



Network, knowledge and relationship impacts on innovation in tourism destinations



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HIGHLIGHTS

- Choice of innovation partners is associated primarily with current collaboration and knowledge sharing.
- Relational trust and network position only play a small role to in innovation partner choice.
- To select prominent innovation partners network position (betweenness centrality) is dominant.
- Spanning boundaries, collaboration and knowledge sharing are essential to support innovation implementation and application.

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ABSTRACT

We combine network structure and firm-level relationship measures to explore the association between innovative behavior, firm position within the network of a destination, and the knowledge and relational trust characteristics of a firm's innovation-oriented relationships. We find current collaboration, shared knowledge and trust are associated with innovative behavior with partner firms, but that betweenness centrality indicates which partners are the most prominent innovators in a population. That is, relationship-level characteristics facilitate innovation partnerships, but network structure characteristics identify the most successful innovative partners. To theory, our findings contribute to efforts in the tourism, innovation and network literature to evaluate the differential effects of knowledge stocks and flows on innovation. For practice, our results suggest that promoters of innovation within a destination should leverage brokerage positions to improve the in-flow of ideas while encouraging the firms that share knowledge and trust to collaborate to apply those ideas.

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1. Introduction

Innovation is a critical factor in the success of destinations competing for tourists against other destinations and struggling to cope with ever-changing social and economic determinants of market demand (Hjalager, 2002; Weiermair, 2005; Weiermair, Peters, & Schuckert, 2007). Such innovation depends, in part, on the flow of knowledge through the formal and informal network ties that connect organizations within and between destinations (Beckenbach, Briegel, & Daskalakis, 2009; Haugland, Ness, Grønseth, & Aarstad, 2011; Shaw & Williams, 2009). But

innovation also depends on the composition of the network, including firm-level factors such as the heterogeneity of knowledge across firms (Rodan & Galunic, 2004), leadership commitments to innovation and collaboration (Zach, 2013), and the quality of relationships between innovation partners. Tourism firm innovation has been associated with both firm-level factors (such as professionalism) and firms' involvement in networks within and beyond destinations (Sundbo, Orfila-Sintes, & Sørensen, 2007). For example, Denicolai, Cioccarelli, and Zucchella (2010) used cluster analysis to determine that the most dynamic and innovative firms within a destination were those that actively developed trusting relationships with other firms and leveraged the knowledge available across their informal networks. More recently, Aarstad, Ness, and Haugland (2015) showed that innovation strategy and uncertainty assessment are together associated with the creation of

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“shortcut” ties that enhance information flow and innovation. In this paper, we take up Scott, Cooper, and Baggio's (2008: 182) suggestion to apply network analysis to explore the “structural patterns and relationships” that affect innovation within destinations.

One challenge in employing network analysis to study innovation is the difficulty of teasing apart the relative importance of structural network elements that affect flows of knowledge from network composition, such as firm knowledge, that reflect stocks (Phelps, Heidi, & Wadhwa, 2012, p. 1151). If, for example, the diversity or redundancy of knowledge stocks have more impact on innovation, then managing the composition of a network would be more critical than managing the structure. If, on the other hand, the speed and nature of the flows were more important, then managing the structure of the network and other factors that affect flows would become more important to innovation performance. The disentangling of the effects of stocks and flows of knowledge on innovation within a network is complicated by the impact of dyadic characteristics such as trust on whether portions of firms' stocks of knowledge do in fact flow through structural connections to be combined with the other firms' stocks to generate innovation (Lane & Lubatkin, 1998; Larson, 1992). Just because a metaphorical pipe exists between two actors does not mean that specific types of knowledge will flow between them (Lin, 2001); there must be some shared interest and some governance of opportunism (Hamel, 1991; Woolthuis, Hillebrand, & Nooteboom, 2005). Opportunism is a particular challenge in regional clusters such as destinations in which firms compete while also cooperating in search of innovation (Gulati & Singh, 1998; Molina-Morales, Martínez-Fernández, & Torlò, 2011). In such settings, the actual flows of knowledge are affected at least in part by trust (Gulati & Nickerson, 2008), and there have been, for example, recent calls to explore the role of trust in the development of sustainable tourism destination strategies (Presenza & Cipollina, 2010, p. 28).

