A Capability-Based Framework for Tourism Innovativeness

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ABSTRACT

Drawing on the strategic management, innovation, tourism, marketing and organisational behaviour literatures over the past 50 years, we propose a resource-based (Barney, 1991) and dynamic capability (Wernerfelt, 1984; Teece et al., 1997; Eisenhardt and Martin, 2000) research approach to theoretically explore how small tourism firms can manage and reconfigure their existing pool of resources through their innovative capabilities to deal with the turbulent environment in which they are embedded. This paper conceptually examines and schematically models the impact of the dynamic capability of firm-level innovativeness on sustainable competitive advantage.

Key Words: tourism; dynamic capabilities; firm-level innovativeness; sustainable competitive advantage

INTRODUCTION

Tourism is an important sector and has a critical role to play in contributing to Ireland's economic recovery. It is Ireland's largest indigenous industry, contributing in excess of 4 per cent of gross national product and providing employment for over 200,000 people throughout Ireland (Tourism Ireland, 2010). Notwithstanding these positive features, the landscape is changing, and the Irish tourism industry is at a significant turning point in its evolution (Irish Tourist Industry Confederation, 2010). Tourism represents a highly volatile industry and Ireland is in fierce competition with international tourism destinations (Tourism Ireland, 2010). Hence, the ability to continuously innovate is increasingly viewed as the single most important factor in developing a sustainable competitive advantage (hereafter SCA) in tourism firms (Stamboulis and Skyannis, 2003).

Due to its high velocity, tourism is extremely susceptible to environmental changes, with the entire industry currently facing strong and ongoing competitiveness challenges. The onset of the economic downturn in 2007 has impacted negatively on many tourism

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businesses, with the associated challenges of competing with low-priced hotels and coping with high labour costs and high fuel costs exacerbating what is perceived as an already difficult business environment (Irish Hotels Federation, 2010). Furthermore, it is argued that some growth in more clement economic times may have masked underlying problems such as lack of labour competitiveness and an overconcentration on non-leisure visitors (Tourism Renewal Group, 2009). Indeed, looking at 2009 data the entire island of Ireland suffered a 12.1 percentage decline in arrivals based on the performance of the first nine months (Irish Tourist Industry Confederation, 2009).

There was a double digit decline in visitors from the most important market, Great Britain, with purchasing power parity and ground transport difficulties playing a significant role (World Economic Forum, 2011). Despite recent government assistance in the form of reform of the travel tax and the continuing efforts of Fáilte Ireland and Tourism Ireland to develop the industry, recent analysis based on overseas market intelligence, industry feedback and analysis of arrivals data all hint at challenging years ahead.

One mechanism through which revitalisation of the tourism industry is posited to occur is through the development of creativity and innovation within the industry. Innovation is increasingly receiving attention at government policy level with the Irish government using the planning framework of the smart economy to embed a culture of innovation within the tourism industry (Government of Ireland, 2008). Fáilte Ireland has also called for a heightened level of 'innovation' across the tourism industry in order to surmount the detrimental effects of lost competitiveness in recent years (Government of Ireland, 2007). Although government and policy makers have called for a heightened level of 'innovation', the traditional focus has nevertheless been on producing once-off product or service innovations as opposed to fostering an overarching organisational innovative culture, climate and mindset within tourism firms. Therefore, different from prior innovation studies, we argue that although innovation is vitally important for economic growth and recovery, it is the ability of the tourism firm to effectively build and manage a strategic innovative capability structure that determines *sustainable* growth and competitiveness.

Drawing from an extensive literature review encompassing conceptual and empirical research within the confines of the resource-based view (RBV) theory and dynamic capabilities, the present study investigates the relationship between organisational resources and firm innovativeness to achieve SCA. In essence, we propose that firm innovativeness is a transformational capability which can deliver an SCA through the reconfiguration of a firm's internal resources. The purpose of this paper is two-fold. Firstly, it aims to conceptualise tourism innovativeness within a capabilities-based framework in order to assist in developing further understanding of the innovativeness construct, and identify its role in surmounting the detrimental effects of lost competitiveness. Secondly, the proposed approach aims at providing a capabilities perspective of tourism firm innovativeness. This contributes towards the current debate in the tourism innovativeness literature on adopting a more innovative approach to tourism management (Hjalager, 2002; Novelli et al., 2006; Pechlaner et al., 2006). Jordan and O'Leary (2009) caution that it is important to focus on the innovation capabilities of all business sectors, rather than only focusing on the high technology sectors.

