# A PROPOSED MODEL OF FIRM-LEVEL INNOVATIVENESS: THE SMALL TOURISM FIRM

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**ABSTRACT** 

National reports advise that in order for the tourism industry to restore its competitiveness,

Ireland must enhance the innovativeness of the tourism firm (The National Development Plan,

2007-2013: Tourism Policy Review, 2003). Despite this realisation, and despite numerous

calls to explore tourism innovativeness, few research agendas have addressed this issue.

Theory suggests that if small tourism firms can strategically practice innovation, limited

resources will be utilised to maximum capacity and profitability, subsequently improving

competitiveness (Sundbo et al., 2007). However, extant research focuses on product-level

innovation, ignoring the reality that small firms need to continually innovate as a firm-level

strategy, especially since "innovations in and of themselves are not necessarily the key to

long-term business success" (Siguaw et al., 2006: 556). A tourism firm's long-term survival

may rely more on overall strategic-level innovativeness that produces dynamic capabilities,

which in turn enhances the development of innovations, and less on actual innovations

(Abernathy and Utterback, 1978; Trott, 1998). Moreover, relatively little reported empirical

research details how firms can achieve firm-level innovativeness (Markides, 1998), remaining

a central dilemma for most small firms.

Researchers must meticulously examine the construct of innovativeness itself, since it has

received conflicting conceptualisations; often used interchangeably with the terms 'innovation

orientation' and 'innovation'. Consequently, the current literature appears to lack consensus

regarding what exactly constitutes 'innovativeness', resulting in an extensive knowledge gap.

To date, little significant international research activity on innovativeness within the SME,

and in particular within the small tourism firm, has emerged from the extant literature.

Drawing from prior work found in the organisational, product, tourism services, consumer,

and psychology literatures over the past 48 years, this paper aims to theoretically propose a

new multidimensional conceptualisation of firm-level innovativeness. In essence, the primary

objective of this paper is to dissect the innovativeness construct and identify its key

dimensions from the perspective of the firm.

**Keywords:** Innovativeness, Dimensions, Conceptualisation, Small Tourism Firm

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#### INTRODUCTION

Over the past decade, unprecedented economic growth has seen Ireland's GDP almost double in size. In line with this overall economic experience, the Irish tourism industry has become a major economic sector of enterprise and of national and regional wealth creation. Indeed, the industry currently constitutes approximately 16,000 tourism enterprises, and accounted for 10% of total employment and 3.5% of GNP in 2006. In total, 7.6 million overseas tourists visited Ireland in 2006, and targeted to reach 10 million overseas tourists and €6 billion in revenue by 2012 (Tourism Policy Review, 2003). Albeit these positive features, the landscape is changing, and the Irish tourism industry is at a significant turning point in its evolution.

Due to unparalleled economic growth, the Irish tourism industry has seen a significant loss in competitiveness. Prevailing economic conditions, including growing inflation and the increasing exchange rate of the euro, means the cost environment for Irish tourism remains high. This is further compounded by the continuous pressure to simultaneously provide value for money due to increased consumer expectations. Ireland's visitors expect a high quality tourism product in line with what they would receive in mainland Europe or the United States, whilst also seeking value for money, naturally presenting a difficult challenge for Irish tourism (Tourism Policy Review, 2003). Moreover, the industry is predominately characterised by individual, small to medium sized enterprises competing in an increasingly global international tourism marketplace. Consequently, there is weak access to market and operational intelligence; a lack of management resources and market power; little or no financial institutional backing; and there is a tendency amongst small Irish tourism firms to adopt the 'complacency syndrome' where there is little flexibility and adaptability of products to the changing needs of customers. Subsequently, international competitiveness of the Irish tourism industry is being quickly eroded (Tourism Product Development Strategy 2007-2013). A frequent response to these challenges is the call by the National Tourism Development Agency, Fáilte Ireland, for a heightened level of 'innovation' across the industry (Tourism Product Development Strategy, 2007-2013; ITIC, 2006).

Despite the considerable investment and prioritisation of state policy in innovation (over 7 billion euro), in aggregate terms, Ireland's tourism industry continues to lag considerably behind other EU and OECD countries in terms of innovation and competitiveness (The National Development Plan, 2007-2013; The Tourism Policy Review, 2003). It is the authors'

contention that current low levels of advancement in Irish tourism is due to Ireland's policy makers' narrow view of innovation, especially, in terms of what constitutes tourism innovation; and so their understanding of the potential for innovation in the sector has been severely limited. Indeed, Irish investment in tourism innovation tended to focus on product innovation, thus neglecting multiple facets pertinent to the domain of strategic innovation.

