start-up firms. Similarly, this could be taken to apply for all novelties. Through the **word-of-mouth** marketing of the first customer the customer base can grow.

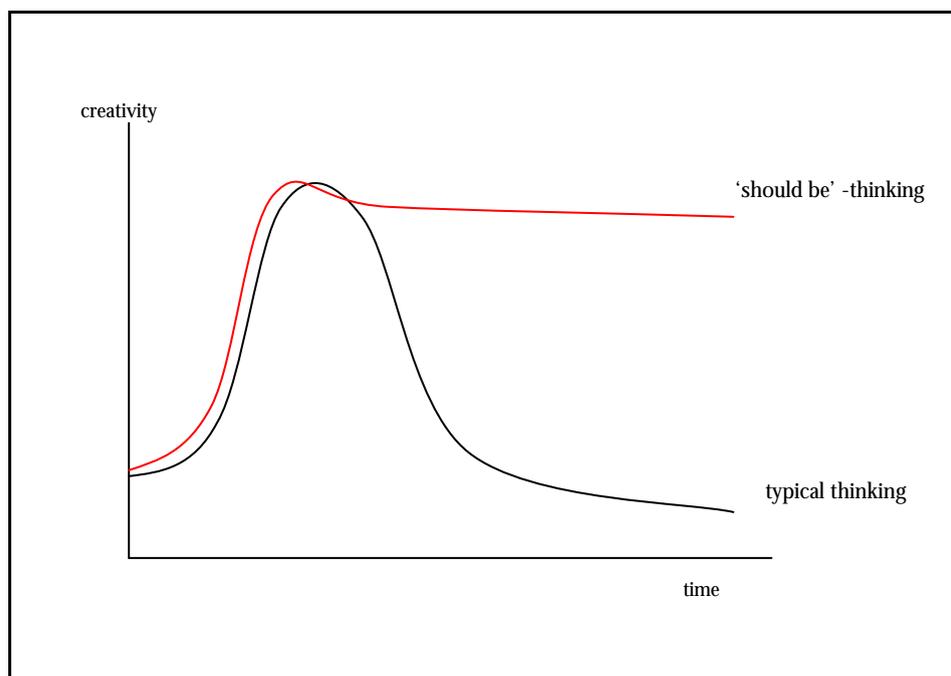
A couple of interviews indicated the importance of **product knowledge** (Sørensen, Hellstrand, and Fusing). For an idea to develop into a success after launch, the whole organisation must be educated on what they are selling. For this reason courses and education are important. The interviewees indicated this especially in the context of restaurants.

Innovation is not a one-time activity, but a process that is continuous. Similarly, the evaluation of a realised concept is often undermined. For this reason some of the same means that are used to **generate ideas** in the first place are valuable for **evaluating** the new concept. This implies the use of the opinions of customers and employees.

Listening to employees and customers is the best way of coming up with new ideas for incremental improvements, and therefore it is necessary to find the **'right employees'** that can **listen, observe and suggest** improvements to be implemented. Formalised techniques to implement quality improvements can also be used. For example the interview with the responsible of the Tycho Brahe museum on Ven (Landskrona) suggests **videotaping** as a way to understand what sections of the museum the visitors like best.

A key lesson learnt is that even after market launch the **'creativity-mode'** is an important, but often forgotten, element. Figure 6-1 indicates that companies generally behave in a way that the level of creativity drops after the first phases. However, Malmö Incubator advises companies to understand, that innovation as a whole require creativity.

Figure 6-1 Level of Creativity in Innovation Process



Source: Thagaard, Minc

6.5.7 The use of innovation tools and methods in sample companies

A major part of this research included the search for tools and methods that SMEs use in their innovation processes. The tools and methods that sample companies were using are presented below. However, often enterprises stated that the innovation process is about ‘trial-and-error’ or a logical process from getting an idea to implementing it. Although some companies were aware of the existence of tools and methods they were not aware of using any themselves. This is because the companies are not used to the type of thinking which underlies identifying tools and methods (Eriksson).

Table 6-2 Tools and methodologies employed in innovation processes¹³

Purpose	Tools and Methods identified by enterprises	Tools and Methods identified by external experts
Inspiration/Idea generation	Visiting other enterprises in the same business Customers, employees Meeting people Exploring ideas from different sectors Group of people from different sectors working together Written idea bank from own ideas Idea Bank from membership criteria Big notice board with ideas added every time the group meets.	(*This can be taken to indicate that external experts believe that entrepreneurs are able to create ideas. The aid of external experts is important for the other processes)
Idea development	Checklists	External diagnosis (SWOT- type) Writing a few pages Coaching Vertical thinking (H.S. Jakobsen) Horizontal thinking (H.S. Jakobsen) Creative competence (H.S. Jakobsen) = “yes, and...?”
Product development	Training courses, e.g. in budgeting Market research through calling potential consumers Decision to believe – pep talks?	Business plan Devil’s advocate Learning how to sell (external consultancy) Coaching (Thagaard) Vision processes (Thagaard) Snapshots (Thagaard) Creative competence (H.S. Jakobsen)
Realisation and commercialisation	Decision to believe- pep talks?	Strategic customers (Thagaard) Snapshots (Thagaard)

¹³ It should be noted that the author has placed the tools and methods mentioned in the framework used for this chapter. It was earlier stated that the definition for innovation tools and methods is taken as intuitive. This logic was confirmed by Jakobsen (H.S.) who states that defining the two is challenging: “Tools is what you put into the process to make it happen; methods are the processes used to make change”.

Source: Compiled from Interviews

The way that these tools and methods are to be used and by whom is a point not discussed in the scope of this thesis. The purpose was to identify the use of tools in companies and by experts.

6.6 Start-up Companies' innovation process

In Skåne, there is an evident focus on the establishment of conditions that encourage entrepreneurship and start-up firms especially. The focus is on creative industries as well as technology. The main interest for innovation is Small- and Medium sized enterprises (Lorentz-Hjorth 2006:51). In order to make use of the existing knowledge base links and co-operation between universities, businesses and Region Skåne have been established, following a so-called Triple Helix logic. Several incubators aim to facilitate the start-up of enterprises in creative, knowledge intensive, environmental technology and technological industry, of which IK2 (Innovation Skåne) and MINC (Malmö Incubator) were studied for this research. According to Innovation Skåne: "People in Sweden are traditionally very good at inventions and ideas but bad at innovations" (Lorentz-Hjorth 2006: 75). Therefore, it is logical to aim to increase the commercialisation potential of ideas through facilities that support the innovation process.

6.6.1 Findings from the innovation process of start-ups

Two new enterprises were interviewed during the research project. Both of these are destination development projects that follow sustainable development. Pumphuset is embedded in the region (in Landskrona) through the preservation of the history of Borstahuseten as well as supporting the activity of the fishing harbour. Socio-culturally speaking it has an integration and equality policy which follows the argument that the staff of the restaurant should be like the community itself. Møns Klint Geocentre is a nature interpretation centre which mixes nature with art and culture.

The innovation process in both companies began by a vision to preserve heritage, either natural or cultural. From the vision a concept was created which was further developed to generate an overall experience that would make the attraction a more interesting place to visit. From thereon the process involved the arrangement of practicalities and getting agreements from the area to implement the concept. In a sense, the process is similar to a new service development process within an existing enterprise, despite the larger scale.

The interviewees considered the following factors important for the success of a geographical innovation:

- The right funding is crucial and shapes the outcome of the project.
- Finding investment money can be a challenge and a hindrance
- The group of people can act as a help or a hindrance
- It is important to analyse the market and the potential customers

6.6.2 Business development services for start-ups

The way in which start-up enterprises are supported and the process of starting up a new firm is facilitates can give guidance to the kind of needs that firms have. It is possible that

those that act as facilitators in this process better identify the needs of new companies that are about to enter the market rather than existing enterprises who may require similar facilitation for undertaking innovation processes.

Business Development services for start-ups can be either formal or informal, main function or a side activity, depending on the provider of the services. The analysis made here is based on an extremely limited number of actors who provide services for start-ups and therefore the analysis can only be taken as hypothetical indication. Here, the methods for business development that are used by Malmö Incubator and by East Danish tourism, Møn Destination Office are presented.

East Danish Tourism

East Danish Tourism (Østdansk turisme) acts mainly as a marketing organisation. Additionally, if approached by entrepreneurs, the development organisation can provide counselling for a pre-study of establishing an enterprise. The organisation provides information on new market trends (**market analysis**) to companies in the regions to help tourism companies with product development. An example of a market analysis that is being undertaken currently is one on studying tourist preferences in off-season, in order to develop the extended tourism season on Møn and Marielyst (Sørensen).

Møn Destination Office

According to Büchert, a local development agency can “really make a difference for entrepreneurship and maintaining the businesses”. The office provides business development services as a side-function that is formalised. The process can begin on the initiative of the entrepreneur or on the initiative of the destination development office. An important part of the facilitation process is a **diagnosis** of the idea. This is a **SWOT** type of mapping out the problems and the opportunities that the entrepreneur may face with. In addition this stage includes **listing what further action needs to be taken**, whether it is contacting the bank or a person who can give advice on financing and so on. The third stage involves the **re-evaluation** of the idea. The way that this stage is carried out in the Moen destination development office is to get the entrepreneur to **write several pages** on the idea. The writing helps clarify why others besides the entrepreneur oneself would potentially be interested in the concept. This way the entrepreneur’s consciousness on the idea can be raised.

Two sixths of those who approached the office with an idea never return after the third stage (Büchert). For those who are serious about implementing the new business concept the rest of the process implies **refining the idea and learning how to sell**. A method for refining the idea is to **play the devil’s advocate**. The process is very problem oriented.