The rest of the paper is structured as follows. In the next section, the authors examine extant definitions of firm-level innovativeness and propose a new, multidimensional conceptualisation. Next, we introduce the theoretical background of the study. Subsequently, we examine the criticality of innovativeness in restoring tourism firm competitiveness. Next, we conceptually explore the organisational resources that may be sources of SCA, followed by our conceptual framework. The paper concludes by offering the key contribution and implications of the study.

FIRM-LEVEL INNOVATIVENESS

At present, the innovativeness literature represents a very fragmented corpus, with many different definitions and conceptualisations being offered by various researchers coming from diverse research disciplines ranging from marketing to economics, from psychology to management. Consequently, theory has failed to advance clearly defined conceptualisations of innovativeness, and thereby a unified and valid measure is yet to emerge (Avlonitis et al., 1994). The term, over time, has come to be used in a rather general and loose manner, with a multitude of definitions emerging from various strands of literature (Lam, 2004). As a result, there is currently no generally accepted or unifying definition and theory of firm-level innovativeness, but each definition depends on the individual researcher's interpretation and research agenda (Garcia and Calantone, 2002). In addition, the term 'innovativeness' has been used interchangeably and synonymously with the term 'innovation'. Some have distinguished innovation from innovativeness (Garcia and Calantone, 2002), while others have argued for the interchangeable perspective of these two terms (Damanpour, 1991). We agree with the former, arguing that these are theoretically distinct concepts that should be separated from each other, and past failure to do so has prevented researchers from developing a clear understanding of innovativeness and its different dimensions. To summarise, *innovation* is typically defined as an outcome-oriented measure, such as 'new product success' (Ayers et al., 1997), while *innovativeness* is recognised as a contextual variable representing the firm-level orientation, proclivity or inclination towards innovation (Menguc and Auh, 2006; Hurley and Hult, 1998). Innovation is characterised by the organisational actions of adopting and executing 'newness' in an arbitrary manner, whereas innovativeness reflects the degree of an organisation's propensity for doing innovation (Chye et al., 2010). Thus, innovation is a tangible and explicit concept, whereas innovativeness is intangible and implicit to the individual organisation.

Since the vast majority of studies do not offer a very strong definitional or theoretical foundation for the innovativeness concept, the question 'What is organisational innovativeness?' remains a complex research issue. Nevertheless, if the notion of firm-level innovativeness is to be useful, it is important to be clear about what we mean by the term, since failure to specify it clearly leads to confusion and misunderstanding.

Table 1 provides a selection of extant definitions and conceptualisations of innovativeness, illustrating the ambiguity and confusion which prevails in the literature caused by weak conceptualisations, taxonomies and the inconsistent and conflicting use of terminology.

Table 1: Extant Definitions and Conceptualisations of the Firm-Level Innovativeness Concept

Author/Study	Definition/Conceptualisation
Hurt et al. (1977)	Willingness to change
Zaltman et al. (1973); Hurley and Hult (1998)	Proclivity, receptivity and inclination to adopt ideas that depart from the status quo
Kundu and Katz (2003)	Intention to be innovative
Stamboulis and Skyannis (2003); Hjalager (1997)	Some behavioural change in response to a stimulus
Menguc and Auh (2006); Wang and Ahmed (2004); Avlonitis et al. (2001)	Willingness to forgo old habits and try new, untested ideas, representing a firm's ability to exceed routine thinking processes, going beyond the obvious to discover newness
Lumpkin and Dess (1996)	Tendency to engage in and support new ideas, to experiment and to be creative
Marcati et al. (2008); Blake et al. (2003)	A 'generalised readiness' to follow new ways and be creative
Hurley and Hult (1998)	A 'cultural readiness' and openness to innovate or to adopt new ways of doing things
Hurley and Hult (1998)	Ability to adopt or implement new ideas, processes or products successfully
Avlonitis et al. (1994)	Technological capacity and behavioural willingness and commitment to innovate
Hurley et al. (2005)	A 'cultural precursor' that provides the 'social capital' to facilitate innovative behaviour
Hult et al. (2004)	Capacity to introduce new processes, products or ideas to the organisation
Garcia and Calantone (2002)	Degree of 'newness' of an innovation