Moreover, the authors believe that innovation must be seen as a firm-level perspective (see Siguaw et al., 2006; Avlonitis et al., 1994) because it acknowledges the reality that firms, especially small tourism firms, need to continually innovate as a firm-level strategic objective (Siguaw et al., 2006). This is especially true considering that a tourism firm's long-term survival may rely more on its overall strategic orientation to innovation that produces dynamic capabilities which in turn enhances the development of innovations, and less on the actual innovations themselves (Trott, 1998). Simply stated, product, process, technological, or administrative innovation success does not necessarily imply firm-level success, yet a firmlevel innovation orientation is a necessary prerequisite for long-term survival. Hence, the defining factor of long-term survival through innovation appears based not on specific, discrete innovations but rather on an overarching, organisation-wide innovation capability structure, termed 'innovativeness' (see Siguaw et al., 2006; Avlonitis et al., 1994). However, how this can be achieved in practice remains unclear within the literature. Indeed, it has to be stressed that innovativeness within the tourism literature has received very scant attention (see Markides, 1998; and others). Consequently, there is a significant knowledge gap concerning our understanding of firm-level innovativeness and its key dimensions; thus obscuring the potential benefits for small tourism firms.

The confusion surrounding what constitutes innovativeness may, at least partially, be attributed to the fact that in spite of the considerable research efforts in many salient fields of enquiry, such as tourism, marketing, organisational behaviour, strategy, and management, no universally acceptable theory exists on the construct (Salicru, 2004; Read, 2002). Indeed, the innovativeness literature is a fragmented corpus and researchers come from many different disciplinary fields, who often study specific components of innovativeness, and emphasising various dimensions of the phenomenon (Wolfe, 1994). Consequently, the term innovativeness lacks clarity and has become a notoriously ambiguous construct for both tourism practitioners and academics.

Therefore, the purpose of this paper is to develop an operational definition and conceptualisation of the innovativeness construct. The rest of the paper is structured as follows. The next section offers an insight into the academic rigour and extensiveness followed for the purpose of this paper, providing a summary of the main journals/publications, books, and working papers used. Next, a synthesised discussion on the reviewed literature that conceptualises innovativeness is presented. Based on the foregoing analysis, an integrated model for conceptualising innovativeness and examining its key dimensions is proposed. In the concluding section, observations are drawn for future theoretical and empirical development in firm-level innovativeness for the small tourism firm.

#### THE REVIEWED LITERATURE

The review focuses on empirical research and conceptualisations reported by researchers published in a wide range of journals, books, and working papers. Although this may have led to some variation in quality, the key consideration was whether the study contributed to the stock of knowledge on understanding the innovativeness construct and its key dimensions. It is also important to note that on occasion, findings from research in other areas are also included in this review, because in their course of discussion on topics, such as, management, marketing, innovation, and tourism; they may have identified or addressed issues that impact on the innovativeness construct, or, provided context or corroboration for work in the area, and so warrant inclusion.

In addition, it is also important for the reader to be aware that when conducting a literature review, some degree of arbitrariness in the selection of articles, books, and working papers is inevitable. Indeed, with any synthesis, decisions have to be made about what is central to a topic, and so not all reviewed articles are referred to in the paper. Nevertheless, these problems with synthesing literature can be diminished through a thorough and meticulous review process. It is not the intention to claim that the selection of material examined here on firm-level innovativeness is all-inclusive. Indeed, there will be both academic and practitioner publications missed (e.g., studies not written in English). Yet, the material retrieved and examined is extensive. Furthermore, at all times and to the best of the authors' knowledge, concepts, quotes, and hypothesis extracted from articles and books were used in their proper context. In addition, support material was referenced in order to ensure that the authors' interpretation of other researchers' work is appropriate and accurate.

The review encompassed empirical research and conceptualisations reported by researchers published in over 40 journal titles from a wide variety of specialisations (e.g., marketing, economics, strategy, organisational behaviour, tourism, innovation, psychology), covering the period from 1961 to 2009. Indeed, the studies eventually presented for review were selected after conducting an exhaustive search of business, management, marketing, innovation, and tourism-related databases (for example ABI/Inform, Business Source Premier, Emerald Full text, and Science Direct) using key-related words and consulting the referenced literature of each piece of work in order to move through the relevant pieces of literature.

The entire journal catalogue where the articles appeared were systematically reviewed and studied by an established qualitative research method known as Content Analysis. In essence, each piece of literature was used as a platform for a more thorough literature search. Articles not contained in databases were ordered through inter-library loans in the Luke Wadding Library at Waterford Institute of Technology. The main source for those articles ordered in this way was the British Library. In total, 99 articles, conference papers, and books were reviewed for this literature, as illustrated in Table 1. The material retrieved and examined is extensive.

