FRAMEWORK FOR ENHANCING COMPETITIVENESS IN CULTURE AND HERITAGE ORGANISATIONS IN THE IRISH TOURISM INDUSTRY

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ABSTRACT
The culture and heritage sector of the tourism industry has become a major economic sector of enterprise and of wealth creation (Failte Ireland, 2009a). However, as the National Development Plan (2007-2013) notes, the landscape is changing and the tourism industry is at a significant turning point in its evolution due to the economic downturn. Creating a stronger competitive capacity within Irish tourism companies is a challenging issue (National Development Plan, 2007-2013) and a core focus of this research. This research will particularly focus on cultural and heritage organisations where the industry is predominantly made up of micro and small to medium sized organisations. Given these organisation’s are small they have limited resource pools. However, as outlined in the ‘New Horizons for Irish Tourism’ report (Failte Ireland, 2009b), the cultural and heritage sector has ‘core assets’ which if leveraged and deployed to maximum capacity, it could result in a competitive advantage.

Strategic management theory has largely and traditionally focused on the external environment in which a firm can achieve competitive advantage (Bounfour, 2003). Increasingly literature has redirected its focus towards the more controllable internal resources within the firm (Barney, 1991). Indeed, an increasing amount of literature has recognised that if small cultural and tourism organisations can strategically utilise their limited resources to maximum capacity, competitiveness should increase (Sundbo et al. 2006). Drawing on the resource based (Barney, 1991) and dynamic capabilities views of the firm (Teece et al., 1997), this paper will make a unique contribution to a very significant gap in the capabilities and business strategy literature by analysing how tourism organisations are utilising and maximising their intangible resource stocks as a means of gaining competitive advantage. Due to the scarcity of research and interest in this area, it is perceived that our ongoing study will contribute substantially to academic knowledge and practice and should highlight key areas warranting investigation going forward.
INTRODUCTION

According to Teece et al., (1997) organisations that will be competitively advantageous within its sector must be adaptable, open to change and have the ability to efficiently manage their competencies. For Stalk et al., “the essence of strategy is not the structure of a company’s products and markets but the dynamics of behaviour” (1992; 60). Similarly, Collis stated that certain authors in the capability literature “advocate, to greater or lesser extent, ‘competing on capabilities’ rather than choosing a product market position or making traditional resource investments as the appropriate task for strategic management” (1994; 143). There is an abundance of resources within the culture and heritage sector of the tourism industry in Ireland including both tangible and intangible assets such as a unique history, art, heritage sites, beautiful landscape, the Irish people and much more. However, tourism organisations, in particular the cultural and heritage sector, are characterised by small and micro organisations with very little structure in place. Creating, managing and maintaining such a flexible and transformative environment may be shied away from due to the potential risks involved.

The purpose of this paper is therefore to produce a ‘transformative capability’ that enables the tourism organisations to integrate, build and reconfigure their structural, social and relational resources to match the requirements of the changing environment (Teece et al., 1997). This implies that if tourism firms can strategically build an organisation-wide transformation capability structure, their limited resources will be utilised to maximum capacity and that competitiveness should increase through the delivery of continuous innovations (Sundbo et al., 2006; Markides, 2004). This is especially true considering that a firm’s long-term survival may rely more on internal dynamic capabilities (Trott, 1998).

To build such a framework this research will be founded upon resource and capability based literature. The rest of the paper is structured as follows. First, a synthesised discussion on the most salient aspects of the literature on the resource based and dynamic capability based view that led to this investigation is presented. Next, this paper will look at the confusion in relation to terminology. Based on the foregoing, a conceptual framework will be put forward so that organisations within the cultural and heritage sector can benchmark their performance. In the concluding section, this paper will revisit the knowledge gap, the issue explored in the paper, and the authors’ future research agenda.
RESOURCE-BASED VIEW AND CAPABILITY THEORY

Since the nineties, the Resource-Based View (RBV) perspective has increasingly grown in popularity. With many authors recognising the importance of resources within the firm both tangible and intangible (Mahoney and Pandian, 1992; Grant, 1991; Barney, 2001 & 1991; Wernerfelt, 1984). Given the current economic climate, it is felt that management should look at their internal resource pool, rather than the external environment of which they have little control over (Grant, 1991; Dierickx and Cool, 1989). Take for example, the recent catastrophe of the volcanic ash, this is a prime opportunity for the tourism sector to harness their assets and utilise them in regaining their market share in domestic holidays. The evolution of the RBV is particularly interesting in that it has intertwined with various other concepts such as Core Competencies, Capabilities and Dynamic Capabilities (Wills-Johnson, 2008; Helfat and Peteraf, 2003; Henderson and Cockburn, 1994). However, this has led to further confusion as authors and academics are using these terminologies interchangeably and with very different meanings (Teece et al., 1997).