Following an inter-disciplinary review of extant conceptualisations, we found that although an unambiguous definition of innovativeness does not exist, most researchers generally agree on the following dimensions: creativity, openness to new ideas, intention to innovate, willingness to take risks and capacity to innovate (see Table 2).

Table 2: Key Dimensions of Innovativeness Emerging from the Various Conceptualisations and Respective Authors

Dimension	Authors
Creativity	Amabile (1998); Amabile (1997); Amabile et al. (1996); Amabile (1996); Amabile (1988); Avlonitis et al. (2001); Dertouzos (1999); Feinstein (2006); Ford (1996); Goldsmith and Flynn (1992); Gumusluoglu and Ilsev (2007); Hirschman (1980); Hult et al. (2004); Hurt et al. (1977); Lumpkin and Dess (1996); Marcati et al. (2008); Markides (1998); Menguc and Auh (2006); Oldham and Cummings (1996); Reckhenrich et al. (2009); Salavou et al. (2004); Shalley et al. (2000); Shalley (1991); Steenkamp et al. (1999); Sundbo et al. (1997); Tang (1998); Tierney et al. (1999); Wang and Ahmed (2004); Woodman et al. (1993); Yusuf (2009); Zhou (2003)
Openness to new ideas	Ahmed (1998); Amabile (1997); Amabile et al. (1996); Cotte and Wood (2004); Digman (1990); Foxall (1995); Gold (1981); Goldsmith and Hofacker (1991); Hurley and Hult (1998); Hurt et al. (1977); Jacoby (1971); Leavitt and Walton (1975); Leavitt and Walton (1988); Lumpkin and Dess (1996); Marcati et al. (2008); Menguc and Auh (2006); Midgley and Dowling (1978); Tellis et al. (2009); Vandecasteele and Geuens (2008); Zaltman et al. (1973)
Intention to innovate	Ajzen (1991); Avlonitis et al. (1994); Berthon et al. (1999); Hjalager (1997); Hjalager (1996); Kundu and Katz (2003); Marcati et al. (2008); Stamboulis and Skyannis (2003)
Risk	Ahmed (1998); Burns and Stalker (1961); Cooper and Kleinschmidt (1987); Cowart et al. (2007); Damanpour (1991); Daneels and Kleinschmidt (2001); Dertouzos (1999); Fell et al. (2003); Gebert et al. (2003); Gebert and Boerner (1999); Gounaris et al. (2003); Midgley and Dowling (1978); Özsomer et al. (1997); Panayides (2006)
Capacity to innovate	Avlonitis et al. (1994); Besanko et al. (1996); Burns and Stalker (1977); Burns and Stalker (1961); Cooper (2006); Gebert et al. (2003); Gilbert (2007); Hjalager (2002); Hult et al. (2004); Hurley et al. (2005); Hurley and Hult (1998); Markides (1998); Paleo and Wijnberg (2008); Siguaw et al. (2006); Slater and Narver (1995); Sundbo et al. (2007); Tang (1998); Utterback (1979); Wang and Ahmed (2004); Winter (2003)

Based on this, we submit a new definition and conceptualisation of innovativeness that may serve as a starting point for academic and practitioner dialogue. We suggest that reaching consensus on a definition and conceptualisation is critical to advancing new knowledge in a comprehensive manner in this research area. The following definition is proposed:

> Innovativeness is an organisation-wide dynamic capability indicated by absorptive capacity, cultural willingness, propensity, receptivity, market responsiveness, commitment, intention and technological capacity, which stimulates innovative activity, propelling the organisation to engage in risky behaviour and rapidly incorporate change in business practices through the [early] creation and/or adoption of new ideas,

consequently enhancing innovation and business performance and ultimately delivering a competitive advantage.