### EXTANT CONCEPTUALISATIONS OF THE INNOVATIVENESS CONSTRUCT

Prior attempts to capture what really constitutes the term firm-level innovativeness have resulted in widely varying conceptualisations; leading to a considerable level of confusion in terms of its dimensions. Ellonen et al. (2008) believe the dimensions of innovativeness still lack clarity, and this needs to be underpinned by further research. Underlining the existence of this substantial obscurity and confusion is the tendency by prior researchers to use interchangeably the terms innovation, innovation orientation, and innovativeness (see Siguaw et al., 2006). The authors of this paper believe that 'innovation orientation' is a firm's overarching knowledge structure that produces a specific set of innovation-producing capabilities shaping a firm's innovativeness (see Siguaw et al., 2006), hence acting as an antecedent of innovativeness. In contrast, 'innovation' is the ultimate outcome of innovativeness (e.g., Manu, 1992).

Table 1: The Reviewed Literature - Sources of Material (Journals, Books, Reports, etc.)

| Table 1: The Reviewed Literature - Sources of Material (         |        |
|--|--------|
| Journal/ Publication   | Number |
| Academy of Management Journal                                    | 4      |
| Academy of Management Review                                     | 4      |
| Advances in Consumer Research                                    | 1      |
| Annals of Tourism Research                                       | 1      |
| Annual Review of Psychology                                      | 1      |
| Business Horizons  | 1      |
| Business Strategy Review   | 1      |
| California Management Review                                     | 2      |
| Creativity and Innovation Management                             | 2      |
| European Journal of Innovation Management                        | 6      |
| European Journal of Marketing                                    | 2      |
| Harvard Business Review  | 1      |
| Human Communication Research                                     | 1      |
| IEEE Transactions on Engineering Management                      | 1      |
| Industrial Marketing Management                                  | 4      |
| International Journal of Bank Marketing                          | 1      |
| International Journal of Management Science                      | 1      |
| International Journal of Organisational Behaviour                | 1      |
| Internet Research: Electronic Networking Applications and Policy | 1      |
| Journal of Academy of Marketing Science                          | 2      |
| Journal of Applied Behavioral Science                            | 1      |
| Journal of Applied Psychology                                    | 3      |
| Journal of Business and Industrial Marketing                     | 1      |
| Journal of Business Research                                     | 2      |
| Journal of Consumer Marketing                                    | 1      |
| Journal of Consumer Research                                     | 3      |
| Journal of Engineering and Technology Management                 | 1      |
| Journal of Industrial Economics                                  | 1      |
| Journal of International Business Studies                        | 1      |
| Journal of Management Practices                                  | 1      |
| Journal of Management Studies                                    | 1      |
| Journal of Marketing   | 4      |
| Journal of Product Innovation Management                         | 3      |
| Journal of Sustainable Tourism                                   | 1      |
| Organizational Behavior and Human Decision Processes             | 1      |
| Personnel Psychology   | 1      |
| Psychology and Marketing   | 1      |
| Research Policy  | 2      |
| Science  | 1      |
| Small Business Economics   | 1      |
| Strategic Management Journal                                     | 2      |
| Technology in Society  | 1      |
| Technology Review  | 2      |
| Technovation   | 2      |
| The Service Industries Journal                                   | 1      |
| Tourism Management   | 2      |
| Conference and Books   | 14     |
| Working Papers   | 1      |
| Industry Reports   | 3      |
| Online Sources   | 2      |
| Total  | 99     |
| A V WILL   | 13     |

Nonetheless, past researchers have failed to recognise this distinction; subsequently curtailing our understanding of the dimensions of innovativeness. Wolfe (1994: 409) states "no set of characteristics which differentiates more from less innovative organisations has emerged", primarily due to the narrow research focus on 'determinants of organisational innovation' or on 'innovation output' rather than understanding the dimensions of 'organisational innovativeness'. The consequence has been an oversimplified construct that deserves further investigation in order to develop a clear, consistent, and more precise definition that can be strategically operationalised. Hence, this paper examines current conceptualisations of innovativeness to provide a starting point for reconceptualising innovativeness.