Although there is a significant amount of literature on resource-based and capability theory, it still remains a grey area (Fahy, 2000). While the resource-based view (RBV) and capability theory have much in common, there are differences that are noteworthy. Many strategists believe “resources and capabilities to be crucial in explaining a firm’s performance” (Amit and Schoemaker, 1993; 33, Wernerfelt, 1989). “The premise of the resource-based view is that firms differ in fundamental ways because each firm possesses a unique bundle of tangible and some intangible assets and organisational capabilities – what we call resources” (Collis & Montgomery, 1997; 28). In essence, the resource based strategy paradigm emphasises distinctive firm specific, valuable, imperfectly inimitable, non-substitutable and rare resources and capabilities that confer a competitive advantage on the firm that possesses them (Barney 1991). The evaluation of resources is not a simple task and is often a complicated analysis. “The RBV can help by bringing discipline to the often fuzzy and subjective process of assessing valuable resources” (Collis and Montgomery, 1995; 120).

Due to the various interpretations of the term ‘resource’, there is similar confusion and ambiguity in relation to the categorisation of these assets. Therefore, the classification of resources is quite extensive and general (Barney, 2005). Similar to many authors, this paper will categorise resources into their simplest form, I.e. tangible and intangible resources
Tangible resources are defined as assets that are “physical, such as land, buildings, plant, equipment, inventory, and money” (Hill & Jones, 2004; 76). Within Ireland we have an abundance of these fixed assets within our culture and heritage; beautiful scenery, heritage sites, natural reserves, the countryside and so on. However, they can only confer a temporary competitive advantage for the organisation, not so much due to their vulnerability to imitation, but the fact they can be substituted by other tangible assets in competing countries both at a European and an International level (Grant, 2007; Hitt and Ireland, 2002; Vanderkaay, 2000). Undeniably the route to the culture and heritage organisation’s success is dependent upon other more rewarding resources, i.e. intangible resources. These tacit resources, on the other hand, are invisible by nature. They encompass various examples “such as company reputations, brand names, cultures, technological knowledge, patents and trademarks, and accumulated learning and experience” (Collis & Montgomery, 1997; 29). Within the context of tourism this relates to our unique history, our cultural roots in music, the arts and crafts, our brand and reputation as a peaceful and friendly country, and so on. Roos et al (1997b) believes that intangible resources are the only type of assets that have the ability to be valuable, rare, inimitable and non-substitutable, and is therefore a source of sustained competitive advantage. That is not to say that tangible resources are not important, they are vital to the operation of the organisation and can indeed, create a competitive advantage, although only in the short term (Fahy and Smithee, 1999). This paper will therefore focus only on intangible assets.

MANAGING INTANGIBLE RESOURCES IN TOURISM FIRMS

Within the literature a firm’s intangible resources are commonly referred to as Intellectual Capital (IC) and that the potential for competitive advantage arises from IC in the form of human, relational and structural resources (Teece, 1998).

*Human capital* (HC) is described by Roos et al (2001: 23) as the “competence, skills, and intellectual agility of the individual employees”. The tacit nature of HC is difficult to extract and codify and is therefore difficult to capture (Bontis, 1996). Employee turnover is notorious in the depletion of HC within the tourism and hospitality industry (Fáilte Ireland, 2005).
Tourists return to Ireland because we are friendly and sociable people. However, when these employees leave the organisation, especially given the seasonal nature of the business, they take with them their stock of knowledge (Edvinsson and Malone, 1997). Bontis (1996: 43) recognises that it is a “collective capability” that is required to extrapolate knowledge at an individual level and embed within the firm before the HC diminishes. Although HC has been linked to increased firm performance (Parrup - Nielson, 2006; Ordonez de Pablos, 2003), it is not sufficient alone to create a sustained competitive advantage (CIPD, 2008; Tansley and Newell, 2007).