In addition, we argue that innovativeness is possessed to some degree by all firms, with some firms displaying a higher level of innovativeness than others, depending on their *innovative capabilities and capacity to innovate*. In this respect, the ability of a firm to develop successful innovations is a function of their innovative capacities (Hii, 2004).

Conceptualising innovativeness at the macro firm level in tourism innovation literature is not coincidental but concurrent with a growing body of literature that centres on the topic of innovativeness. Numerous researchers have called for a broader or macro view of innovativeness as opposed to the traditional narrow, micro view of once-off product or service innovations (Siguaw et al., 2006; Avlonitis et al., 1994; Cooper and Kleinschmidt, 1995). However, as academics in this area, we must focus our attention on developing a more complete understanding of *why* innovativeness is so important in the restoration of small tourism firm competitiveness.

THEORECTICAL BACKGROUND

Innovativeness as a Firm-Level Dynamic Capability

The resource-based view (RBV) of the firm is a useful theoretical framework for understanding how firm resources and capabilities lead to SCA (Barney, 1991; Nelson, 1991; Penrose, 1959; Teece et al., 1997). As an established strategic management theoretical framework, it concerns itself with resources as being critical to a firm's SCA and long-term survival. One of the fundamental propositions of the RBV is that organisations are a bundle of resources that are simultaneously valuable, rare, inimitable and non-substitutable (VRIN), which subsequently generate SCA (Barney, 1991; Wernerfelt, 1984). Thus, the heterogeneity and immobility of resources across firms contribute towards their comparative differences and SCA in the marketplace (Barney, 1991; Wernerfelt, 1984). SCA exists when competitors can neither match the value created by a specific firm nor are able to profit from the firm's effort (Barney, 1991). Whilst tangible physical, human and organisational resources are considered important, special emphasis is placed on intangible knowledge and competence-based resources as these are firm specific and embedded within the organisation itself, hence they cannot be easily copied or competed away[1] by competitors (Barney, 1986, 1991).

In connecting the RBV to dynamic markets, Teece et al. (1997: 516) discuss the notion of 'dynamic capabilities' through which managers 'integrate, build and reconfigure internal and external competencies to address rapidly changing environments'. The main thrust of the dynamic capabilities literature is that such capabilities are essentially organisational routines deployed to alter and renew a resource base by acquiring, creating, shedding, integrating and recombining existing resources to generate new value creating strategies (Teece et al., 1997; Pisano, 1996). Whilst the functionality of dynamic capabilities is generic and applicable across business contexts, their value lies in the resource configurations that they create, and not in the capabilities themselves (Eisenhardt and Martin, 2000). Dynamic capabilities differ from capabilities in the sense that the former have the ability to constantly change other organisational or non-dynamic capabilities to create SCA, whilst the latter become less effective and more rigid over time (Leonard-Barton, 1992). This signals a co-evolutionary process in which the interaction between resources, competencies and capabilities within the firm are transformed into SCA.

In line with the dynamic capabilities literature, innovativeness is a firm-specific, valuable and socially complex capability that is non-universal and, hence, not easily transferable or imitable by other firms (Hult and Ketchen, 2001), representing an implicit aspect of the firm's social structure and culture (Lado and Wilson, 1994). By definition, innovativeness relates to a firm's cultural willingness, inclination, propensity and readiness to be innovative and try new, untested ideas, thus forgoing old habits (Zaltman et al., 1973; Hurley and Hult, 1998; Hult et al., 2004). Innovativeness implies a firm being proactive by following specific routines and processes to explore new opportunities rather than merely exploiting current strengths (Menguc and Auh, 2006). To be innovative, the organisation needs to adopt a new mindset or attitude that needs to be shared and disseminated throughout the entire firm to be effective (Menguc and Auh, 2006). Moreover, due to its wide dissemination and profound cultural embeddedness within the firm, innovativeness becomes tacit, complex and specific, that is, *causally ambiguous* (Reed and DeFillippi, 1990). Causal ambiguity makes it more difficult for competing firms to decode and imitate innovativeness, thus rendering it a strategic source of SCA. In this vein, Reed and DeFillippi (1990) mention that companies need to constantly reinvest in resources of causal ambiguity to counter competitive forces that can erode imitability barriers. Thus, innovativeness must be a continuous, iterative process throughout the entire organisation since without continuous innovativeness, any barriers to imitation will be neutralised and eroded (Bharadwaj et al., 1993). Similarly, Porter (1985: 20) states that a firm needs to be 'a moving target to its competitors, by reinvesting in order to continually improve its position'.