Hurt et al. (1977) was one of the earliest researchers to attempt to define innovativeness, expressing it as a 'willingness to change'. Midgley and Dowling (1978) considered innovativeness as a form of innate personality trait. Goldsmith and Hofacker (1991) define it as both an attitude and a behaviour. Subramanian and Nilakanta (1996) and Subramanian (1996) define innovativeness in terms of the display of innovative behaviour consistently over time by an organisation. For Stamboulis and Skyannis (2003) and Hjalager (1997), innovativeness conveys some behavioural change in response to a stimulus. Zaltman et al. (1973) and Hurley and Hult (1998) define innovativeness as 'the openness to new ideas'. Leavitt and Walton (1975, 1988) conceptualise innovativeness in terms of the 'openness to information processing'. Similarly, Berthon et al. (1999) describe innovativeness as 'openmindedness', 'enterprising', 'willingness to change', 'ability to innovate' or to be creative. Avlonitis et al. (1994) treated innovativeness as being composed of a technological and behavioural dimension denoting both a 'technological capacity' and a 'behavioural willingness and commitment' of the firm to innovate. Kundu and Katz (2003) relate innovativeness to the organisation's 'intention to be innovative'. For Hult et al. (2004), innovativeness means a firm's capacity to introduce new processes, products, or ideas in the organisation. Similarly, Wang and Ahmed (2004: 304) characterise "organisational innovativeness as a firm's overall innovative capability of introducing new products to the market, or opening up new markets, through combining strategic orientation with innovative behaviour and process". Slater and Narver (1994) view innovativeness as one of the core value-creating capabilities that drives performance. Similarly, both Markides (1998) and Besanko et al. (1996) consider innovativeness as the development of new competitive

strategies that create value for the firm. Amabile (1997) aligns innovativeness with the concept of 'organisational creativity'.

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 & 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 & Cummings (1996); Reckhenrich et al. (2009); Salavou (2004); Shalley et al. (2000); Shalley (1991); Steenkamp et al. (1999); Sundbo (1997); Tang (1998); Tierney et al. (1999); Wang & Ahmed (2004); Woodman et al. (1993); Yusuf (2009); Zhou (2003) |
| Openness to<br>New Ideas | Ahmed (1998); Amabile (1997); Amabile (1996); Cotte & Wood (2004); Digman, (1990); Foxall (1995); Gold (1981); Goldsmith & Hofacker (1991); Hurley & Hult (1998); Hurt et al. (1977); Jacoby (1971); Leavitt & Walton (1975); Leavitt & Walton (1988); Lumpkin & Dess (1996); Marcati et al. (2008); Menguc & Auh (2006); Midgley & Dowling (1978); Tellis et al. (2009); Vandecasteele & Geuens (2008); Zaltman et al. (1973)   |
| Intention to Innovate    | Ajzen's (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 (2008); Burns & Stalker (1961); Cooper & Kleinschmidt (1987); Cowart et al. (2007); Damanpour (1991); Daneels & Kleinschmidt (2001); Dertouzos (1999); Fell et al. (2003); Gebert et al. (2003); Gebert & 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 & Stalker (1961); Cooper (2006); Gebert et al. (2003); Gilbert (2007); Hjalager (2002); Hult et al. (2004); Hurley et al. (2005); Hurley & Hult (1998); Markides (1998); Paleo and Wijnberg (2008); Siguaw et al. (2006); Slater and Narver (1994); Sundbo et al. (2007); Tang (1998); Utterback (1979); Wang and Ahmed (2004); Winter (2003)  |

Menguc and Auch, (2006: 66) relates innovativeness as a "firm's proclivity, receptivity and inclination to adopt ideas that depart from the usual way of approaching business". Similarly, Lumpkin and Dess (1996) conceptualise innovativeness as a firm's tendency to engage in and support new ideas, to experiment, and be creative. Marcati et al. (2008) and Blake et al. (2003) regard innovativeness as a 'generalised readiness' to follow new ways and be creative. Hurley and Hult (1998) conceptualise innovativeness as an organisation's 'cultural readiness' to innovate or to adopt new ways of doing things. Cowart et al. (2007) relate innovativeness to the notion of risk. Similarly, in their conceptualisation of innovativeness, Gounaris et al. (2003) refer to 'uncertainty', 'ambiguity', and 'difficulty'.

While at first glance, there appears to be no consensus in the literature regarding the construct of innovativeness, there are nevertheless underlying commonalities. Five key dimensions

have emerged from the foregoing discussion, namely, *creativity, openness to new ideas, intention to innovate, risk,* and *capacity to innovate* (see Table 2). Each dimension is explored in the following sections.