MINC (Malmö Incubator)

Minc is an incubator for knowledge-intensive enterprises. The general functioning is perhaps not relevant to discuss here, but rather the methodologies for business development employed, which can then be applied in a context out of an incubator. The services that Minc offers for start-up companies are (1) advice on business and product development, (2) education on leadership and **selling** for example, (3) networking and contacts, such as strategic customers and (relations to investor and risk capital). The Innovation Lab focuses on a general idea generation process consisting of (1) needs definition, (2) idea generation, (3) idea growth, (4) concretisation and (5) presentation of results.

The perspective on business development in Minc is to find people with a competence to sell the product, since the key issue for start-up companies is to be able to enter the market successfully. It is important to have knowledge related to niche markets (Thagaard).

The facilitation process for companies that have passed screening is unstructured. The methods used include a **tutoring procedure** to refine the concept through pertinent questioning. Through such a procedure the defects of the idea can be pointed out, as well as the missing factors. This helps in identifying the steps that need to be taken to reach the next step. Otherwise, '**vision processes**' are utilised to overcome different ideas among the project group in order to have a common vision of the forthcoming product. The most important support given by Minc is to build the competence of the start-ups in knowing **how to sell** (Thagaard).

6.7 Chapter Summary

Networking: The best ways to spread information among the SMEs in a region was found to be through networking, or through a dynamo business / external change agent. It is assumed that entrepreneurs like listening to their colleagues and therefore it is believed that this approach can open up companies for ideas on innovation.

Vision: The findings presented here once again indicate that a vision that is holistic and commonly shared between all the interested actors guides a company's innovation process. To ensure that all those involved in the innovation process share a vision, 'vision processes' can be used. The challenge is to incorporate principles of sustainable development into the vision if this is not possessed by the company innately.

Creativity and practicality: It was shown that the innovation process is a combination of creative [$<$] and practical [$>$] processes, which are overlapping and simultaneous as well as sequential. Broadly speaking there are those companies who are more comfortable operating at the creativity end of the process and those that are better at the practical aspects. The challenge is to identify that a company would benefit from innovation and to identify whether these are needs for creativity or for the creative aspects of innovation. By doing so different skills can be matched in an innovation project.

Chaos and Structure: The challenge in managing innovation is to find a balance between chaos and structure. Whereas the innovation process is often depicted as a structured sequential process, innovators should be aware that innovation perhaps benefits from an extent of chaos throughout the process. The divergent and convergent processes present during the process should therefore be recognised.

Tools and methods: Companies were shown to use tools and methods to aid innovation processes. Usually they appear uncommon for incremental innovations. However, in larger scale projects market analyses are used. Idea banks appear useful also. The companies are not necessarily aware of the need to use tools and methods as they proceed with innovation in an intuitive way. Experts indicated the existence of a number of very useful ways to facilitate innovation by the use of tools and methods.

Lessons learnt from start-ups: Lessons can be learnt from the way an incubator, for example, supports the innovation process. The way an incubator functions providing competence development, teaching how to communicate with the customer, how to sell on the market and how to handle the growth in the market can be taken as indication of the

type of services that companies value. More on such methodologies can be learnt from incubators and others dealing with start-up companies.

7 Conclusions and Recommendations

The aim of the thesis research was to understand the underlying reasons that motivate or hinder innovation in small and medium sized service based tourism companies. By understanding what drives and hinders innovation it is possible to find facilitating factors to encourage and stimulate (sustainable) innovation in less innovative companies. The research questions were answered as follows: 'What is sustainable innovation in tourism related services, and what is the innovation process like?' was answered through a literature search (Chapters 2, 3 and 4). The research question, 'What drives and hinders innovation?' was addressed in Chapter 5 and 'What actors, tools, methods and other techniques facilitate innovation?' and 'Which actors should be involved in innovation and how can innovation related knowledge be spread?' in Chapter 6.

This chapter first gives a summary of the key findings from each of the chapters and presents conclusions. The conclusions are followed by recommendations, an evaluation of the research and propositions for further study.

7.1 Conclusions

7.1.1 Summary of Key Findings

The literature search, presented in Chapters 2-4, indicates those characteristic features of innovation in tourism that need to be recognised and understood for meaningful innovation facilitation processes.

Chapter 2 It was shown that tourism is a sector that comprises of many sub-sectors. This means that the tourism enterprises function together in a bundle to offer the overall tourism product to the customer. Therefore the sustainability achievements and impacts are very much dependent on the firms working together for sustainable development oriented operations within the group of enterprises.

Chapter 2: 'Sustainable development' implies sustainability in environmental, economic and social parameters. The work towards more sustainable tourism business entails the following actions, as suggested by Johnson (2002) and applied by the European Union methodology for measuring sustainable tourism (Eriksson *et al* 2006): Integrating activity, long term planning and partnership development; maintaining and developing diversity; supporting local economies; using resources in a sustainable manner; involving local communities, stakeholders and the public; researching and sharing learning and experience.

Chapter 3 Innovation in tourism related businesses is defined from a broad perspective, where 'innovation' is taken to refer to novelties in not only products and production processes, but also refers to more social innovation such as those related to organisational novelties and those relational novelties with actors external to the company in question. Such organisational and relational innovations can be taken as steps towards other types of innovation, for example in logistics and marketing, besides process and product innovation.

Innovation is defined from the company or regional perspective, where the novelty is something new to the company or the region, and not necessarily new to the world.

Chapter 4 Modelling innovation in various ways is extremely common in the published literature. The thesis employed three models that were considered most applicable for the purpose of structuring and systemising the empirical findings. By combining notions presented by models of innovation (one linear and one non-linear) and new service development, the literature review was able to demonstrate that innovation consists of idea generating (or creative) processes and market or product focused processes. Although often modelled as a linear, step-wise process from creativity through to implementation of a novelty, innovation should most descriptively be taken as more of an open process, that makes use of varying inputs. In addition, the moving back and forth between stages in a less structured manner should be considered as an important feature.

Chapter 5: The empirical research showed that the basic reason for which companies innovate is the continuously changing **market**, including the evolving demands from the customers. Nevertheless, innovations that foster sustainable development do not originate from a market demand, but rather from the external regional conditions (the **development push**) such as projects and initiatives that create a favourable environment for sustainable development related innovations. The organisational character and culture, where the key entrepreneur(s) running the business play an essential role, is central to the innovativeness and success of implementation of novelties within the company.

Chapter 5 The reasons for which some companies are not successful at innovation can generally be traced to the **organisational culture**. The very small companies are very focused on the daily business and have **limited time and resources** for any additional activities. Therefore, for a lack of long term vision and strategic thinking was mentioned by experienced interviewees as a major barrier to innovation. Where external innovation support structure is considered, there is a risk that the induced innovation behaviour may not hold in the long term, if the entrepreneurs feel no ownership of the particular project. In summary, non-innovative organisational and personal characteristics as well as limitations that result from the nature of business for small enterprises, act to hinder innovation

Chapter 6 The research examined innovation facilitation from the perspective of options for how to organise innovation internally and through networking and from the process perspective for innovation. Networking was shown to be a very important way to enhance innovation especially for inspiration and idea generation. It is uncommon for innovation to be carried out within an individual organisation, and more usual for enterprises to co-operate with others for generating an innovation.

Among the sample of enterprises interviewed the generation of ideas for innovation was indicated to be easy and sources for obtaining ideas vary from the entrepreneur to businesses in the same sector, employees, customers etc. It is more challenging to generalise on the findings related to idea development and screening as well as the final stages of before the realisation of a novelty. Studying the market was indicated as a method considered by successful innovators as important. Other innovation tools and methods were generally mentioned in a context where they are used implicitly or unconsciously by the respondents.

7.1.2 Conclusions

Regional Sustainable Development is dependent on the regional actors' activeness to create the external conditions that encourage sustainable development and the 'push' factors for innovation, as well as the endogenous will of the companies to innovate in line with the regional vision of sustainable development. In this context, innovating in a sustainable manner is a question of making value out of what exists and thereby keeping the benefits of growth locally. The organisational culture of small and micro enterprises makes it difficult for companies to open up for outside influences and therefore the extent to which outside facilitators can influence their mindset can be a challenge.

For larger, more innovative companies the process of innovation may follow a logical stepwise process. However, for smaller ones a more chaotic process should be assumed. The successful innovators generally have **long term thinking**, guided by a **vision** and they focus on what they are good at. One of the most important aspects to introduce to small companies would be the ability to look ahead, focus on the vision and also indicating the opportunities that the company has in the future.

Networking has been shown popular as a method for expanding the resource base. The enterprise is not a separate entity. Innovation is a social and open process and is very much dependent on the resource base outside of the company and the access to that base. However, the extent to which an enterprise benefits from a network depends on the activity of the entrepreneur and the extent to which (s)he makes use of the resource base provided by the network.

Whether it is possible to spread innovation skills through networking is also dependent on the differing company cultures of companies in different sectors and companies of different size. In addition, some entrepreneurs are satisfied without innovating and therefore it should be necessary to identify either those who are in need for innovation or those that are interested in participating in induced innovation.

Possessing the right skills is an extremely important success factor for innovation. Open networks are helpful for creative processes. On the other hand, networks can be set up for the purpose of having access to a skill that the entrepreneur himself does not possess. Through skills identification a more closed network directed for a particular purpose, where an ideal skills base is formed, can be created.

Tools and methods to facilitate innovation are used modestly and largely unconsciously and intuitively by interviewed companies. Even small companies do, however, employ such facilitation tools, whereas they do not necessarily recognise them as such. The intuitive way of carrying out innovation by small enterprises may pose a research challenge.