Structural capital (SC) comprises of firm procedures, practices, routines, culture and structures that are not as easily measured as other assets that dominate the firm’s accounts (Roos et al, 2001). It can be conceptualised as the fluid intangible assets such as processes, routines, culture, and the more formally crystallised SC is codified in an organisation’s policies, procedure booklets, and intellectual property (Carson et al, 2004). As previously discussed, it is the responsibility of management to extract the knowledge from its employees (I.e., human capital) and codify it in a formal way so that when employees leave the building after a day’s work there is a record of this valuable knowledge (Ordonez de Pablos, 2004; Roos et al, 1997a). SC within culture and heritage organisations is particularly important but is often overlooked. The reason for this is that the majority of organisations within this sector are small and often, voluntary based, which means that many of them would lack structure and resources. On the other hand, larger establishments such as the Office of Public Works (OPW) and An Coillte, which are state funded bodies, would have more of an organisational structure. Structural capital also provides support mechanisms in the form of organisational routines, capabilities and a motivated attitude within the corporate culture for employees (Bontis, 1996). This supportive culture is necessary to motivate staff and encourage them to try new ideas even if their attempts are unsuccessful (Bontis, 1996). Encouraging an innovative culture within the Irish cultural and heritage sector is fundamental in regaining this sector’s competitiveness. These organisations need to be developed as businesses, rather than being managed as a vocation or a hobby. However, similar to human capital, structural capital is unable to create an advantageous situation for an organisation on its own and must be used in juxtaposition with the other resource pools (Bates & Flynn, 1995).

Relational capital (RC) encompasses the external revenue generating aspects of the firms” including “branding, reputations, strategic alliances, relationships with customers and
suppliers” (Seetharaman, 2004: 524). Most authors in IC literature recognise RC as consisting of relationships that the organisation has with customers, suppliers and competitors (Bontis, 2002). Owing to the importance of human interaction in the tourism sector, relational capital is a crucial facet in this competitive triangle (Carson et al, 2004). The establishment of networks in the Irish tourism industry has facilitated in bringing these groups together to work towards a common goal (Fáilte Ireland, 2009; Cooper, 2006). There have been various websites developed linking many of the culture and heritage organisations together, including www.heritageireland.com, www.cultureheritageireland.com, and www.discoverireland.ie. If an organisation is in tune with the demands of its marketplace, then they can become market leaders (Bontis, 1996). Again, relational capital is meaningless in creating a sustained competitive advantage without the assistance of the other IC elements due to its intangible characteristics (Youndt, 1998).

Human, relational and structural capitals are static groups of resources and are unable to survive and develop in isolation without the assistance of the human element, the firm’s networks, configuration and constitution (Daft and Weick, 1984). It is the interaction of the human element within human and relational capital and the support from structural capital that bestows these stagnant assets the ability to continually interlink with one another, develop and transform into a new capability (Hussi, 2004). Many organisations have an abundance of these types of resources but do not understand how to turn them into a sustained competitive advantage (SCA). Intangible resources alone are not enough to create a competitive advantage; they need to be leveraged through capabilities (Eisenhardt and Martin, 2000; Szulanski, 1996). This leads management to another dilemma in that very little is understood about capabilities and how to use and develop them to deploy and leverage these valuable resources.

**CAPABILITIES**

Capabilities are the transformational processes in which resources are utilised and converted into a firm’s output (Dutta et al, 2005). Thus, working in combination with one another “resources are the source of a firm’s capabilities” and “capabilities are the main source of its competitive advantage” (Grant, 1991: 119). The main difference between resources and capabilities is that organisations have ownership over their resources, while capabilities refers to an activity that the organisation can accomplish rather than own (Grant, 2005). Although it has been recognised that ‘capabilities’ are a complex concept, a scant amount of literature has
dared to separate the terminological confusion to address this problem (Dosi et al, 2000; Winter, 2000). Dosi et al., encapsulate the confusion surrounding capability through their iceberg metaphor: “The term ‘capabilities’ floats in the literature like an iceberg in a foggy Arctic sea, one iceberg among many, not easily recognised as different from several icebergs nearby” (2000; 3). While Winter refers to its perplexity as “a rather thick terminological haze over the landscape where ‘capability’ lies” (2000; 983). This knowledge gap leads to the unanswered question of what are capabilities. Does the ownership of such capabilities enhance cultural and heritage organisation’s competitive advantage? And if so, what type of capability confers a competitive advantage on these tourism organisations?