### 1. Creativity:

Most conceptualisations of innovativeness conceive *creativity* as a key component (Amabile, 1997; Lumpkin and Dess, 1996), considered by Dertouzos (1999:31) to be 'perhaps the most important ingredient of successful innovation'. Nonetheless, creativity remains a complex and elusive concept, and has been defined in a variety of ways (Shalley et al., 2000). Yet, Gumusluoglu and Ilsev (2007) state that a widely accepted definition prevails, defining creativity as "the production, conceptualisation, or development of novel and useful ideas, processes, or procedures by an individual or by a team of individuals working together" (see Amabile, 1988: 126); and has been since used in many conceptual models (e.g., Ford, 1996; Woodman et al., 1993). "Think outside the box" is the slogan of numerous creativity experts who correctly connect creative thinking to firm innovativeness (Reckhenrich et al., 2009). Indeed, firm-level innovativeness demands proactiveness in exploring new methods of doing business (Menguc and Auh, 2006). Tang (1998: 298) believes 'creativity is a prerequisite for innovation'. Equally, Yusuf (2009: 3) considers the immense importance of creativity in innovation, stating that it serves as 'a springboard for creative loops to fruitful innovations', positioning creativity as a means of facilitating the successful realisation of innovation (i.e., innovativeness). Feinstein (2006) considers creativity in terms of adopting new ways of doing things, in so far as combining various elements together, a combination that had been perhaps previously overlooked. Both Salavou (2004) and Sundbo (1997) discuss creativity in terms of a firm's thinking capability to produce ideas that are new and distinctive, which for Markides (1998) can lead to new and applicable insights. Wang and Ahmed's (2004) definition implies an ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (see Avlonitis et al., 2001).

Moreover, creativity as a dimension of innovativeness has been widely studied at the individual employee level; considered an important source of organisational innovation and competitive advantage (Amabile, 1988, 1996; Oldham & Cummings, 1996; Shalley, 1991; Zhou, 2003). Marcati et al. (2008) consider creativity in individual cognitive styles. Likewise, Hurt et al. (1977) included 'creativity' and 'originality in thinking and behaviour' in their

consumer innovativeness scales. For Hirschman (1980) and Goldsmith and Flynn (1992) individual creativity, together with other variables such as inherent novelty seeking, produces more innovative outcomes. From an individual consumer perspective, Steenkamp et al. (1999) provide insight into the association between creativity and innovativeness; stating that innovativeness propels individuals to move beyond existing norms, behaviours, and standards, making unfamiliar purchase decisions. Furthermore, creativity is considered both from a cognitive (e.g., thinking styles) and an affective aspect (e.g., motivation, perceptions, well-being) which are thought to influence individual creativity. For example, the idea of intrinsic motivation appears to dominate the creativity literature (e.g., Gumusluoglu and Ilsev, 2007; Tierney et al., 1999; Amabile, 1998; 1997; Amabile et al., 1996).

Based on the foregoing, innovativeness implies a creative mindset and thinking style to produce "some new process, product, or idea in the organization" (Hult et al. 2004: 430) thus leading to innovation.

## 2. Openness to New ideas:

The receptiveness or the openness of the organisation to new ideas and to innovation as a process is termed as 'innovativeness' in the literature (e.g., Gold, 1981). Zaltman et al. (1973) use of terminology, 'openness to innovation', denotes an attitudinal component towards innovation (Goldsmith and Hofacker, 1991). It is the firms's overall approach (e.g., attitude and mindset) towards innovation (e.g., Amabile, 1997, 1996). Hurley and Hult (1998: 44) adhere to 'the notion of openness to new ideas' as an aspect of a firm's innovativeness, deeming it an important aspect of the firm's culture. This conceptualisation underscores the current authors' emphasis on what Menguc and Auh refer to as a firm's receptivity and "willingness to forgo old habits and try untested ideas" (2006: 66). Similarly, Cotte and Wood (2004) conceptualise it as the tendency to willing embrace change and try new things. This thinking strongly implies that innovativeness requires a company mindset or propensity to listen to 'all voices', either internally or externally (Ahmed, 1998), and to explore and experiment with ideas (Lumpkin and Dess, 1996). In this regard, Leavitt and Walton (1975; 1988) discuss 'openness to information processing'. Innovativeness is thus a personality trait, conceptualised by Tellis et al. (2009: 4) as 'the underlying propensity of consumers to adopt products'. The 'openness to new ideas' dimension is indeed analogous to Goldberg's Five-Factor Model of human personality (e.g., Digman, 1990) whereby the personality trait 'openness' or 'open-mindedness' is used to refer to an innovative individual or a consumer who is more receptive and tolerant to new ideas and open to new experiences; hence more willing/likely to take risks and adopt an innovation newly launched onto the market (e.g., Jacoby, 1971; Leavitt and Walton, 1975; 1988). This reflects 'openness to experience', that is, the degree of tolerance for new ideas and new ways of doing things; also termed 'experientially oriented' (Tellis et al., 2009). Drawing from the individual consumer literature, Vandecasteele and Geuens (2008) argue that consumer innovativeness has a positive correlation with such personality traits as openness to change (i.e., sensation/stimulation seeking, novelty seeking, and variety seeking). Marcati et al. (2008: 1579) consider 'the degree of openness to newness'. Stated simply, in addition to creativity, openness can be defined as an aspect of the cognitive style of individuals (and firms) that drive their proneness to make individual and independent decisions regardless of the communicated experiences of others (Foxall, 1995). Hurt et al. (1977) also incorporated 'openness to new ideas and methods' into their conceptualisation of innovativeness. Tellis et al. (2009) operationalised 'openness' with novelty seeking, risk taking, and variety seeking.