Differentiation between geographical innovation and innovative companies is very important. It is common for those involved in regional development to focus on large scale geographical innovation projects. The reason for this might be that the ways of operating of small companies that are very 'personal' in character are unknown to a larger public.

The research was carried out during the high season of tourism (July-August). Many of those enterprises contacted were extremely preoccupied with their daily work and therefore the choice of enterprises was rather opportunistic. The accommodation sector was most

interested in participating in research. This corresponds with the finding that hotels are generally most open to activities outside the daily business. The findings of the study could have been different with a different sample.

7.2 Recommendations

7.2.1 Challenges

Tourism development organisations tend to offer more or less formalised business development services where generally the receiver of the services is a start-up firm. The recommendations are based on the suggestion that such agencies, for example, structure these business development services into a formal, overall innovation facilitation process.

The research identified some challenges, which are to be addressed by the facilitators of innovation:

Especially small companies operate on a very short term basis. How can longer term thinking be introduced?

The companies in question have a tendency to respond to problems when they arise. How can these companies be taught to be prepared to 'tomorrow' before problems arise?

Where the company is unfamiliar with sustainable development thinking, it is worthwhile to consider how an outside actor can introduce sustainable development vision into the company and what this actually means for the company.

At the regional level some challenges to consider are: (a) How to make SMEs more aware of the existence of regional support mechanisms? (b) How can more of a 'market pull' be created for sustainable innovations?

7.2.2 General recommendations

Holding courses and workshops relating to creativity as well as the practical business development in the innovation process are advisable. Workshops that apply creativity methodologies and courses on budgeting and developing a business plan, for example, were shown to be potentially beneficial by the interviews. It was, however, indicated that for certain locations the distance to the workshops can be a barrier, in addition to which the smallest micro-businesses do not necessarily attend workshops in any case.

It is assumed that the organisations working with tourism development issues, and especially the dynamo businesses, are extremely familiar with the company culture and therefore do not require additional explanation on the specific ways that those particular companies work.

However, it must be noted that although from the change agent perspective some companies may require support and would benefit from innovation and business development, they need to also consider that some companies are satisfied with the way they are working. Thereby it is advisable to find those companies that are interested in developing and co-operation, to build their innovation capability and through this channel potentially in the longer term influence the so-called satisfied companies.

7.2.3 Recommendations for the facilitation of the innovation process

Step 1: Creating a basis for innovation

Many small tourism enterprises operate with an extremely short term perspective. The pace of the daily business does not allow for reflection or the development of a strategy or a vision. Therefore, the discussion on innovation concepts as well as considerations of sustainable development can be overwhelming if no direct link to better marketing or attractiveness to customers can be immediately seen. Therefore, as an initial stage to innovation, it is necessary to emphasise what innovation and what sustainable development in reality mean for the individual company.

Understanding the benefits of innovation related to regional sustainable development includes understanding the benefits of being part of the locality and looking around for opportunities that the region offers for different types of innovations (e.g. product and relational innovations).

Those enterprises that were presented earlier as 'dynamo' businesses can play a role in spreading the understanding on the benefits of innovation and showing what sustainable development means in practise. Because it is extremely important to take these notions to the most practical level possible, the businesses in the same sector are the best agents for facilitation of the creation of a base for innovation. The issue of trust among competitors should be carefully addressed, however.

It is, therefore, recommended as the first action by those actors who are involved in regional development to gather a group of 'dynamo businesses' to elaborate on the benefits of innovation and on practical examples of how innovation relates to sustainable development. The task of providing inspiration for creating a base for innovation can thereby be to some extent be passed onto the dynamo businesses who already see themselves as embedded in their surroundings.

As a practical aspect, the processes present in the innovation process should be identified by the regional developers. In this research it was suggested that two types of processes are present in the overall process of innovation. The idea of two basic processes, idea generating and innovation focused processes, can be applied as a basic notion for understanding and typifying the enterprises that innovation facilitators work with. This assessment should be done early on, as by doing so some relevant actors are not left undermined.

Step 2: Facilitation of vision thinking

The research defined the importance of introducing vision thinking in small enterprises. A vision is defined by management literature as 'a mental image produced by the imagination' involving 'seeing the optimal future for the business', which includes looking at the 'how', 'where', 'who' and 'what' will be in the future (Building Brands).

Small tourism companies need to learn to look to 'tomorrow' and analyse the future rather than the current situation or the past. They need to learn to see the business with a long term perspective. An outside change agent has a role as an introducer for vision thinking, which takes into account the role of sustainable development in the company's future.

It is important for external actors to stimulate the beginning of an innovation process by getting tourism practitioners to ask themselves where they see themselves, for example, in five years' time. Since the lack of long term and strategic thinking was identified in this research as a major barrier for innovation, it is appropriate to place the facilitation of vision thinking very early in the overall innovation facilitation process.

In practise discussion on visioning the future needs to consider brainstorming of how the future of the company will look, what role sustainable development will play and how the company can make use of sustainable development considerations. Knowing that the companies that lack long term thinking are extremely focused on the daily business, it may be suggested that the best way to introduce these ideas is alongside other initiatives, such as meetings for common marketing.

Step 3: Facilitation of idea generation

The research indicated that companies find being creative and generating ideas very easy. This result, however, is based on interviews with the front runners in innovation. In summary ideas are generated through interaction with staff, colleagues, customers, enterprises in the same and other sectors. Therefore, in order to facilitate the idea generation process in those companies that are not as comfortable with creating new ideas, the interactive processes must be emphasised.

In terms of a network, the formation would be extremely open. Inputs from many different people allow for the potential innovator to get ideas from the practises of other companies for example. It is especially recommended to bring together a group of people from differing backgrounds. Joining the skills of science with marketing was shown in the research to bring about an exceptional product.

Because the generation of ideas benefits from variation in the process and actors involved, the facilitation can be encouraged by the regional developers in terms of design and formation of creative networks which bring together a variety of skills and backgrounds. In addition, case studies of innovation in dynamo businesses can inspire less innovative enterprises to implement new ideas. Both external actors and the practitioners themselves can furthermore carry out processes of idea generation through special methods created for these purposes.

For tools and methods that were indicated to aid the idea generating processes, refer to the toolbox (Figure 7-1). Moreover, in terms of innovation diffusion of environmental efficiency innovations, criteria sets derived from specific schemes for this purpose, were pointed out as a potential way to stimulate idea generation.

Step 4: Facilitation of implementation of ideas

Following the two-process logic of the innovation process suggested in this thesis, the inputs required for the implementation of ideas differ from those of the creative processes.

The role of the change agent as a facilitator in the implementation of good ideas is to aid the enterprises in identifying what their competences are and to perform a check on whether the particular ideas are feasible at the particular moment for the particular group of customers.

The regional development agents that do already to some extent carry out business development services need to make these services more visible, so that companies that

require help in terms of checking the feasibility of their ideas know where they can approach for help.

A strong suggestion of division of tasks is, therefore, that whereas the 'dynamo' businesses can aid in the creation of a base for innovation and in the first stages, the regional agents have a role to play in providing a channel for any inputs required for the development of the idea during the innovation process.

The implementation of the novelty involves idea development and screening and product development. There are various aiding methods that companies themselves can use to develop ideas. They can, for example, write a description about the idea on paper, use a large notice board as an idea bank etc. For a list of suggestions on such methods, refer to the toolbox (Figure 7-1).

The opinions on the screening of good ideas differ and some even believe that screening is intuition based. An outside input is recommended for screening of ideas when it comes to analysing the market. It is important to continuously examine the market through listening and observing customers, and through employees. Examining the market and the demand for the particular idea is to be emphasised to potential innovators as one perspective for checking the potential success of an idea.

The regional actors (change agents) have a role in aiding the facilitation of networks that are more closed, or directed for the particular purpose of the innovation, as well as in carrying out vision processes within the innovation group. It is suggested that innovation facilitators aid the enterprises to see their own strengths and to focus on those. Interviewees themselves suggested that belief in the new concept is essential, and therefore it is necessary to consider not only the practical aspects relating to required skills, but also on the creation of belief in the process one is carrying out.

Whereas the idea development stage rarely requires costs beyond the opportunity cost of a day's work when participating in activities outside the daily business and the costs associated with the external activity, the potential investment into the innovation need to be considered at the idea and product development stages.

For small and micro-enterprises the financial risks of innovation needs to be assessed. Even though not directly addressed by interviewees, the significance of lack of finances associated with innovation was discussed. An external specialist can aid companies in financial risk assessments, where necessary.

Companies often admit that they see innovation as something that necessarily costs a lot. This is very dependent on the type of innovation, and innovation facilitators should explain to their customers that there are those innovations that do require large investments and therefore the gathering of funding is a major stage of the innovation process, which needs a lot of attention.

However, the research indicated that also low cost innovations do exist, and perhaps employing the experience of the dynamo businesses can be helpful in describing that innovation does not necessarily cost so much. To illustrate, the example of Feddet Camping provides an example of cases of innovation that requires large scale investments, such as the new service buildings, and those that are very low-cost, such as creating an attractive product out of the nearby beach by cleaning it to become the 'cleanest beach'.

It is necessary for companies to consider where they may obtain funding for innovations and whether for example a regional actor, such as a tourism development office, can develop itself to act as a channel for funding when it comes to innovations related to sustainable development.

Step 5: Facilitation of a continuous process of innovation

It is important to emphasise that companies should invest in 'product knowledge' and competence of the staff, since this was pointed out to set in motion a long term, continuous innovation process. Emphasising the staff role in innovation is a way in which a continuous innovation process can be encouraged.