The RBV literature and dynamic capabilities theorists have adopted four broad categories of strategic resources:

1. Managerial resources
2. Input-based resources
3. Transformational resources
4. Output resources (Lado and Wilson, 1994)

This particular study incorporates transformational resources, which are the 'firm resources required to advantageously convert inputs into outputs' (Lado et al., 1992: 85). Hence, we propose that any SCA to be derived from organisational resources is likely to depend on the resource configurations that firms build using their dynamic capability, namely innovativeness.

Why Innovativeness?

This study posits innovativeness as the transformational capability in which a firm's internal pool of resources are utilised and converted into a firm's output (Dutta et al., 2005), namely SCA. Working in combination with each other, 'resources are the source of a firm's capabilities' and 'capabilities are the main source of its competitive advantage' (Grant, 1991: 119). Resources by themselves cannot achieve SCA but they must be processed and transformed by the capabilities of the organisation in order to be productive (Grant, 1995; Eisenhardt and Martin, 2000). Therefore, we contend that if a firm merely possesses resources which satisfy the VRIN model (Barney, 1991), but fails to simultaneously utilise the dynamic capability of innovativeness to make these resources more productive, superior returns and SCA cannot be realised (Augier and Teece, 2007; Ambrosini and Bowman, 2009). Thus, this study positions innovativeness as a dynamic capability which drives a firm's SCA by means of converting and reconfiguring organisational strategic resources in response to changing market conditions and environmental turbulence and instability (Teece et al., 1997).

Many researchers recognise the importance of innovativeness as a firm-level strategic objective to ensure the survival of small tourism firms, since innovation in and of itself is a necessary but insufficient condition to provide continued organisational survival and success (e.g. Sundbo et al., 2007; Novelli et al., 2006; Damanpour, 1991). Product innovation success does not necessarily imply firm-level success, yet firm-level innovativeness is a necessary prerequisite for long-term survival (Siguaw et al., 2006; Avlonitis et al., 1994). Because once-off, discrete product or service innovations are not sufficient to guarantee long-term success, success is not determined at the individual product innovation level but at the overall firm level. To illustrate, a firm that has a very good product or service innovation will merely benefit from a temporary competitive advantage until competitors decode its source of competitiveness and imitate the new innovation (Barney, 1991). In contrast, innovativeness guarantees long-term competitive advantage because it is part of the organisation's corporate DNA and, hence, cannot be easily decoded, copied or imitated by competitors.

In the context of this particular study, innovativeness is deemed to be an extremely important dynamic capability because it enables the small tourism firm to alter its internal resource base and quickly adapt and respond to its changing market environment. Tourism is a dynamic and highly flexible industry, hence the ability to 'orchestrate changes', build new capabilities, transform the asset base and reconfigure processes is crucial for competitiveness (Teece et al., 1997). An innovative firm that has the ability to be nimble, change quickly and be alert to changes in the environment can apply its dynamic capabilities sooner and more strategically than competitors, and will be better able to adapt more quickly and easily to changing market conditions, creating an SCA (Eisenhardt and Martin, 2000). This is due to the fact that a more innovation capable organisation has the ability to build and deploy distinctive resources faster than others (Winter, 2003). Therefore, we posit that innovativeness – characterised by a high degree of organisational flexibility and the active and effective implementation of new organisational strategies and practices – enhances productivity and enables firms to match their resource base to the requirements of a rapidly changing business environment. This lends weight to the argument that innovativeness plays an undeniable role in helping a small tourism firm to create and sustain a competitive advantage.