Therefore, the authors argue that innovativeness is composed of an underlying personality trait termed 'openness to new ideas' that is possessed by all firms to some extent; enhancing the firm's intention to innovate, hence driving the firm towards innovative behaviour.

#### 3. Intention to Innovate:

Inherent in prior definitions is the firm's commitment or devotion to the innovation process (Berthon et al. 1999; Avlonitis et al., 1994) and its *intention to be innovative* (Kundu and Katz, 2003). Avlonitis et al. (1994: 14) consider the 'manifested strategic innovation intentions of the firm'. Innovativeness is conceptualised as the intention to act in an innovative manner leading to innovation; but it is not the innovation itself. It relates to a firm's propensity or inclination to adopt or create something new. Marcati et al. (2008) utilise Ajzen's (1991) *Theory of Planned Behaviour*, whereby the consumer's intention to adopt an innovation is influenced by a conscious decision shaped by their attitude towards innovative behaviour and their perceptions of the factors surrounding such an intention (e.g., perceived advantages and disadvantages derived from adopting the innovation, social pressure towards the adoption, ease or difficulty of engaging in that behaviour). Although writing from an individual consumer perspective, Marcati et al. (2008) make a valid point; enabling parallels

to be drawn with firm innovativeness. From a behavioural perspective, Avlonitis et al. (1994) treated innovativeness as the behavioural willingness, intention, and commitment of the firm to innovate. This notion of behavioural change is quite common in all tourism innovation studies (e.g. Hjalager (1997; 1996). Stamboulis and Skyannis (2003) state that a tourism firm needs to change its behaviour in order to remain at the forefront of its industry and combat market trends and challenges. The authors therefore argue that innovation, driven by innovativeness, is needed if the small tourism firm is to surmount the serious challenges posed by the emergence of new, alternative, and thematic tourism destinations and activities.

Hence, innovativeness is the firm's intention to innovate, shaped by its overall attitude and mindset towards innovation. Of particular importance is the fact that innovativeness only refers to the firm's intention to innovate; it does not refer to the actual act of innovation. The next section regarding 'risk' will deal with this latter point further.

#### 4. Risk

The notion of 'a willingness to take risks' has emerged from prior definitions of innovativeness (e.g., Panayides, 2006). Gounaris et al. (2003) consider the notion of risk in light of the level of difficulty, uncertainty, and ambiguity associated with innovation. Fell et al. (2003) state that introducing new products (i.e., innovation) is burdened with risk, especially since it is estimated that up to one third of new products fail at the launch stage (Cooper and Kleinschmidt, 1987). Midgley and Dowling (1978) align the notion of 'innate innovativeness', that is, the underlying innovative human personality trait, with perceived risk and the tendency to make risky decisions. Cowart et al. (2007) also found empirical evidence to support this relationship, discovering that innovativeness affects perceptions of perceived risk and directly affects behavioural intentions. What is particularly noteworthy from Cowart et al. (2007) work is the emphasis on 'behavioural intentions' and not actual behaviour; implying that an inherent propensity towards risk does not always mean that subsequent innovation adoption will arise; but only increases the likelihood of such adoption. Indeed, the literature cites many different types of risk, depending on which perspective researchers are referring to (i.e., the consumer versus the firm). From a consumer perspective, Daneels and Kleinschmidt (2001) consider perceived risk of new product adoption as a dimension of innovativeness, called 'adoption risk'. In a work context, Ahmed (2008) consider the notion of risk, whereby individuals feel at ease with taking risks knowing that they are free to