Whereas a role can be specified for regional change agents and 'dynamo businesses' in setting in motion the innovation process and in ensuring the process finalises in implementation of novelties, it is more challenging to specify how these actors can influence a continuous process of sustainable innovation. Here suggestions are given for how considerations of sustainable development can be integrated into company innovation on the longer term. In other words, such integration among businesses at a regional scale is a time consuming process and rather than being the last step, it should be taken as a simultaneous process that takes place from a top-down regional actor level.

The thesis emphasises that vision plays an important role in innovation. Therefore, if regional actors wish to encourage sustainable innovation in the companies in their region, these outside influences have a role in introducing a sustainable development vision into the company thinking. Explicitly this would mean helping those companies understand what sustainable development means for them and how they could employ the ideas in their particular enterprise. Additionally, external actors can express to companies that these enterprises have a role in building up a region that is known for sustainable tourism enterprises.

More implicitly, it is possible to discuss how to influence the behaviour of tourism enterprises through building a strong regional identity with a sustainable development focus. This, communicated to the tourism industry, is expected to encourage further sustainable development related action. Nevertheless, to a large extent, tourism related sustainable innovation is dependent on, for example, infrastructural decisions made by the public sector as well.

Long term recommendations

The interviews indicated that there really is no demand for sustainable tourism. On the long term regional actors need to look into how to influence the demand for sustainable tourism. A higher demand for sustainable tourism would create a market pull, which interviews indicated as an important driver for innovation.

The research also studied the operation of a business incubator. These establishments select start-up enterprises based on a set of criteria to benefit from the business development services of the incubator and its network. Ideally a similar type of establishment could be set up for sustainable development oriented tourism businesses. The selection criteria for those business ideas that can benefit from the business development services would rely on sustainable regional development parameters and those that promote a sustainable regional identity.

7.3 Further Guidance

This section on further guidance is aimed as a step towards creating a prescriptive methodology for innovation as well as a beginning for a toolbox that would potentially accompany any prescriptive approach.

Firstly, Table 7-1 evaluates the potential of certain schemes to act as facilitators, based on the findings. The aim of this table is to stimulate thinking, since given the rather small sample for this research any definitive guidance would not be feasible.

Table 7-1 Indication of certain schemes to act as facilitators to the six innovation types

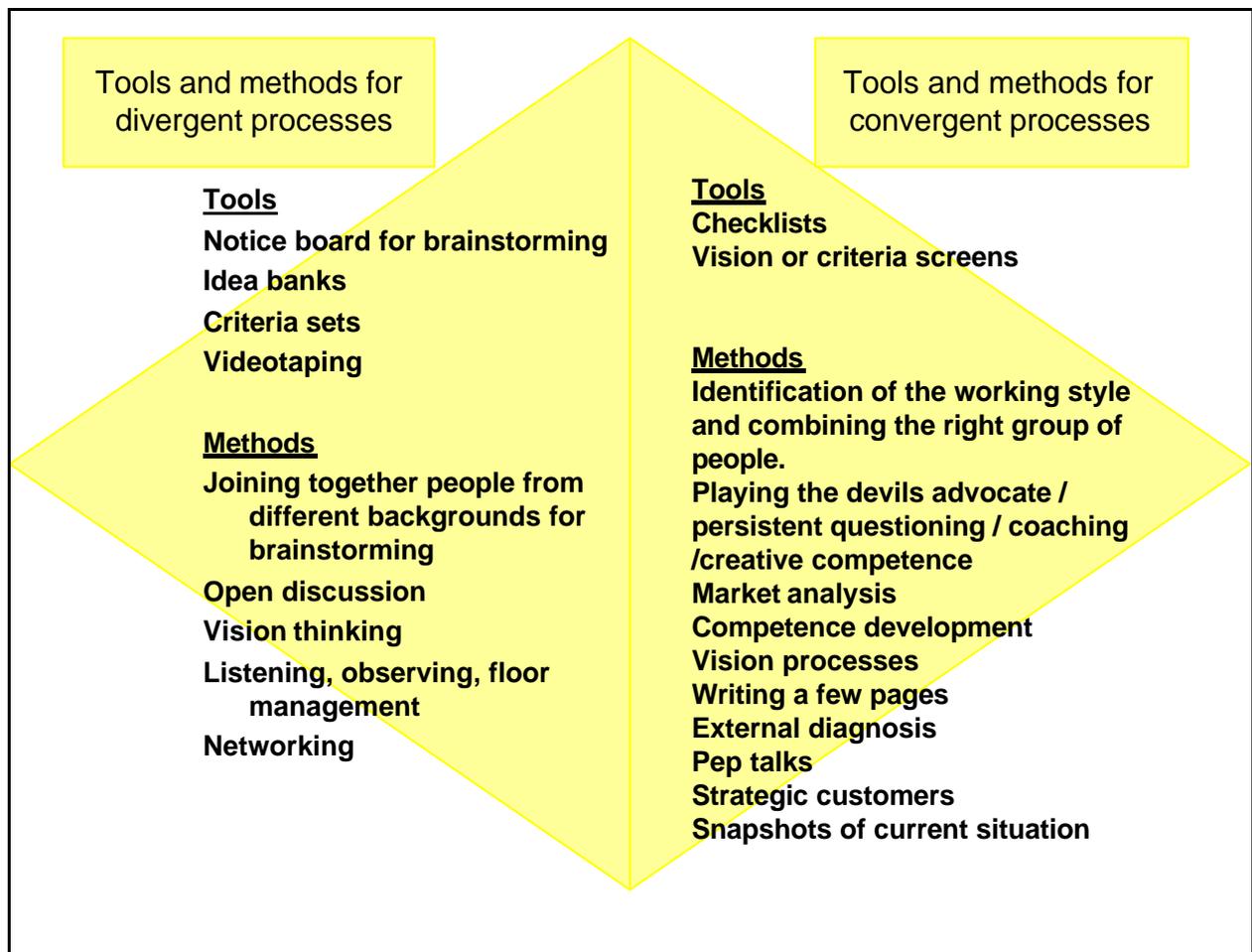
		Product	Process	Market	Logistics	Relational	Organisational
Regional vision		++	?	++	+	+	?
Projects		++	+	++	+	++	?
Awards		-	+?	?	-	-	-
Recognition schemes	<i>Green key</i>	?	++	-	+	?	++
Networks	<i>B2B</i>	++	+	++	+	++	?
	<i>Product Based</i>	++	?	+	+?	-	-
	<i>Resource Based</i>	+	?	+	?	+	-?
	<i>Formal networks</i>	+	++	+	+	?	-?
<p>KEY:</p> <p>++ = facilitator</p> <p>+ = can be a facilitator</p> <p>? = cannot conclude based on this research</p> <p>- = does not facilitate</p>							

Source: Compiled from Interviews

Towards a toolbox for facilitating innovation

Figure 7-1 **Error! Reference source not found.** presents a proposition for a toolbox from which change agents and companies can choose the most suitable tools and methods for the particular innovation management situation. The logic of the toolbox follows from the Hallenga-Brink (2005) model presented in chapter 4.3.3 which builds on the idea that an innovation process in small companies consists of diverging and converging processes. Appendix 4 describes the logic in detail.

Figure 7-1 Beginnings of a toolbox for innovation facilitation¹⁴



Source: Empirical findings adapted to theory

7.4 Evaluation of Research

It can be concluded that the results may be generalised among tourism companies of the same size with regards to the internal process of innovation. Although external (regional) conditions and cultural factors differ among destinations, on the general level the results can be concluded to be applicable. However, more research on other geographical regions would be needed to confirm this argument.

The topic of the research is one that requires balancing between the highly theoretical concept of innovation and the extremely down to earth daily operations of practitioners of tourism. In order for any research on the topic to succeed, both sides need to be well

¹⁴ Note that the toolbox is a compilation of tools and methods that were found in the research. Whether these tools and methods can be used by companies or outside actors and in which kind of situation is a matter that must further be studied in practise.

understood. Practitioners as well as researchers need to understand ‘the other side’ of the concept. In some cases, perhaps there is need for a ‘translator’ (Fussing).¹⁵

Without a limitation in time it would have been interesting to go beyond mapping the current situation to analyzing the possibilities for developing innovation processes, tools, methodologies and techniques that directly include sustainability factors. Logically the developed ideas would have also been tested on the sample of enterprises interviewed for feasibility. Without ‘testing’ the research can only give an overview to indicate the actors and factors that facilitate innovation.

7.5 Topics for further research

This thesis research is to be taken as an overview and an indication of the way innovation in tourism can be facilitated and therefore it opens up possibilities for further research.

In any further research on the topic it would be worthwhile to make a distinction among the different sectors that belong to the tourism bundle. This research indicated that there are some behavioural differences between hotels, restaurants and bed and breakfasts, for example. By focusing on one sector more concrete guidance can be given. According to Fussing Jensen, for example hotels go through innovation process and examine the market. It is worthwhile perhaps for business tourism to separate the different functions. For holiday tourism, separating the different sections may not however be relevant, since they are dependent on each sector.

Additionally further research could be carried out on the type or sector which typically is good at creative processes (divergent) and those that on the other hand good at market oriented processes (convergent). This could possibly aid in the ‘skills matching’.

A limitation of the thesis is that it gives advice for the so-called less innovative companies based on the opinions of good innovators. Any further research should also interview less innovative enterprises to give an in depth comparison between the external and internal conditions of a companies that are innovative and companies that are less innovative.

The research focused to some extent on looking into recognition schemes. Further research should be carried out on the characteristics of labelling schemes that actually do encourage innovation.

