



Innovation in tourism: Re-conceptualising and measuring the absorptive capacity of the hotel sector



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HIGHLIGHTS

- This paper responds to calls for more theorising and empirical research on aspects of innovation in tourism.
- It considers one prominent strand in the organisational studies and innovation literatures; absorptive capacity.
- It finds that current conceptions of absorptive capacity have limitations when applied to tourism.
- An alternative conceptualisation is offered and its implications for future research and public policy are discussed.

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ABSTRACT

Recent reviews of research on innovation in tourism have highlighted a number of weaknesses in the literature. Among these is the limited theorising and empirical investigation of innovative practices by tourism organisations. This paper responds to these concerns by examining one important dimension of innovation within commercial tourism organisations, namely their ability to acquire, assimilate and utilise external knowledge (absorptive capacity) for competitive advantage. The topic is pertinent because there is evidence to suggest that tourism organisations are particularly dependent on external sources of knowledge when compared with businesses in other sectors. Following a discussion of the conceptual antecedents of absorptive capacity and its dimensions, a validated instrument for its measurement is developed and used to measure the absorptive capacity of the British hotel sector. The results suggest that current conceptions of absorptive capacity have limitations when applied to tourism enterprises. Absorptive capacity is re-conceptualised to overcome these deficiencies. The research and policy implications of the findings are discussed.

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1. Introduction

An ability to innovate is widely regarded as adding to the competitiveness of organisations and destinations (Mei, Arcodia, & Ruhanen, 2012; Nicolau & Santa-Maria, 2013; Paget, Dimanche, & Mounet, 2010; Tseng, Kuo and Chou, 2008). Yet, estimating the scale of innovation in tourism is problematic (cf. Camison & Monfort-Mir, 2011; Hertog, Gallouj, & Segers, 2011; Krizaj, Brodnik, & Bukovec, 2014; Orfila-Sintes, Crespi-Cladera, & Martinez-Ros, 2005). This reflects significant unresolved differences of opinion on how it should be measured and on the factors that influence its form in various sectors, locations and over time (e.g. Arta & Acob,

2003; Carlisle, Kunc, Jones, & Tiffin, 2013; Hjalager & Flagestad, 2012; Sorensen, 2007; Hall, 2009). As a result, recent reviews of the literature on innovation in tourism have all highlighted the need for more theorising and empirical research on almost all aspects of the phenomenon (e.g. Hall & Williams, 2008; Tejada & Moreno, 2013; Williams & Shaw, 2011). Hjalager (2010:9), for example, in this journal made a 'plea that tourism innovation is addressed in multiple ways and with several methodological approaches...(and there is a specific need for research on)... how innovation processes take place in tourism enterprises and organisations, including what types of capacities and incentives they draw on'. This paper responds to these calls by examining one dimension of innovation at the level of the organisation; the ability to identify, acquire and use external knowledge to innovate, namely absorptive capacity (Cohen & Levinthal, 1990).

There is often an acknowledgement in the tourism literature that knowledge and the acquisition of knowledge via networks

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plays a vital role in innovation (Scott, Baggio, & Cooper, 2008; Shaw & Williams, 2009; Xiao & Smith, 2006). In other words, the capacity of organisations to garner and use external information is a fundamental part of an explanation of organisational innovation (Cooper, 2006; Dwyer & Edwards, 2009; Gallego, Rubalcaba, & Suarez, 2013; Koostopoulos, Papalexandris, Papachroni, & Ioannou, 2011; Zahra & George, 2002). Related concepts have been used to interrogate small and medium sized enterprises (SMEs) as well as larger organisations (Fogg, 2012; Harris, McAdam, McCausland, & Reid, 2013; Tejada & Moreno, 2013). Further, there is emerging evidence that tourism enterprises are particularly dependent on external knowledge, such as that which may be gleaned from suppliers, especially when compared with businesses in other sectors (King, Breen, & Whitelaw, 2014; Williams & Shaw, 2011). Following the development of a validated instrument for its measurement, this paper reports the findings of a survey into levels of absorptive capacity within the British hotel sector and considers the implications of the findings for how absorptive capacity should be conceptualised in tourism. The hotel sector is considered an interesting testbed because it contains a diversity of ownership and management arrangements yet shares fundamental aspects of a service offer to tourists.

Even though many commentators remain critical of the over-reliance on research undertaken in manufacturing contexts (e.g. Hall & Williams, 2008), there is now an emerging body of work on innovation that recognises tourism's peculiarities (e.g. Camison & Monfort-Mir, 2011; Decelle, 2004; Williams & Shaw, 2011). In similar vein, the research reported in this paper draws upon those aspects of the mainstream literature on absorptive capacity that are applicable to tourism and, as becomes clearer later, refines them to take account of what is already understood about tourism enterprises and the environments within which they operate.