In conclusion, drawing from the RBV and dynamic capabilities literature, if small tourism firms can strategically practice innovation, their limited resources will be utilised to maximum capacity and profitability, and competitiveness should increase as a result (Sundbo et al., 2007). Fundamentally, innovativeness increases a firm's capacity to innovate (Damanpour, 1991) by encouraging organisational innovative behaviours through strategic practices (Siguaw et al., 2006), thus increasing overall competitiveness.

KEY RESOURCES TO BE UTILISED

In line with RBV rationale, we posit that certain resources must be in place within the organisation in order to ensure SCA. In an effort to understand what resources are needed, we have categorised them under three broad headings as follows:

1. Organisational culture and climate
2. Strategic orientation
3. Intellectual capital

Organisational Culture and Climate

An innovative-oriented culture and climate should be promoted and encouraged throughout the entire organisation in order for innovativeness to flourish. Pavitt (1991) raised issues such as flexibility, short communication lines, close relations with customers, motivation of management and labour force, less bureaucracy, little filtering of proposals with a strong interest in product development, and technological change as part of the characteristics of an innovative culture. To promote such a climate, there should be committed leaders who possess vision and enthusiasm for innovation and are future-oriented (Heunks, 1998). Leaders must demonstrate an active strategic commitment to research and technological change (Motwani et al., 1999). The literature (e.g. Amabile et al., 1996; Jung et al., 2003; Scott and Bruce, 1994) consistently highlights the critical role that managers and/or supervisors play in bringing about innovation through inducing an innovative team climate whilst influencing a culture that supports creative ideas and fosters innovation efforts in teams. Transformational leadership is the preferred leadership style for effective organisational innovativeness as it helps develop, intellectually stimulate and inspire followers to abandon their own self-interests in favour of a group or collective purpose (Howell and Avolio, 1993). In addition, managers must be supportive of innovation and display a general willingness to take risks and allow employees to explore new ideas, even when ideas could potentially fail. From an organisational perspective, there needs to be an innovation-oriented corporate mission and philosophy statement (see Ahmed, 1998) whereby there exists a cultural belief that innovation is important. The organisation must be committed to the development of innovations by providing psychological and resource support, and reward innovations in order to encourage employees to be innovative (Russell, 1986). In addition, management and leadership must have the ability to develop team cohesiveness and facilitate teamwork using a diverse range of skills and giving sufficient 'slack' time for creativity and generation of new ideas. They must promote creativity and receptivity towards innovativeness throughout the organisation. Consequently, when organisational members perceive innovation-supportive practices, policies and so forth, they believe that the organisation values innovation and, hence, feel more motivated to innovate (Ahmed, 1998). Such a cultural perception has thus become a prerequisite to innovativeness.

Strategic Orientation

The organisation must be able to use strategy to adapt to and change aspects of its environment for a more favourable alignment (Manu and Sriram, 1996). An innovative strategic orientation means that the organisation must possess the capacity to plan ahead, to have clear strategy and to manage strategically, which is reflected in firms being market-oriented and willing to learn as well as to innovate and take risks (Georgellis et al., 2000; Beaver and Prince, 2002; Salavou et al., 2004). The finding of risk-taking was also confirmed by other studies (e.g. Blumentritt, 2004) showing that the most innovative firms were competitively aggressive and willing to take greater degrees of risk. The literature consistently highlights the relationship between innovativeness and three strategic orientations, namely market orientation, learning orientation and entrepreneurial orientation (e.g. Hult et al., 2004). From a *market orientation* viewpoint, Jaworski and Kohli (1993: 56) have argued that 'a market orientation essentially involves doing something new or different in response to market conditions; it may be viewed as a form of innovative behavior'. *Learning orientation* has to do with the development of new knowledge in the organisation (Cohen and Sproull, 1996; Crossan et al., 1999), resulting in new behaviours (Argyris and Schön, 1978; Fiol and Lyles, 1985). Finally, *entrepreneurial orientation* suggests a proclivity toward the creation of new products and ventures and a proactiveness and competitive aggressiveness that embodies a bold action-oriented positioning (Cooper and Dunkelberg, 1986; Cooper et al., 1989). Thus, entrepreneurial orientation is characterised by boldness and a tolerance for risk that lead to new market entry (Naman and Slevin, 1993; Lumpkin and Dess, 1996), but which may not include a concern for market analysis or learning endeavours (Hurley and Hult, 1998). Indeed, entrepreneurial orientation has long been associated with proactive competitive posture, management proclivity for risky projects, and the firm's need to engage in bold, wide-ranging acts to achieve objectives (Covin and Slevin, 1989; Miller, 1987).