The thesis builds on a compilation of theory, since there appears to be a lack of relevant innovation theory. The next step from this research would be the development of methodology for innovation specifically relevant to the particular sector(s). However, it is not self-evident based on the research for this thesis that the creation of a step-wise methodology is possible. The research suggests one possibility to provide recommendations in a step-wise manner, and any further research should continue this attempt to create a more definitive methodology.

Furthermore, more research should be done on tools and methods that aid the screening of ideas, on which of the tools are to be used by companies directly and which are best employed by change agents.

¹⁵ According to Dr. Christjan Fussing Jensen it is not uncommon that the researcher blames the practitioners for not using the results for research and for the practitioners to accuse the researcher for not explaining the results.

As a final note, it is fair to expect that the topic deserves further research, especially due to the renewed European Union Tourism Policy of March 2006. The policy is strongly connected to the renewed Lisbon Strategy. It recognises the job creative function of tourism and thereby encourages the development of attractive regions through sustainable tourism. One of the objectives the policy points out is encouraging diversification of the rural economy through tourism as a measure to improve the competitiveness of the European tourism industry. Because many of the financial programmes that the renewed tourism policy point out to refer to innovation in connection with SMEs and because it also specifically emphasises the current development of a European Agenda 21 for tourism, it is likely that the topic studied in this thesis will and should receive an increasing level of attention in the near future (EC 2006).

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Abbreviations

B2B	Business to business
EU	European Union
Horesta	Organisation for the hotel, restaurant and tourism industry
IK2	Innovation Skåne
LEADER	Liaisons Entre Actions pour la Developpement des Economies Rurales
MINC	Malmö Incubator
NGO	Non-governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PSS	Product Service System
R&D	Research and Development
SME	Small and Medium Sized Enterprise
SWOT	Strengths, weaknesses, opportunities and threats
UNEP	United Nations Environmental Programme
WTO	World Tourism Organisation

Appendix 1: Further information on methodology

The research was carried out in a qualitative manner where the interview was guided by the topics shown in the research frameworks. Depending on the interviewee, however, the interview took a different shape.

Research Framework- Regional Actors

- I) General- the interviewee**
- II) General- regional**
 - Projects and initiatives
 - Collaboration
 - Innovativeness- regional factors
- III) Identifying innovative companies**
 - Who?
 - Reasons
- IV) Tools and methods**
 - Projects and initiatives
 - Networks
 - Techniques for creative processes, idea development and uptake or introduction of concept on the market

Research Framework- Companies

- I) General**
- II) Innovativeness**
 - Implemented innovations, examples
- III) Drivers for innovation**
 - Why? Why not?
- IV) Barriers of innovation**
 - What support is important
 - Why small companies don't innovate
- V) Tools and methods**
 - Where to find inspiration? How?
 - How to generate ideas?
 - How to know when it is the right time to implement?
 - Analysing the market
 - What is important generally
- VI) Actors involved**
 - Networks, who work with, who is important in the innovation process
- VII) Spreading information**

Interviewee name	Role / Position	Category
Rasmussen, Bjarne	Project Leader, Green Region project, Storstrøms County	Regional
Sørensen, Søren	Project Leader, East Danish Tourism	Regional
Büchert, Erik	Director, Visit Møn	Regional
Reedtz-Thott, Ivan	Owner, Feddet Camping	Enterprise
Lützen, Peter	Camp Manager, Feddet Camping	Enterprise
Natorp, Nils	Project Manager, Møns Klint Geo Center	Enterprise
Brandt, Brian	Manager, Hotel Praestekilde	Enterprise
Jørgensen, Rene	Marketing Manager, Hotel Praestekilde	Enterprise
Hansen, Alan	Hotel manager, local chairman of the Horesta association.	Enterprise
Jakobsen, Helmuth	Harbour manager, Praestø Harbour	Enterprise
Nilsson, Jan	Landskrona Municipality	Municipal
Eriksson, Susan	Tourism bureau director , Landskrona Plus	Municipal
Nyström, Göran	Project Manager, Tycho Brahe Museum, Landskrona Municipality	Municipal
Hellstrand, Thomas	Restaurant owner, Pumphuset, Landskrona	Enterprise
Sejer Jakobsen, Henning	Developer of Creative Idea Solution, Technological Institute Denmark	Expert
Thagaard, Mikkel	<i>Affärsutvecklare</i> , Malmö Incubator (Minc)	Expert
Dr. Christjan Fussing Jensen	Roskilde University	Expert

APPENDIX 2: Further information on the cases studied

[A] Landskrona

Summary SWOT (Nilson)

* **Strengths:** Cultural institutions; Citadel; Coastline as it exists; beaches; Excellent transport connections; Sports facilities; Architecture; Gardens and parks; Lively city

* **Weaknesses:** Self image: word of mouth; Lack of marketing in the right places; Inability to keep Ven tourists in Landskrona; Lack of tax payers, too many people on social welfare; Known for crime; Elections- no compromises

* **Opportunities:** Seaside developed; Military History; Cultural History; Industrial History; Carnival; Golf; Landskrona Plus (opportunity for marketing); Marketing in the Sydsvenskan newspaper; Architecture; Cultural mix; Entrepreneurs; New mix of people from Lund-Malmö

* **Threats:** Ven- if left unaddressed; Minds of people; The administrative boundary division in Skåne

Identification of innovative enterprises: Allt i Gläntan (bed and breakfast), Curling hall, Hotel Öresund, Backafalls Byn on Ven, Tycho Brahe museum on Ven, fisherman who takes companies on tours on the fishing boat (Fishing tourism)

[B] Storstrøms Amt

Identification of innovative enterprises

Sector	Enterprises
Accommodation	Praestekilde, Mariebo Sjøpark, Feddet Camping, Praestø Camping, Western Camp
Attractions	Møns Klint Geocenter, Middelalders center, Knuthenbord, Vordingborg Castle Centre
Arts and handicrafts	Lys over Lolland, Land Art, Holmegaard
Restaurants	Middelalders Center, Clara Frijs, Saksøbing Hotel restaurant, Slagter Stig
Tourism information centres	Møn
Vacation centres	Lallandia (driver in the whole of Denmark)
Marinas	Kalvehalve marina

C] Non-exhaustive inventory of innovation in enterprises

Product Innovations

Enterprise	Description of Innovation
Feddet Camping	For example: providing farming and forestry activities onsite, role play based on a local legend, new buildings
Møns Klint Geocentre	Experiencing nature through interpretation by the cultural sector. In this way the whole concept will be a new tourism product once it will exist.

Hotel Praestekilde	
Pumphuset Borstahusen	As a mini-destination the restaurant-art gallery- museum of Pumphuset is a product innovation in the region.
Tycho Brahe museum	

Process Innovations

Enterprise	Description of Innovation
Feddet Camping	The new buildings have many process innovation elements: their ventilation, energy efficiency measures; the building concept of the newest ones. Farming organic food onsite to be sold in the shop, growing blueberries onsite Storytelling involving characters on the campsite: the fisherman and the baker for example.
Møns Klint Geocentre	Interpretation of nature and geology through film-makers and artists is a process innovation.
Hotel Praestekilde	No pesticides, cleaning routines
Pumphuset Borstahusen	The organizational set up? That everything is in the same space
Tycho Brahe museum	

Market Innovations

Enterprise	Description of Innovation
Feddet Camping	The newspaper which markets through storytelling is a marketing innovation, likewise the membership in TopCamp, a quality-based group of campsites that markets together.
Møns Klint Geocentre	Through the interpretation concept a whole new segment of consumers will be interested in visiting. In addition the concept provides additional marketing channels.
Hotel Praestekilde	
Pumphuset Borstahusen	The restaurant, the museum and the gallery market together, which means that a variety of marketing channels can be used. A clientele that is not necessarily interested in one of the three segments of the mini-destination will automatically visit them.
Tycho Brahe museum	

Logistics Innovations

Enterprise	Description of Innovation
Feddet Camping	Purchasing in bulk within the marketing network;
Møns Klint Geocentre	
Hotel Praestø	
Pumphuset Borstahusen	
Tycho Brahe museum	

Organizational Innovations

Enterprise	Description of Innovation
Feddet Camping	
Møns Klint Geocentre	
Hotel Praestekilde	Changing the organisation of how the hotel is run: giving employees responsibility over their job
Pumphuset Borstahusen	

Tycho Brahe museum	
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Relational Innovations

Enterprise	Description of Innovation
Feddet Camping	Farm, sheep, small businesses on the campsite, fisherman
Møns Klint Geocentre	Art science for producing together and for funding
Hotel Praestekilde	Working with 'sister' hotel for 'skills matching'. Manager of Praestekilde is good at wines, food etc and Manager of Norrevang in numbers.
Pumphuset Borstahusen	The concept itself is a relational innovation: museum, art, food, fishing harbour
Tycho Brahe museum	

APPENDIX 3: SUPPLEMENT TOOLBOX

[A] Tools and methods suggested in literature

[B] Example of a brainstorming tool from Texel, The Netherlands

[C] Logic of toolbox presented

A list of tools and methods suggested by the Danish Innovation Strategy

Competence and Leadership

- Special training and courses
- Leadership development
- Organisation training
- Importing competence
- Consultancy help

Network and Co-operation

- Industrial co-operation
- Vertical co-operation
- Branch co-operation and clustering
- Public-private partnership
- Co-operation with research organizations
- Common market leadership [= fælles markedsføring]
- Mentoring
- *Ildsjaele* and dynamo businesses
- Strengthening resource base
- Portrals

Structural Conditions and General action

- Importing IT infrastructure
- Support for entrepreneurship
- Creating physical growth environments

Important themes for consideration for creating innovation strategy: Leadership; internal productivity and effectiveness; finance; commercialization; networks; clustering; private-public partnerships; technological development; promoting IT; entrepreneurs ; the role of research; own competence and knowledge level; sharing knowledge; education and structural conditions.