2. Absorptive capacity: A literature review

2.1. The role of absorptive capacity in innovation

The opening paragraph of Lane, Koka, and Pathak's (2006: 833) highly regarded review of absorptive capacity encapsulates the essence of the concept and its significance:

Absorptive capacity is one of the most important constructs to emerge in organisational research in recent decades . . . (it) refers to one of a firm's fundamental learning processes: its ability to identify, assimilate, and exploit knowledge from the environment. These three dimensions encompass not only the ability to imitate other firms' products or processes but also the ability to exploit less commercially focused knowledge, such as scientific research. Developing and maintaining absorptive capacity is critical to a firm's long term survival and success because absorptive capacity can reinforce, complement, or refocus the firm's knowledge base.

Recent research suggests that absorptive capacity makes a positive contribution to financial performance but that the relationship between levels of absorptive capacity and financial returns are nonmonotonic and that the former may even be harmful to performance at high levels (Wales, Parida, & Patel, 2013).

A recent systematic review of the literature on innovation in service sector businesses (Carlborg, Kindstrom, & Kowalkowski, 2013) confirms the almost complete absence of research into the absorptive capacity of hotels and other tourism businesses in spite of the extensive 'mainstream' (notably manufacturing) literature. Valentina and Passiante's (2009) study is one of the few exceptions. Their research on small and medium sized enterprises (SMEs)

suggests that participation in formal networks is valuable if the knowledge gained from this activity can be shared effectively within the firm. Weidenfeld, Williams, and Butler (2009) have also signalled the importance of absorptive capacity to innovation in tourism organisations. Though not the central focus of their work, they point out that the absorptive capacity of organisations is influenced by organisational structure, human capital and management practices (see also Cooper, 2006).

There are, however, dissenting perspectives. Notwithstanding their promotion of the concept, Lane et al. (2006) for example, argue that the theoretical advancement of absorptive capacity since it was originally proposed has been limited. Instead, they suggest that it has been reified to the extent that it is rarely examined critically even though the term is used loosely on occasion and in different ways, without definition or qualification.

Other commentators have even questioned the centrality of knowledge as the basis for competitive advantage. Alvesson and Spicer (2012:1195), for example, challenge what they consider to be the 'one-sided, widely shared, and rather grandiose portrait' of the competitive firm inevitably being associated with the effective mobilisation and utilisation of its cognitive capacities. In some cases, they suggest that 'functional stupidity' – characterised by a lack of reflexivity, a somewhat narrow focus and an environment where few justifications are required for decisions – can provide significant organisational benefits. These include certainty, decisiveness and predictability, all of which, they argue, enable the productive functioning of the firm.

Some studies of tourism enterprises have also cautioned against an uncritical focus on external knowledge acquisition as though it inevitably leads to innovative behaviour. Guisado-Gonzalez, Guisado-Tato, and Sandoval-Perez's (2013) research shows that the purchase of technological knowledge from outside the firm, for example, does not necessarily result in enhanced innovation. Indeed, their analysis of Spanish hospitality companies' purchase of technology suggests that knowledge acquisition of this kind is not only a poor indicator of innovation but may lead to a negative effect on innovation. Such findings are not unique to tourism (Gebauer, Worch, & Truffer, 2012).

The discussion of absorptive capacity that follows notes but rejects the contrasting criticisms identified above for three reasons. Firstly, the fundamental challenge to the role of knowledge in innovation is countered by the weight of increasingly robust theorising and empirical evidence. To do so does not imply that external knowledge is part of a neat linear process of innovation (Van de Ven, Polley, Garud, & Venkataraman, 2008). Indeed, it is proposed that while knowledge is interpreted (and created) within the structure of an organisation, it is constitutive of the structure rather than contingent (Staber, 2013). Secondly, it is not claimed that focussing on knowledge, or for that matter absorptive capacity, is the sole or exclusive way of interrogating innovation. As Lichtenthaler and Lichtenthaler (2009) have argued, absorptive capacity may be one of several capability-based capacities that influence innovation. Finally, the model of absorptive capacity discussed below represents a significant refinement on what was originally proposed by Cohen and Levinthal (1990). When conceptualised appropriately, there is a strong *a priori* case for supposing that absorptive capacity is a valuable means of examining an aspect of innovation within enterprises in tourism.

2.2. Dimensions of absorptive capacity

Zahra and George's (2002) highly cited contribution provides a valuable refinement of Cohen and Levinthal's (1990) initial theorising by conceptualising absorptive capacity as a dynamic capability. Seen this way, absorptive capacity is neither an

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