

ECONOMIC KNOWLEDGE AND INNOVATION IN TOURISM ENTREPRENEURSHIP

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Abstract

Because any modern society lives through innovation and changes, the key concepts for tourism industry - always engaged in change's whirlwind - and for an economy based on competitiveness are innovation and creation. New scientific and unscientific knowledge influenced, over time, company development, no matter the main activity. A creative thinking and the imaginations are some important element of tourism activities, and the absence of creativity will provoke, undoubtedly, not only a setback in development, but over time can cause even an economic disaster for a tourism company. The innovative activities are not manifest like some campaign and not any manager has no one consistent support to plan certain time for create an innovation, as it can not be predict or expect any immediate recovery of energy investment, money and time efforts to test and launch new tourism products and services.

Based on statistical survey on 176 travel agencies from Romania we will see the innovative behavior in knowledge economic context.

Key words: knowledge, innovation, tourism, entrepreneurship

JEL classification: D83, L26, L83, O32

INTRODUCTION

Specific to present time are the organizations based on knowledge in a profound meaning and expanded to a collective scale behavior and to entire organization. The knowledge fund is understood as the organization's main resource, crucial to its global strategic performance, intellectual-intensive processes are not only prevalent, but also them are conducive for the organization operations in achieving its objectives; the organization structures for individual and collective actors, requirements, new roles and responsibilities for knowledge management and related process; organizational culture establish consensual normative set for perpetuate that values related to creativity, competence, learning; the aspects related to knowledge have a vital role in affirming the identity of organizations, in ensuring the integrity and coherence in terms of structure, strategy, action.

The knowledge society is more than information society and information Technology Company it includes them. Fundamental economic changes related to knowledge economy are also reflected in changes of its structural and organizational framework.

These include:

- a) the emergence of new types of organization forms, such as enterprise network, cluster, virtual organization, etc.
- b) the proliferation of types of organizations, appeared previously, with the functionality and features partially changed, with transition to economy based on knowledge. We can include in this category the incubators, business centers, networking, etc.

GENERAL THEORETICAL FRAMEWORK FOR ECONOMIC KNOWLEDGE AND INNOVATION IN TOURISM

Economic knowledge of tourism entrepreneurship requires knowledge of business travel and tourism, financial resources and the possibility of investing as well as laws which governing the economic activity of tourism operators, which is why we believe that, in the current global economic conditions, the analysis of entrepreneurship's behavior from tourism sector as a ratio between the objective pursued and innovative means for achieving them is essential. Using the analysis's tools is necessary to observe the firm behavior, in particular, the choice of innovative methods of maintaining and expanding the activity and to predict the economic consequences of innovative behavior.

Tourism development and diversification through innovative methods is a matter of survival of the Romanian tourist company in fierce competition both at national and european level. The importance of innovation in organization behavior was highlighted by several studies (Caroli and Van Reenen, 2001, Ambruster and ot., 2008), but innovative solutions to real problems facing the ultimate organization of the Romanian tourism was an underestimated practice.

In Romania this is due, perhaps, the government's lack of interest, but perhaps the fact that the trader, only interested in maximizing profit, sees the investment in innovation as an expense that can not be recovered. Unfortunately, managers forgot to turn their attention to the consumer and to find solutions that will meet the quality/price ratio, therefore we have to do with "migration" of international tourists to tourist areas much better promoted, where innovation has played an important role.

Tourism product innovation and investment in staff qualifications are several key elements that would help the Romanian industry to break the impasse. It is not enough. The consumer should be put first, which is why the travel companies from many countries set up Web pages, developing e-tourism - a solution available to everyone.

Schumpeter, in his paper *The Theory of Economic Development*, believes that innovation is an opportunity for traders to earn revenue by obtaining a temporary monopoly status and the continuous innovation is the key of long-term success. Bring on marketing innovative products, services, processes or innovative new business models is one way to attract new segments of consumers by positioning the company over the existing competition. The consequences will be creating a niche of loyal customers, a significant reduction in demand price due to the uniqueness of product or service sold. These benefits help tourism operators to face a tough competition especially in terms of prices because promoting a portfolio of innovative products will lead to creation of new applications and, consequently, the economic development of the company.

Achieving a competitive advantage by combining or recreation the products offered to tourists is one strategy that protects company from international firms or large corporations. Another innovative strategy is to develop a absorbing capacity of information, setting standards that would ensure a future advantage in innovation.