Tools and Methods Suggested for New Service Development (Edvardsson et al 2000)

Idea Generation Techniques Random input; Problem reversal; Six Thinking Hats; The Discontinuity Principle; Checklists; Forced Analogy; Brainstorming; Attribute Listing; Morphological analysis; Imitation; Mind-mapping; Storyboarding; Metamorphical thinking; Lotus Blossum Technique (*for more see Osborn 1993*).

Additionally, Idea Generation is supported by unobtrusive measures as well as reactive (*those that exist currently*) and pro-active (*those that foresee customer demand in the future*) research techniques:

- Unspoken: Historical and fundamental national factors tells about dissatisfiers; comparing the non-comparables tells about delighters
- Spoken: Interviews and focus groups indicate core benefits; benchmarking, interviewing and focus groups reveal differentiators.

Unobtrusive Measures: When customers are measured without being aware of this.

Value segmentation: People are clustered in accordance with their values in life.

Means-ends analysis: Respondents are asked “Why” a product or service attribute is important until the respondent cannot answer any longer. Means are product or service attributes, ends are personal values important to consumers.

Methods during the Service strategy and Culture Gate: Process mapping, blue printing (for larger companies), scenarios. **Scenario** is a story about the future, indicating what the future may be like. They are logical narratives dealing with possibly far reaching changes, drawing on science and imagination.

Methods during the service design: Creativity tools, Conceptualisation Checklists (e.g. Osborn Checklist 1993), Table type conceptualizing [what, when, where, why, needs, problems points, idea], Analogy conceptualization.

Analogy Conceptualisation: By reversing the obvious. Here the idea is applied to the assumption that a restaurant has a menu.

Example: Restaurant has menu → What if the restaurant did not have a menu? → The customer cannot choose, the chef cannot make a selection of dishes → The customer can be served food without a specified selection of dishes → The analogy: A self service buffet → The restaurant provides components (ingredients) from which the customer builds up the dish.

[B] Brainstorming tool for sustainable tourism innovation - applied in the local tourism network in Texel, the Netherlands (*Stichting Duurzaam Texel*)

The brainstorming tool aims to be an aid for strategic thinking in four possibilities for sustainable innovation: Infrastructure, product, guest and company itself. The tool is specifically aimed at camping and hotel sectors. In reality the methodology for carrying out the brainstorming process involves the use of colour-coded plastic cards representing each category, main avenue and strategy, with an example on the back. Here the strategies are presented as a possibility for a starting point for innovation brainstorming.

Methodology: A brainstorm session was held to stimulate idea-finding and increase communication. The participants were stimulated to create ideas through choosing those brainstorming cards that they liked. These ideas were further developed with the help of a consultant agency by using a SWOT matrix to come up with an action plan.

Comments: The participants felt comfortable sharing their ideas and problems. They were very limitation oriented, which hindered a higher level of creativity. In general, the example indicates that coming up with ideas is a social process.

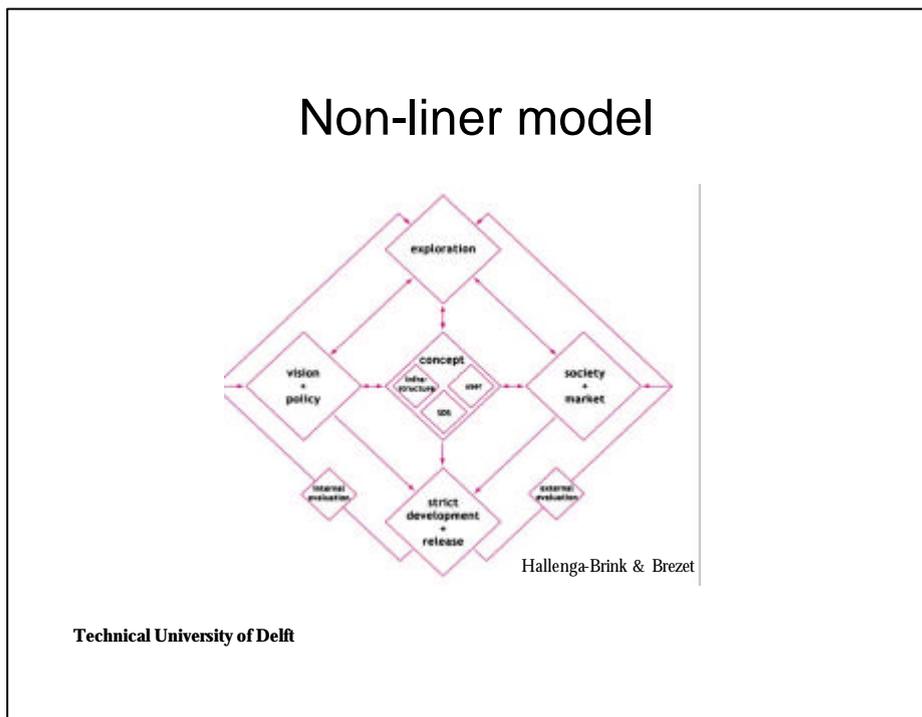
Strategy (The front of the card)	Examples (The back of the card)
COMPANY	
• Optimisation of business policy and quality control	
Standardisation, labelling, recording of business practice	EMS, Green Key
Socially responsible entrepreneurship	Eco-volunteer
Support for local community	Local employees, products, investments
• Business Collaboration	
Knowledge and experience transfer on sustainable possibilities	'Duurzam Texel' (NL)
Collaboration on sustainable surroundings	'Het Schone Streven' (NL)
Collaboration on shared, new, product development	Laundry service for hotels
• Sustainable Marketing	
Ethics marketing	Examples from other industries
Consumer education	Beach comber
Emphasis on local and low-impact activities	History, walking
INFRASTRUCTURE	
• Optimisation of employee policy	
Employment of local population	Aboriginal people in National Park
Education on sustainability for employees	Good Practice examples
Physical, financial, social security	Starbucks medical security plan

• Optimisation of physical infrastructure	
Adjustment of infrastructure to sustainable mobility systems	Bike and hike paths
Combined transport of guests	Agreement with public transport for free travel
Optimisation of infrastructure use	Shared suppliers
• Optimisation of organization of deliverables	
Activity clustering	Lower season peaks
Sustainability of circumstantial requirements	Sustainable suppliers
Sustainable activities with 'quality touch' for guests	Sun lotion dispensers on beach for waste minimization
PRODUCT	
• Creation of sustainable tourism product	
Guarantee of acceptable social impacts of activities	Beaches for foreign tourists only in shy cultures
Reduction of environmental impact of activities	Sailing
Increase of sustainable adventures supply	Beach combing
• Optimisation of facilities and amenities	
Choice of environmentally friendly facilities and amenities	Low energy equipment
Choice for locally produced products	Food, art, souvenirs
Redesign of products	Eco-design
• Reduction of possible impact during/after use	
Reduction of packaging and non-reusable products	Shampoo dispensers
Minimisation of possible energy and water use	Remote key needed to switch on standby equipment
Limitation of disturbance of local surroundings	Noise, Waste
GUEST	
• Increase contact between the guests and host	
Availability of 'green marketing' material for guests	Information on menu
Clear guidance in expected behaviour of guests	Posters, providing waste bags on campsites

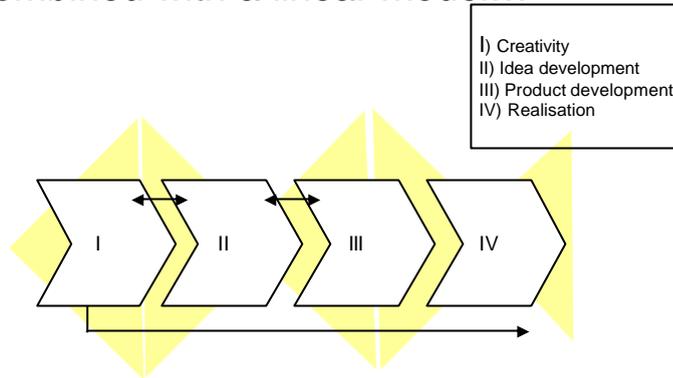
Target group study and action according to findings	Appropriate tone in marketing materials
<ul style="list-style-type: none"> • Reduction of impact of guests' stay 	
Guarantee of efficiency measures	Shower coins
Stimulation of limitation of energy use and fuel use	Free desert for car-less day
Stimulation of peace and quietness	Fire-place to sit by
<ul style="list-style-type: none"> • Sustainable fulfilment of guests' needs 	
Promotion of the concept 'less is more'	Exercise, nouveau cuisine
Combination of needs	Childcare & nature education
Balance between sustainability and guests' wishes/needs	Warm water on solar energy

[D] **The logic of the toolbox presented in recommendations**

Source: Johanna Suikkanen from *Empirical findings adapted to theory*

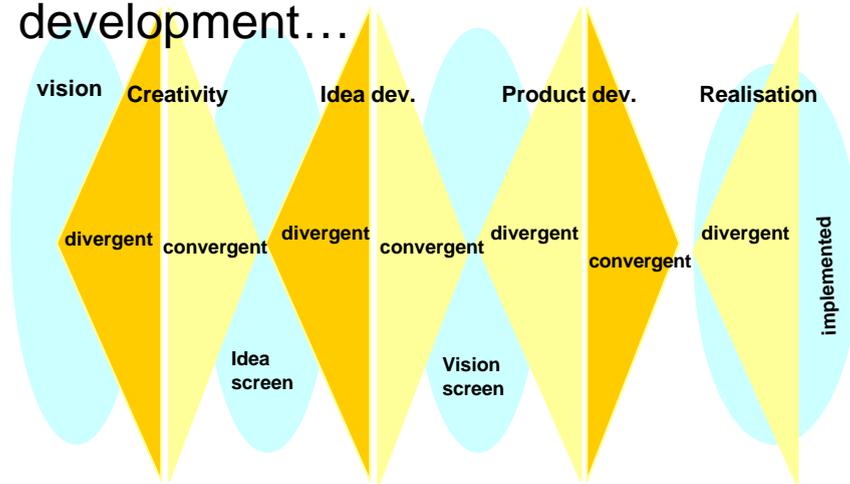


Combined with a linear model...