For Stalk, Evans, and Shulman “a capability is a set of business processes strategically understood, however a capability is strategic only when it begins and ends with the customer” (1992; 60). While Makadok sees a capability “as a special type of resources – specifically, an organisationally embedded nontransferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm” (2001; 389). Leonard Barton, on the other hand takes a “knowledge-based view of the firm” and defines “a core capability as the knowledge set that distinguishes and provides a competitive advantage” (1992; 113). Amit and Schoemaker suggest that “capabilities refer to a firm’s capacity to deploy resources, usually in combination, using organisational processes, to effect a desired end” (1993; 35). “To be capable of some thing is to have a generally reliable capacity to bring that thing about as a result of intended action” (Dosi et al. 2000; 2). For these authors “capabilities fill the gap between intention and outcome”. What becomes apparent from the literature is that the definition of ‘capability’ is mainly action or routine based. Nevertheless, the confusion surrounding the term ‘capability’ is amplified due to the diversification and branching off into various other subsets of capabilities, i.e. organisational capabilities, dynamic capabilities, and so on. Adding further to this confusion is the way in which authors use the terms ‘resources’ and ‘capabilities’ interchangeably. However, Ray, Barney and Muhanna suggest that this is due to the various theoretical perspectives taken by each author. For instance, authors using evolutionary economics will “tend to describe these phenomena as routines” while others refer to the “structure, conduct and performance model in industrial organisation economics tend to describe these phenomena as activities” (2004; 24). However, this raises the issue of how do we know whether a tourism organisation is in possession of a capability that will lead to competitive advantage? Winter (2003) states that there is no simplified answer but that there is a need for some form of benchmarking to measure the
level of certain capabilities within an organisation. However, Helfat and Peteraf, (2003) warn that caution is needed because “to say that an organisation has a capability means only that it has reached some minimum level of functionality that permits repeated, reliable performance of an activity” (Helfat and Peteraf, 2003; 999). It does not mean that the organisation has achieved the highest possible standard. Moreover capabilities will differ within organisations depending on various factors, such as the market in which they are operating, their resource pool and so on. This implies that capabilities exist on a continuum with varying levels of strategy ranging from low to high (Bakhru, 2004; Winter, 2000; Collis, 1994) (See Figure 1).

**Figure 1: Capability Continuum**

![Capability Continuum Diagram]

The first level of capabilities is known as ‘organisational capabilities’ and “refers to the ability of an organisation to perform a coordinated set of tasks, utilising organisational resources, for the purpose of achieving a particular end result” (Helfat and Peteraf, 2003; 999). These are the core business processes within the organization that enable an organization to run (Winter, 2003). They are vital to the business but are not necessarily the conditions under which the organisation can achieve a sustainable competitive advantage. In essence, they are “the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs” (Collis, 1994; 14). These first level capabilities are also known as a ‘zero-level capability’ (Winter, 2003; 992) and can confer a competitive advantage upon on organisation, but not necessarily one that is sustainable.
The second order capabilities on the continuum are dynamic capabilities, which is the ability of an organisation to be flexible and adaptable to change through various means. This class of capability is very different to an organisational capability in that they are more strategically based (Winter, 2003) because they entail “adaptation and change” to “build, integrate, and reconfigure other resources and capabilities” to address rapidly changing environments and improve firm effectiveness (Helfat and Peteraf, 2003, 997; Teece et al., 1997; 515). However, what is noteworthy here is that while dynamic capabilities are generally referred to in the literature as a source of competitive advantage (Teece, 2007; Dosi et al. 2000; Stalk et al, 1992), they never the less can be imitated because “competitive advantage lies in the resource configuration that they create, not in the capabilities themselves” (Eisenhardt and Martin 2000; 1106). This means that dynamic capabilities create subsets of capabilities or change another dynamic capability, but they “cannot act upon itself to transform itself” (Helfat and Peteraf, 2003; 1008). Moreover, change can happen without a firm being in possession of a dynamic capability through a process of ‘ad hoc problem solving’ (Winter, 2003). This implies that the traditional perspective denoting dynamic capabilities as a transformational capability maybe misplaced (Helfat and Peteraf, 2003) and that an even higher order capability is required. This more abstract and obscure capability has the capacity of creating knowledge resource configurations that will lead to a sustained competitive advantage. Simply stated, it is this knowledge management (KM) capability that enables the firms intellectual resource pools to interact which in turn facilitates organisational learning (OL) and behavioral change to occur (Ordonez de Pablos, 2005; McElroy, 2000). The complexity of this transformational capability ensures that imitability and substitution by competitors is kept to a minimum. Even to the point that the organisation itself may not understand where this sustained competitive advantage has arisen from in the first place.
PROPOSED TRANSFORMATIVE MODEL FOR ENHANCING COMPETITIVENESS IN CULTURE & HERITAGE ORGANISATIONS