Intellectual Capital

To promote innovativeness, the organisation must possess the necessary intellectual capital. Intellectual capital is 'the sum of everything everybody in a company knows that gives it a competitive edge' (Stewart, 1997: 9). It is composed of human, structural and relational capital (Stewart, 1997; Edvinsson and Malone, 1997). *Human capital* relates to talents, specialisations and the capability of developing new and creative ideas of individuals in the organisation. It is described by Roos et al (2001: 23) as the 'competence, skills, and intellectual agility of the individual employees'. *Structural capital* encompasses 'processes, systems, structures, brands, intellectual property and other intangibles that are owned by the firm but do not appear on its balance sheet' (Roos et al., 2001: 23). It can be conceptualised as the fluid intangible assets such as processes, routines, culture, and the more formally crystallised structural capital as codified in an organisation's policies, procedure booklets and intellectual property (Carson et al., 2004). Finally, *relational capital* encompasses 'the external revenue generating aspects of the firms' including 'branding, reputations, strategic alliances, [and] relationships with customers and suppliers' (Seetharaman et al., 2004: 524).

A CONCEPTUALISATION OF INNOVATIVENESS AS A FIRM-LEVEL DYNAMIC CAPABILITY

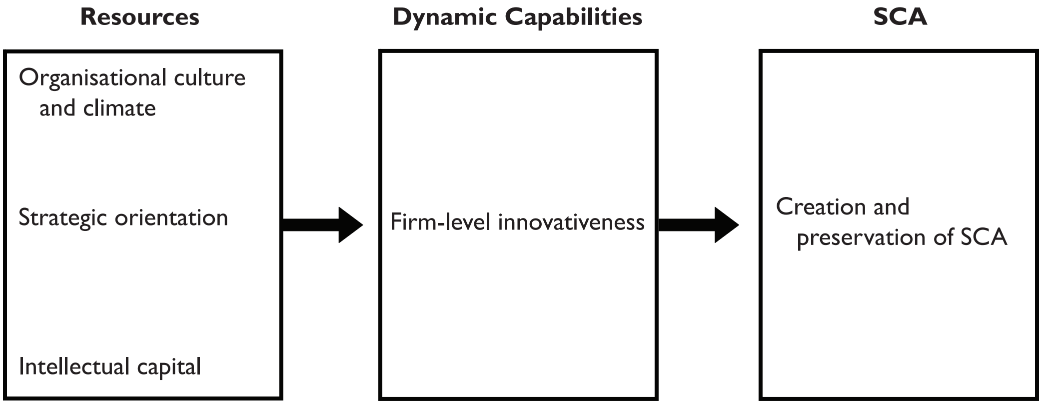
Based on the foregoing, the following conceptualisation of organisational innovativeness can be presented, whereby innovativeness is depicted as an organisation's innovative capability. The conceptual model in Figure 1 graphically illustrates how the various constructs of RBV combine together and work towards achieving SCA. It suggests that resources and dynamic capabilities interact, whereby the latter transforms the former to make them more productive and capable of generating SCA.

The model views organisational culture and climate, strategic orientation and intellectual capital as the resources which precede innovation capability building. It suggests that a firm with a strong innovation-oriented culture, climate and strategy, as well as the appropriate intellectual capital structure, is associated with the development of new capabilities. Based on this, it is theorised that an overall innovation orientation (Siguaw et al., 2006) would influence the organisation's capability to innovate by adopting new ideas and processes that would enable adaptation and change and being the first to market with new products and services.