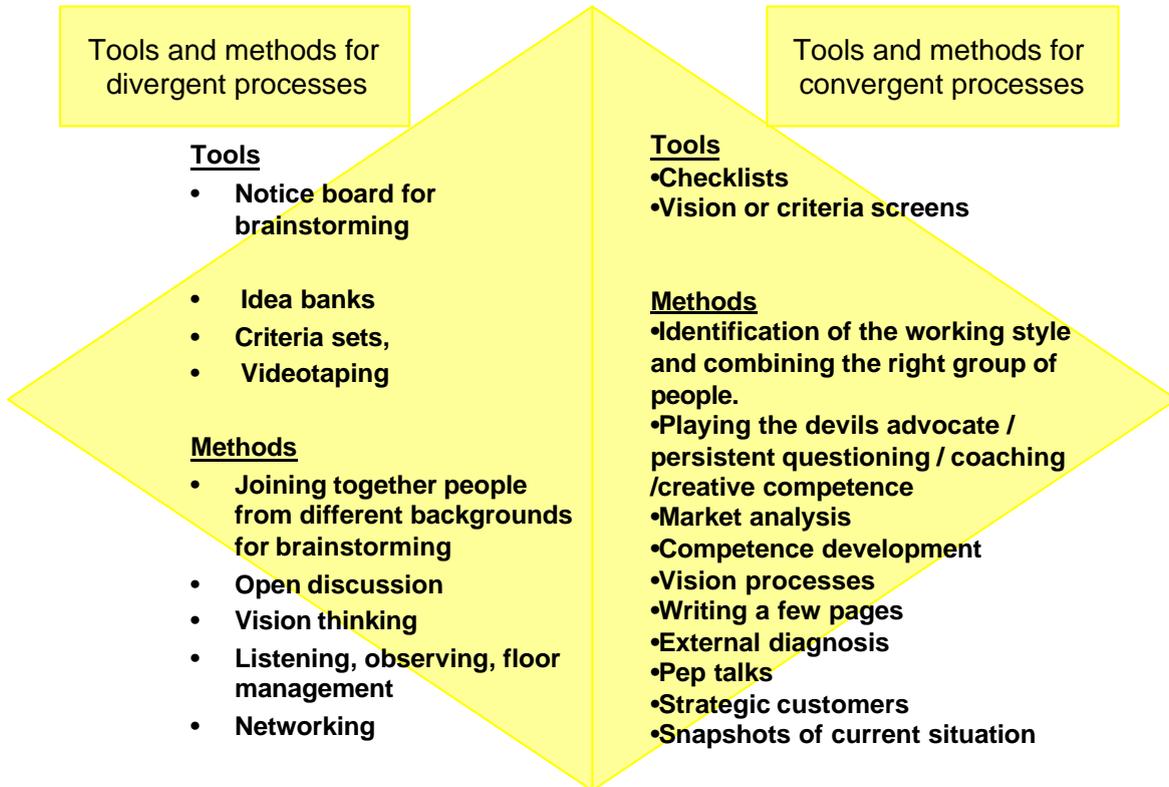
Haugaard 2006

Combined with ideas from new service development...



Hallenga-Brink; Haugaard; Edvardsson et al 2000

Figure 0-1 Toolbox

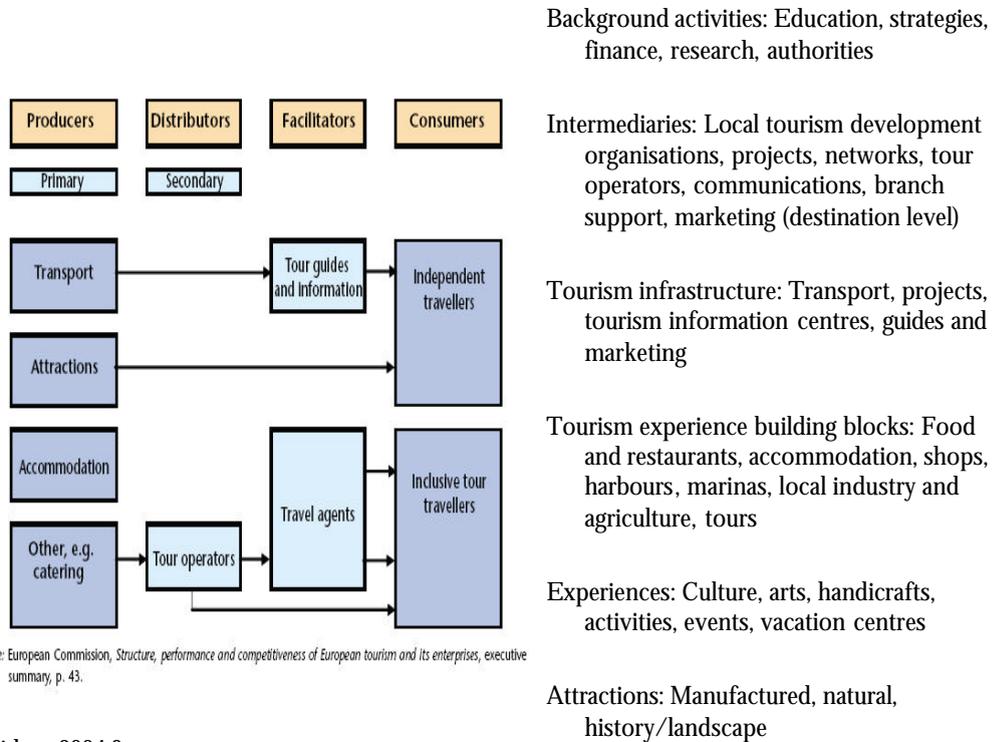


Inputs			
I	II	III	IV
Many ideas Checklists Experiences Travelling	Feasibility checks; vision processes; creative & practical inputs; focus on strengths	Practical skills, considerations of funding, budgets etc	Creative and practical inputs
Outputs			
I	II	III	IV
Many ideas	The concept	Means of achieving the concept	The concept on the market or in practice
Network			
I	II	III	IV
Networking with many people; using inputs from different actors: employees, customers, people from the same and other sectors	A chosen, defined group to develop with	A defined group to develop with, but with required inputs from outside	Defined group

Source: Johanna Suikkanen from *Empirical findings adapted to theory*

APPENDIX 4: FURTHER ILLUSTRATIONS

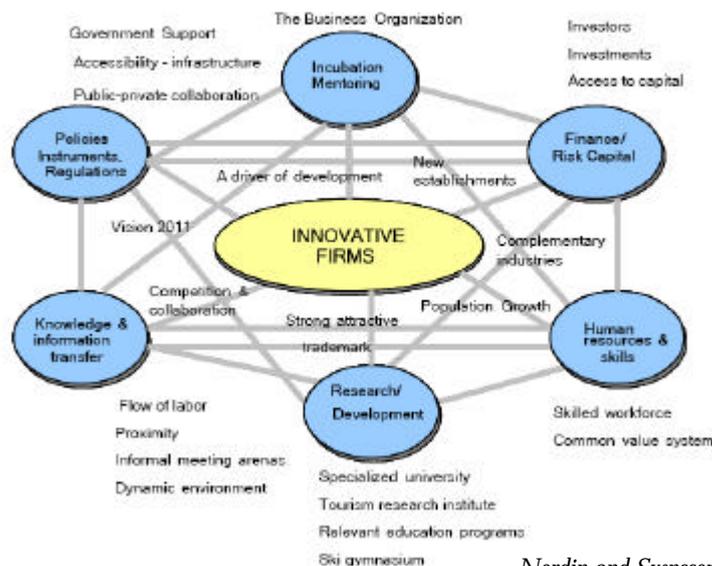
[A] Further illustrations relating to tourism



Leidner 2004:9

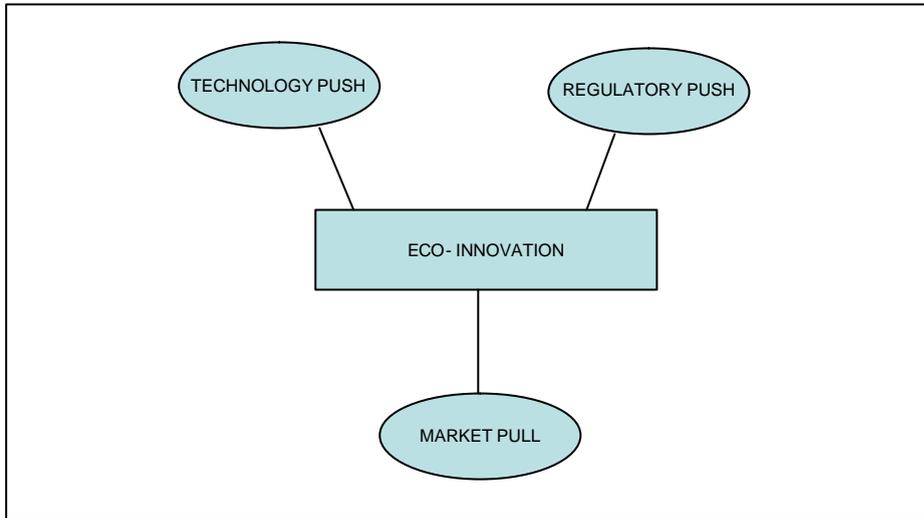
Source: Leidner 2004 and analysis based on interviews