experiment with ideas, challenge the status quo, try new things and fail, dumb' ideas will be discussed, mistakes will not be punished, and basically expect that innovation is part of their job. Özsomer et al. (1997) consider the notion of 'more flexible, risk taking firms' with leaders who are more willing to take risks and to explore 'chancy opportunities'. From a firm perspective, Gebert et al. (2003) consider the 'risk of autonomy' in relation to innovativeness, whereby granting too much autonomy can cause specific unplanned negative secondary effects (see Gebert and Boerner, 1999), causing adverse effects in further innovativeness unless the firm has put in place a contingency plan to deal with such unplanned effects. Gebert et al. (2003) are not opposed to the idea of decision-making autonomy and empowerment (see Damanpour, 1991), but simply argue that an appropriate counter-strategy should nonetheless be developed in order to moderate the unplanned negative effects. Burns and Stalker (1961) have also issued such a warning although in different terminology. Gebert et al. (2003) advise that one method of counteracting the risks associated with decentralised decision-making and delegation is to increase such initiatives gradually as opposed to adopting a 'now-or-never' attitude towards innovation; which has adverse negative effects on innovativeness. Dertouzos (1999) argues that despite the widespread acknowledgement by academics and industry that risk is a key ingredient of innovativeness, firms still fail to extend beyond their comfort zone due to their psyches that 'propel them towards the comfort of guarantees' (p. 31).

In essence, risk is a significant part of innovativeness at various levels of concern within the firm. The authors argue that the willingness to engage in risky behaviour is paramount as regards innovativeness.

## **5.** Capacity to Innovate:

Avlonitis et al. (1994) argue that it is not sufficient that a firm only has the behavioural will to innovate and take risks (i.e., willingness and commitment), but it must also possess the necessary technological capacity to realise this willingness. Hurley and Hult (1998: 44) view firm capacity to innovate as "the ability of the organization to adopt or implement new ideas, processes, or products successfully"; treated as a 'cultural precursor' that provides the 'social capital' to facilitate innovative behaviour (Hurley et al., 2005). Likewise, Hult et al. (2004) rationalise innovativeness as a firm's capacity to introduce new processes, products, or ideas in the organisation. Gebert et al. (2003: 42) define innovativeness as 'the capacity of an

organization to improve existing products and/or processes and the capacity to utilize the creativity resources of the organization to the full'. Sundbo et al. (2007) refer to the technological aspect or the 'innovation capacity' of tourism destinations. Moreover, Tang (1998; 1999) believes knowledge and skills form the basis of the competence to innovate, composed of both creativity-related skills and domain-related knowledge. Slater and Narver (1994) view innovativeness as one of the core value-creating capabilities that drives performance. Similarly, both Markides (1998) and Besanko et al. (1996) consider innovativeness as the development of new competitive strategies that create value for the firm.

Capacity to innovate could be thus classified as a firm-level strategic flexibility to innovate; having the necessary technological and managerial capabilities in place to respond flexibly to the market (see Gilbert, 2007). Utterback (1979) argues that more flexible firms (due to their flatter structure) tend to be better innovators than rigidly structured firms. Indeed, a more innovation capable organisation is one that has the ability to build and deploy distinctive resources faster than others (Winter, 2003). This is especially relevant in the small tourism firm considering its smaller size and the transparent nature of the industry, meaning that ideas can be easily copied if not implemented quickly (see Hjalager 2002; Cooper 2006). Moreover, Paleo and Wijnberg (2008) argue that by conceptualising innovativeness in terms of innovative capacity, researchers are essentially offering a method of understanding how to create innovative organisations (e.g., Hurley et al., 2005). The authors believe that a firm's innovative capacity is best thought of as its ability to potentially produce innovations, however, this dimensions is influenced by its organisational structure.