As can be seen an increasing innovation has positive implications for company performance.

Some authors (Rosenbuscha N., and Bausch Brinckmannb A.), considers that innovation have a negative influence because:

- induces rigidity in decision-making in an innovative organization;
- involves taking risks that involve a significant resource consumption;
- increase the tourism industry through innovation performances requires specific organizational resources and also to be able to generate real benefits;

- innovation is a multifaceted phenomenon.

Innovation influences competitiveness (Robu V. and Balan A.) by aggregating all the positive and negative effects and it is influenced by various contextual factors.

Sintesi and Mattsson believe that is important to take into account the growing demand and customer diversification for a successful innovation. In addition, the inclusion of additional services in offer is a major factor closely monitored by tour operators. These services are an additional reason to influence tourists' decision (eg, facilities provided for children, sports facilities, and activities such as spa, health and beauty, internet). The Innovation decisions will increase, because the additional services will require changes in the tourism offers.

Active participation of clients in design and implementation of an innovative product is a prerequisite for success. Client behavior must be analyzed by knowing the motivation which determined to choice the destination, how appointments are made and the preferred package included (all inclusive, for example).

A crucial factor for innovation is the intensity of competition on the market. Strategic decisions taken by the company which wants to differentiate from competitors will affect the services offered, the management of organization, and therefore its innovation decisions (Sintesi Orfila, F., Mattsson J.).

In *Is innovation always beneficial? A Meta-Analysis of the relationship between innovation and performance in SMEs*, the authors stated that the main obstacles to innovation for a mature organization are:

1) The existence of staff that is not open to news which tends to protect existing practices that have allowed the development company;

2) While innovation often comes at the individual level, it must be understood and embraced by the entire organization;

3) The effort to achieve the objective must be coordinated, resulting in a challenge for the company organize as a whole, usually, teamwork and social interaction have a high degree of relevance for innovations development and marketing, which in turn strengthens relationship innovation-competitiveness for the tourism industry;

4) Organization must not only embrace innovation, but also must transform the structure and practices through strategic leadership.

All these difficulties are certainly bigger in a mature organization than in the new company.

Cultural differences have an impact on performance-innovation relationship that affects the development of alliances by entrepreneurs (especially if we talk about entrepreneurs in two different countries with different cultures), entrepreneurship and marketing innovations. Are usually influenced by international companies witch have subsidiaries in different countries.

Studies have revealed other indirect benefits of innovations, such as improved image, improved customer loyalty, and ability to attract new customers. It is known that consumer satisfaction is a key indicator for evaluating the success of an enterprise. Satisfied consumers are goods which ensure, in future, a regular cash flow for business. An increase consumer loyalty rate with 5% may lead to increased profit at least 100% because satisfied consumers often buy products in large quantities. Such consumers are less sensitive at price and tend to spend more on products already tried and tested. Hotel managers said that financial measures such as profit or total sales are used as primary evaluation of new services, while consumer satisfaction is an important measure in assessing success in the hospitality industry. In the same context can not overlook the importance of the employee in developing new services.

Another benefit is competitiveness development of company or tourist destinations. Defined as the degree in which a nation, in free and fair market conditions,

can produce goods and services to pass test of international markets, while managing to maintain and increase the real income of its citizens, competitiveness is thus a challenge applicable not only for nations but also of all regions and cities / resorts in the world.

In bustling hospitality industry, chains of companies and enterprises are always forced to seek ways of improving the quality and reputation, minimizing costs and increasing sales and profits. And alongside these challenges, there is a close competition between the player's hotel industry, technological innovations and changes know by consumers needs. One of the approaches for improving the quality and company reputation is through innovation or the ability to develop and launch new and quality hospitality services.

As the production of goods, new products are an important resource for survival and development services industry. In this regard, the development of innovations has become a strategic weapon for both chains of successful hospitality businesses and private hospitality. To develop such management strategies are usually aimed managers' perception of key factors for development of new hospitality services.

Despite the crucial importance of the ability to be innovative and to develop new services, knowledge about the innovation success ways appears to be limited. Limited especially in service industries, where are missing detailed reports about development of new services, witch highlight the successes and failures of hospitality services. As a result, managers often rely on their instinct, on speculation or on their own experience - limited - when it comes to finding the key of successful innovation. Unfortunately, the failure rate for new services is high: on average four out of 10 new services fails and there is no reason to believe that the hospitality industry beyond this statistic. Innovations in the hospitality industry are largely intangible in nature. Are therefore difficult to monitor and evaluate the frequency, execution time (efficiency) and contribution to achieving consumer satisfaction and profit (efficiency).