Figure 1: The Innovation Support Structure of Åre

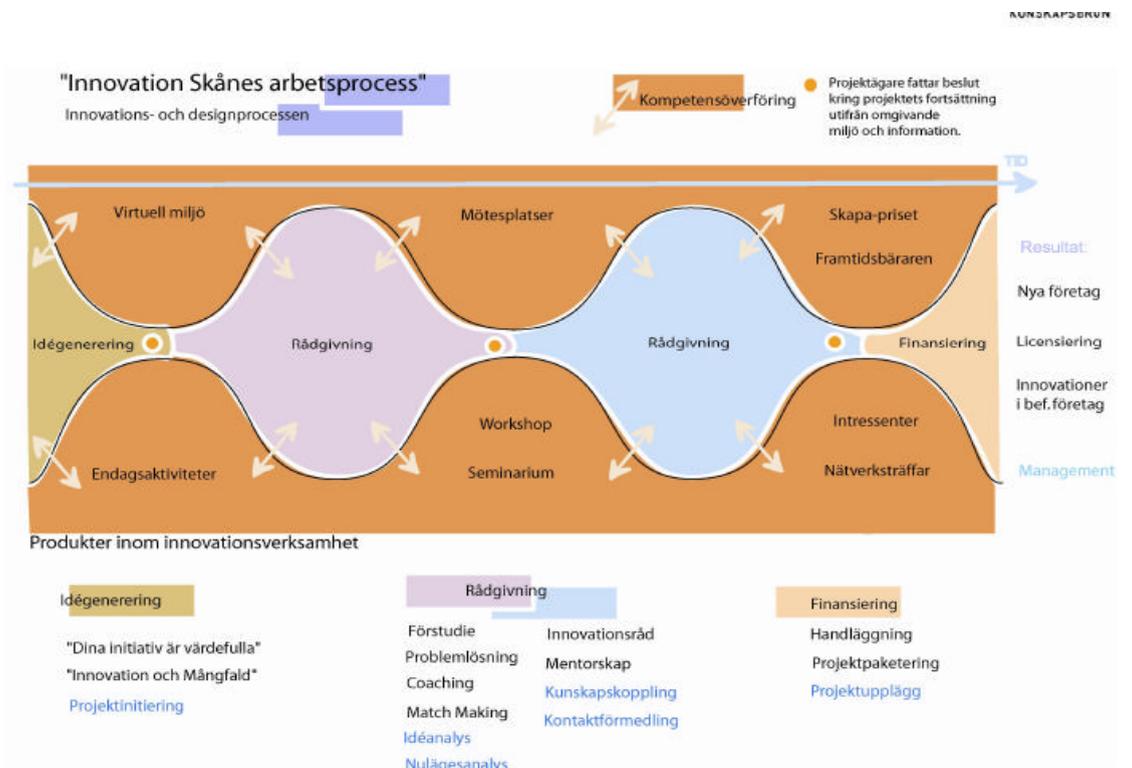


[B] Further illustrations related to innovation processes

- Original diagram for drivers of eco-innovation by Cleff and Rennings 1999



- Innovation depicted by Innovation Skåne, showing the importance of open and closed processes by Lorentz-Hjorth (2006:53)



Figur 1A

Figur: Maria Lindblom

- A way to classify tourism related sustainable innovations (Abernathy and Clark adapted by Hjalanger (2002)).

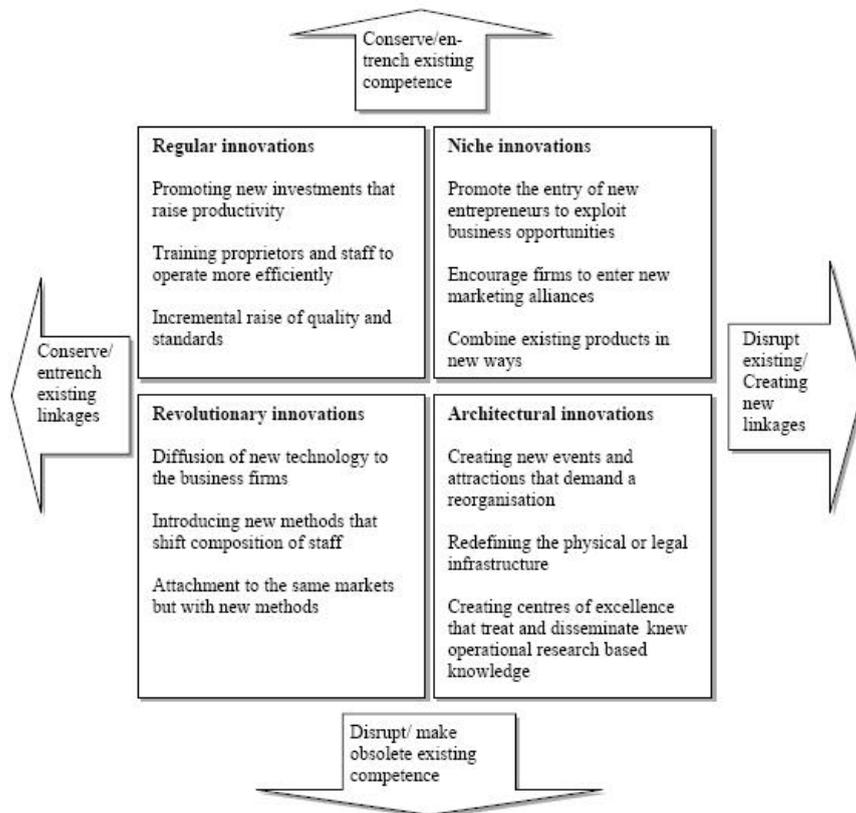


Fig. 1. The Abernathy and Clark model—a tourism perspective.

The classification of Abernathy and Clark (1985) from their study of the automobile industry is applied by Hjalanger to the study of innovation in tourism (Hjalanger 2002:466). The logic of Abernathy and Clark (1985) typifies innovations as:

- Regular innovations = technological and scheduling changes, which aim to improve productivity
- Niche innovations = aim to promote the entry of new entrepreneurs to exploit business opportunities and encouraging firms to enter new market alliances; new combinations of existing products
- Revolutionary innovations= change in the methods of operation without changing the market in which the company operates
- Architectural innovations= take place externally, when the physical or legal infrastructure is redefined or when new resources are exploited

APPENDIX 5: FURTHER INFORMATION ON RECOGNITION SCHEMES

The Green Key

The Green Key is an international eco-label for tourism facilities, which functions under a campaign in the network of Foundation for Environmental Education (FEE). Its development began in Denmark, on the island of Møn, in 1994 for hotels. In 1998 France joined by starting to label campsites. Currently, the Green Key is an international eco-label with members in Greenland, Lithuania, Estonia, Sweden as well as France and Denmark

The Green Key (*Den Grøne Nøgle*) diploma applies for hotels, youth hostels, conference and holiday centres, campsites, holiday houses, leisure facilities and restaurants and is awarded based on criteria which demand environmental management measures, technical measures and communication. The Environmental Management Criteria involves setting up an environmental policy, goals and action plans. The Communication and Training criteria encourages staff involvement, as well as the involvement of guests and suppliers in the environmental work. The Technical Criteria ensures that the facilities fulfil certain technical requirements on energy and water efficiency, water separation and the use of chemicals, for example.

The Green Key has three types of criteria: mandatory, essential and optional, which each country develops as is relevant for them. The criteria of this label compared to the other eco-labels are different in the sense that there is a focus also on environmental education. Similarly, the criteria include the staff, guests and suppliers in the fulfilment of the criteria. It gives the guest opportunities to have the responsibility as well. The specific criteria are a kind of a checklist under the following topics: environmental management, staff involvement, guest information, water, washing and cleaning, waste, energy, food and beverage, indoor environment, parks and parking areas, green activities and administration

The Söderslätt Goose Label

The Söderslätt Goose label was developed in 2002 by four municipalities in Söderslätt, Sweden (Trelleborg, Skurup, Svedala and Vellinge) with the IIIIEE and Region Skåne, as a regional brand to promote local produce. Its aims from the beginning were to make local produce more visible, and thereby, through the consumption of local products and services by the residents and visitors, to encourage regional sustainable development. It is assumed that the consumption of local produce is environmentally better, as transport distances are shorter, for example. In addition, regional branding has a strong socio-cultural aspect to it, as it strengthens the regional identity of the region.

An idea that can be applied to other regional development schemes is that in according to those involved in the development of the Goose Label, the consumers experience and purchase a regionally unique story along with the product. The label communicates trustworthiness in the local origin of the product, local identity, quality, flexibility, openness and traceability. The label applies to foodstuffs, restaurant dishes, as well as arts and handicrafts. The label functions through criteria for the enterprises (such as education for all new members) and criteria for the products (including finding a local alternative for foodstuffs).

The way in which the Söderslätt Goose mark can be considered an instrument for encouraging regional innovation is the way in which it requires that those that are aiming to have their product or service labelled must distinguish how the particular product or service promotes the unique qualities and cultural history of the region (Andersson *et al*)