Influenced by RBV thinking, the model depicts the ability of an organisation to effectively and efficiently utilise its innovative capability to exploit these internal resources and capabilities aforementioned, and, most importantly, to recombine and reconfigure its resources and capabilities to sustain competitiveness in changing market environments. In fact, the success of a firm is largely determined by the extent of its innovation capability (Hult et al., 2004). Therefore, it must be innovative in order to survive in a volatile market (Johnson et al., 1997). In this vein, Hult et al. (2004) found that through innovativeness managers devise solutions to business problems and challenges, which provide a basis for firm success into the future.

Finally, the interactive relationship presented in the conceptual model is assumed to be firm specific, socially complex and tacit since it is the result of a constant social interaction process taking place within the organisation. Specifically, a firm with a high innovation capability employs a learning-by-doing effect, which makes it extremely difficult for competitors to buy this know-how in the marketplace and also makes it very difficult for rivals to imitate (Cavusgil et al., 2003). Thus, only a handful of organisations are proficient in successfully building an innovation capability, giving them SCA.

Figure 1: A Tentative Integrated Conceptual Model of the Impact of the Dynamic Capability Firm-Level Innovativeness on Sustainable Competitive Advantage



CONCLUSION

In this paper we have argued that there needs to be a move away from the micro view of tourism innovation towards a firm-level perspective. Indeed, the main premise underlying our argument is that the defining factor of long-term survival of a tourism firm through innovation appears to be based not on specific, discrete innovations but rather on an overarching, organisation-wide innovation capability structure, termed 'innovativeness' (Trott, 1998). The logic underpinning this reasoning is that a tourism firm's long-term survival may rely more on overall firm-level innovativeness, which enhances the development of innovations, and less on the actual innovations themselves (Abernathy and Utterback, 1978; Trott, 1998). It is this idiosyncratic aspect that encapsulates the difference between innovation and innovativeness. Innovation merely provides a firm with a short-term competitive advantage since innovations can be easily replicated by competitors. In contrast, innovativeness cannot be easily replicated due to its social embeddedness within the organisation. Unlike innovation, innovativeness is an underlying capability structure which is strategically developed through organisational path dependencies (Barney, 1991) to encourage and drive innovative behaviour at the firm level and consequently achieve SCA. Innovative behaviour is taken to mean some change in behaviour by tourism firms in response to environmental market changes (Sundbo et al., 2007).

Whilst there is growing recognition of the importance of innovativeness, there is relatively little in the way of theoretical guidance about how to build and manage an innovation-wide organisational structure that delivers SCA. In this paper, we have tried to make a contribution by theoretically proposing a tentative conceptualisation that shows the relationship between resources and dynamic capabilities for enhanced competitive advantage. While this represents a first attempt at what might become a more robust view for academics and practitioners to view tourism innovation from a firm-level perspective, there is clearly a need to develop our thinking further. For instance, although we have conceptually presented the dimensions of firm-level innovativeness, they require further exploration and need to be empirically tested and validated. Likewise, we do not yet know the exact nature of the interrelationship, and how and under what conditions resources and innovativeness interact to achieve SCA.

ENDNOTES

1 In this context, the term 'competed away' is based on Barney's (1991) terminology and refers to whether or not the value to a firm of having a specific resource can be potentially lost through the duplication efforts of competing firms when they eventually learn the source of competitive advantage and replicate the same resource. Thus, 'competed away' means that a resource can be taken away, duplicated, copied or imitated by competing firms, and the resource is no longer unique or superior to the firm which originally held it. When a resource is competed away, or taken away, by competitors, its ability to provide a *sustainable* competitive advantage is diminished (Barney, 1991). RBV holds that a firm can only earn supra-normal returns if, and only if, they have superior resources that are protected by some form of isolating mechanism preventing them from being 'competed away' by rivals or new entrants, or diffused throughout the industry (Barney, 1991, 1986).

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