In this paper, we investigate whether the desirability of a firm as an innovation partner is associated with that firm's network position in the destination, the homogeneity of the knowledge stocks between innovation partners, current collaboration in day-to-day functions, and the role that relational trust plays in turning off or on the knowledge flows between partners. We find that a firm's choice of innovation partners is associated primarily with current collaboration and shared knowledge, and that relational trust and network position play a small but significant role. But when asking which firms are the most prominent innovative partners, then current collaboration and especially network position becomes dominant and relational characteristics such as shared knowledge and relational trust melt away.

Our findings contribute to ongoing efforts in the tourism and innovation literature to separate out and evaluate the differential effects of stocks and flows on innovation (Rodan & Galunic, 2004); reinforce the role of shared experience and shared knowledge as foundations for innovation (Cowan & Jonard, 2009a); raise questions about the relative importance of relational trust for innovation (Santoro & Saparito, 2006); and identify network structure as a critical determinant of access to innovation ideas (Ness, Aarstad, Haugland, & Grønseth, 2014; Sørensen, 2007). Finally, our results suggest that, when it comes to the practical problem of orchestrating innovation within destinations, trust does not matter nearly as much as providing access to new knowledge through the cultivation of boundary spanners and spreading those ideas through familiar partners.

In the next section, we situate this study within the literature on knowledge and innovation networks and articulate our hypotheses. We then introduce the settings, data, variables and methods. Our findings follow, and we conclude with a discussion of limitations

and of the contributions of our findings to theory and practice.

2. Theoretical positioning: identifying the effects of knowledge stocks and flows on innovation in tourism destinations

In this section, we build on recent work that illustrates how the emphasis on network structure and flows (Borgatti & Halgin, 2011) has obscured the differential impact of the “qualitative nature of the relationships” that affect network-related outcomes (Phelps, 2010; Rodan & Galunic, 2004, p. 543). We focus on network structure (which affects potential flows of knowledge), content (which reflects stocks of knowledge), and relational components (which affect actual flows of knowledge) as we develop hypotheses about the impact of each factor on the choice of firms as innovation partners.

For the purposes of this paper, innovation is defined as “the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (OECD, 2005, p. 46). Within tourism destinations, such innovation includes myriad changes in product, service and experience offers (Brooker & Joppe, 2014; Hjalager, 2010a), as well as improvements in marketing and relationship building (Ottenbacher & Gnoth, 2005).

Tourism destinations are ideal locales to evaluate innovation networks among firms for two reasons. First, organizations in tourism destinations are highly networked (Scott, Cooper, & Baggio, 2008), to the degree that destinations can be conceived of as “loosely articulated groups of independent suppliers linked together to deliver the overall product” (Scott et al., 2008, p. 171). Indeed, over the years, destinations have become increasingly networked in response to tourists' expectations of an overarching experience (“my week at the beach”) rather than a series of discrete exchanges (breakfast one day, a beach excursion the next, dancing the next) (Ritchie & Crouch, 2003; Woodside & Dubelaar, 2002).

Second, as firms and other organizations in destinations co-create the meaning and image of the destination (Saraniemim & Kylänen, 2011), continual innovation is essential both when competing with other firms within the destination and when collaborating to compete with other destinations for highly mobile tourists (Hjalager, 2010b). In fact, collaborative networks have been shown to contribute to both firm and destination innovativeness (Denicolai et al., 2010; Novelli, Schmitz, & Spencer, 2006). That is, in tourism destinations, innovation and networks are at once intertwined and highly valued.

2.1. Network position, knowledge flows and innovation

Network scholars have long argued that an actor's *structural position* in a pattern of network ties is associated with innovation (Burt, 1992; Freeman, 1978–1979; Granovetter, 1973). Scholars have suggested variously that actors in the center of a network are, like spiders at the center of a web, able to collect and integrate ideas and resources and so generate innovation (Freeman, 1978–1979); that actors situated on the edge of structural holes are well positioned brokers that observe and combine insights from different groups into innovations (Burt, 2004); and that the most successful innovators benefit from a rich combination of indirect and direct ties, that is, of centrality and brokerage, that enhances both access to new ideas and the implementation of those ideas into practice (Paruchuri, 2010; Uzzi, 1996, 1997).

Empirical attempts to link network structure to innovation have produced mixed results, with Ahuja (2000) showing that structural holes *decreased* innovation and Hargadon and Sutton (1997) finding

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