With the above material as background, a tentative *priori* conceptualisation for understanding the transformative capability that integrates organisational, dynamic and transformational capabilities for enhancing sustainable competitive advantage within the heritage and cultural sector of the Irish tourism industry is presented. The overall structure of the capability-oriented framework is illustrated in Figure 2.

**Figure 2: Transformative Capability Framework**

The management of intangible resources is an organisational capability that focuses on the identification, organisation, deployment and leveraging of its knowledge assets. It is the interaction of the human and relational capital and the support from structural capital that bestows these stagnant knowledge assets the ability to continually interlink with one another, develop and transform into a new dynamic capability (Hussi, 2004). This KM process engages all three of the firm’s capital through the acquisition, storage, retrieval and distribution of knowledge within the firm (Crossan et al, 1999). The relationship between these three resources is denoted by the blue ‘KM’ circle that links all three knowledge pools.
Although the knowledge management process enables the three intellectual resource pools to interact with one another, organisational learning must take place in order for behavioral changes to occur (Ordóñez de Pablos, 2005; McElroy, 2000). Similarly, Fahey and Prusak (1998: 270) argue that organisations tend to over emphasise the knowledge management process rather than the knowledge that is received and so firms tend to “commit extensive resources and time to refining and perfecting data and information at the expense of deriving decision and action implications”. Although it is important that knowledge is managed and that it flows to the correct individual, group or structure, (Haas and Hansen, 2005; Dierickx et al, 1989) firms must place emphasis on the outcome of the knowledge rather than the quantity of knowledge within the firm. Indeed, the transfer and assimilation of knowledge is meaningless without an action orientated outcome (Hauschild et al, 2001). It is this transfer of knowledge that allows for the integration of people with the required knowledge rather than wasting resources and time in transferring the knowledge from one person to another (Grant, 1996).

This ‘action’ orientated aspect of the transformative process is inherent in the OL capability, where the knowledge of the firm will be utilised through the learning actions of the organisation and its individuals (Chatzkel, 2000). The purple circle in the model signifies the “the process of improving actions through better knowledge and understanding” (Fiol and Lyles, 1985: 803) between the three intellectual resource pools. For Shrivastava, OL is the “convergence of individual knowledge and insights into a systematic organisational knowledge base which informs decision making” (1983: 18). Simply stated, knowledge can be transferred to an individual, group and/or the firm internally and externally, thus improving actions (Fiol and Lyles, 1985).

KM and OL are the dynamic capabilities within this framework; managing these phases in isolation may create a temporary competitive advantage for the tourism organisation. However, it is the transformative capacities of the entire framework that incorporates first (Resource Management), second (Knowledge Management and Organisational Learning), and third order (Transformational Capability) capabilities in the cultural and heritage organisation that is likely to achieve a sustained competitive advantage.
CONCLUSION

Although it is almost an axiom in the literature that dynamic capabilities leads to sustained competitive advantage, the authors put forward the argument that there is a need to re-think our conceptualization of how tourism organisations are utilising and maximising their intangible resource stocks as a means of gaining competitive advantage. We present a tentative conceptual framework that argued that the extant concept of linking dynamic capabilities to sustained competitive advantage maybe oversimplified and that there is in fact a higher order capability termed transformational that has the capacity of creating knowledge resource configurations that lead to a sustained competitive advantage.

However, because our framework is a first attempt, and is only a starting point on the path to understanding the complexity of capability dynamics, it has its shortcomings and raises perhaps many more questions than it answers. For instance, can this transformational capability create a sustainable competitive advantage and if so how can this transformational capability be measured? How can cultural and heritage organisations build such a framework given their lack of resources and small structures? This article is part of an ongoing research project and building upon the model presented here is a key part of our future research agenda.
REFERENCES