## RECONCEPTUALISAING THE INNOVATIVENESS CONSTRUCT

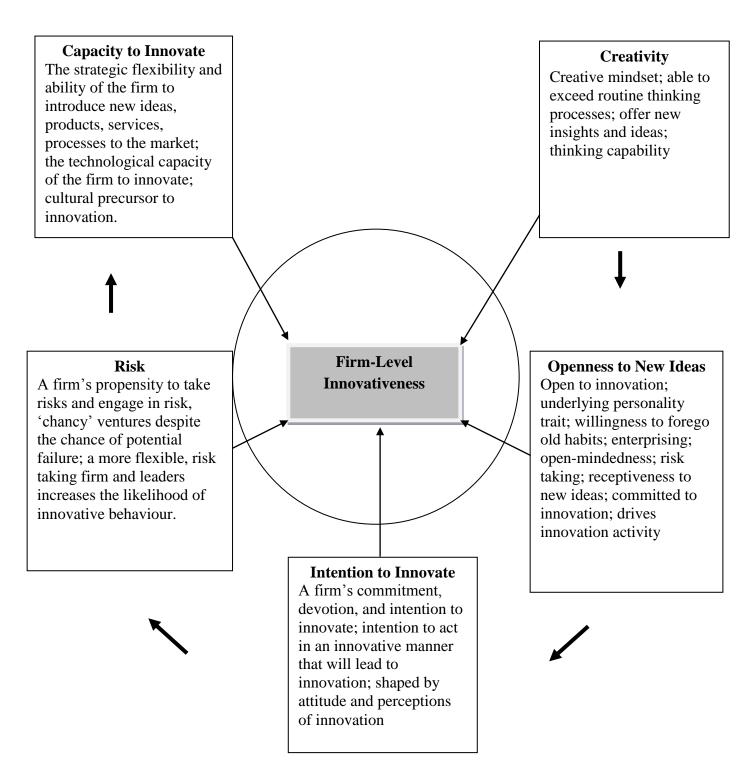
Like Menguc and Auh (2006), the authors of this paper adopt a resource-based (Barney, 1991) and a dynamic capabilities view (Teece et al., 1997), promoting innovativeness as a rare, valuable, and hard-to-copy firm level competence, that is the key driver of innovation in a firm (Dobni, 2006), and represents a firm's ability to continually develop innovations, hence increasing overall competitiveness (Damanpour, 1991; Paleo and Wijnberg, 2008). Fundamentally, firm-level innovativeness increase a firm's capacity to innovate (Damanpour, 1991) in order to avail of market opportunities; considered a personality trait or embedded organisational culture driving consistent innovative activity over time (Subramanian, 1996).

Synthesising the core elements that surfaced in the foregoing discussion of the extant conceptualisations, firm-level innovativeness can be defined as:-

"a firm's strategic mindset and attitude towards innovation; composed of an embedded cultural willingness, propensity, receptivity, commitment, intention, and technological capacity to engage in risky behaviour and rapidly incorporate change in business practices through the [early] creation and/or adoption of new ideas that facilitate innovation; subsequently adding value to the adopting unit (i.e., the firm) in the form of increased competiveness and sustainability through a differentiated product and service offering".

Figure 1 presents an integrated model for conceptualising innovativeness in terms of its key dimensions. The model illustrates the notion that each dimension has a stimulating effect on the subsequent dimension, as well as acting independently. For example, a firm's creative mindset and 'creativity' naturally stimulates the 'openness to new ideas' dimension, which in turn arouses a firm's 'intention to innovate', leading to a higher propensity to engage in 'risk'. However, the firm must possess the 'capacity to innovate' in order to successfully realise its willingness and commitment to innovation (see Avlonitis et al., 1994). In essence, creativity, openness to new ideas, intention to innovate, and risk must be accompanied by the capacity to innovate. Moreover, the authors argue that these dimensions cannot exist in isolation, but rather must work together in harmony, representing a collective set of dimensions that may constitute the construct of firm-level innovativeness.

Figure 1
Dimensions of Firm-Level Innovativeness



#### **CONCLUSION**

Consistent with the call for a broader perspective on this topic, the researchers have suggested that innovativeness should be distinguished from the concrete outcome or tangible activity of innovation, and its dimensions should be labelled accordingly. In the past researchers attempting to reconceptualise innovativeness failed to disentangle it from its antecedents and outcomes (see Subramanian and Nilakanta, 1996), often intermixing all three components into one single definition. Innovativeness has been conceptualised in terms of its antecedents (see Siguaw et al., 2006) and in terms of its outcomes (see Subramanian and Nilakanta, 1996). Simply stated, while acknowledging that innovativeness is indeed a complex phenomenon deserving further investigation (e.g. Wilson et al., 1999), earlier attempts still fail to achieve a precise and accurate definition.

In line with prior researchers' recommendations (e.g., Wilson et al. 1999; Subramanian and Nilakanta, 1996; Subramanian, 1996), this paper offers a new, multidimensional conceptualisation of the innovativeness construct. Different from prior studies, this paper clearly conceptualises innovativeness as a standalone construct, carefully examining its key dimensions. Based on a Content Analysis of the extant literature that conceptualises innovativeness, the authors meticulously identified and examined the key themes that emerged. By conducting such an extensive review, the authors were able to develop a new conceptualisation of innovativeness, delineating it as a multidimensional construct.

However, because the developed framework is a first attempt, and is only a starting point on the path to understanding the complexity of firm-level innovativeness, it has its shortcomings and raises perhaps more questions than it answers. For instance, the framework does not address the issue of operationalisation. Indeed, valid measurement scales currently do not exist for measuring innovativeness. Although calling for future research has become somewhat of a cliché in academia, nevertheless, giving the general small size of tourism firms and the EU and government imperative to improve firm innovativeness, such a call seems appropriate. Indeed, building upon the model presented here is a key part of the researchers' future research agenda.

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