We have reason to believe that the industry needs a better understanding of the factors that lead to innovation performance.

Measuring innovations success in hospitality is achieved through evaluating new products and services and is often based on financial performance measurement, such as measures of income and profits, sales or market share.

Managers claims that one of the most sensitive issues in developing new services in the hospitality sector is staff, the true consumer barometers of satisfaction evaluation, the staff is not only passive elements. Coming into direct contact with customers, the employs can become sources of innovations ideas and even propose innovative ideas for welcome potential new services consumer desires.

Travel companies should be aware that they are, at present, on a strong competitive market, and must find those elements that lead not only to obtain economic benefits but also differentiation from competitors and consumers' needs. In this sense competitiveness in tourism can be defined as the ability to cope with competition in an effective and profitable tourist market.

But it must be stressed that the competitiveness of tourism depends on the innovative spirit that reigns in them. Without creative and intrinsically motivated employees, as noted above, a tourist company can be competitive, and above all, will not meet new market trends, will not satisfy the desires of increasingly sophisticated customers.

MEASURING INNOVATION IN TOURISM COMPANY

The data were collected from the tour operators and travel agencies that operate in Romania. The relevant population for this study includes the 2622 units listed in the official census of Ministry of Regional Development and Tourism available for the year

2010. The population includes travel agency (67% from all population) and tour operators (33% from all population).

A representative sample from the population was selected after stratifying it according to two characteristics that make it heterogeneous: the geographical location (macro regions, eight development regions and 42 county), and the main activity (tour operator or travel agency). The sample of 176 respondents selected randomly and proportionally from the strata is representative for the travel tourism and tour operators' population as a whole and it allows us to obtain results with a confidence level of 96%. The sample selection process is further refined with a controlled process of substitution for the non-respondent units, replacing each inaccessible with another in the same layer for maintaining the stratification unaltered and leading us to the desired 176 observations (i.e., the average response level is of 100%).

During two month of 2011 we contacted these 176 units and the questionnaire was answered by the directors of the selected company via personal interviews carried out by pollsters who were trained to carry out the work.

The analysis result highlights that more than half of the qusted unit are not innovative (fig. no. 1). In last two years (2009 and 2010) in top of innovation were the innovation of products and services (12,80%), followed closely by tourism product innovation (11,60%) and tourism services innovation (11,00%).

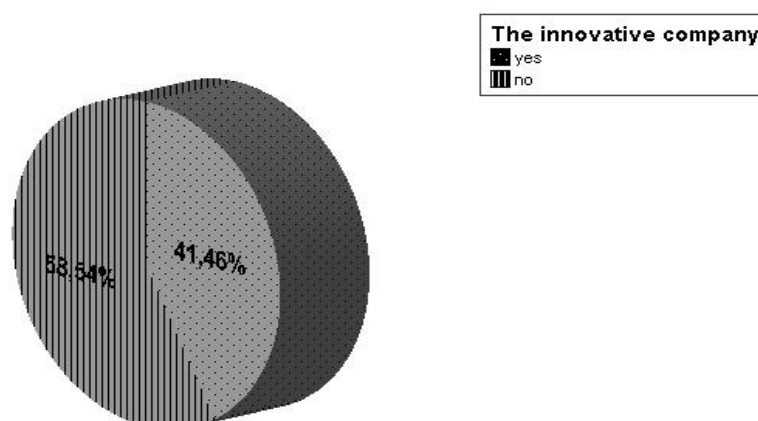


Figure 1. The structure of travel agencies from innovation point of view

The main factors with a positive influence on innovation are:

- because the tourist visited destination out of our country, they are more much harder to please, the travel agencies created tourism products and services similar those offered by tourism company from other countries adapted to Romanian tourist destination;
- the actual economic context from Romania and Europe, determined the travel company to create new and attractive products and services, other else their activity is compromised;
- as fig. no 2 shows, the market with biggest share in sales is European market. This is one of the motivations of continuous improvement of tourism products and services. The companies with tourism as main activity must rise at international companies' level to maintain this segment witch suppose import of tourism and a

benefit growing. This is an important way to survive on market and to maximize the benefit.

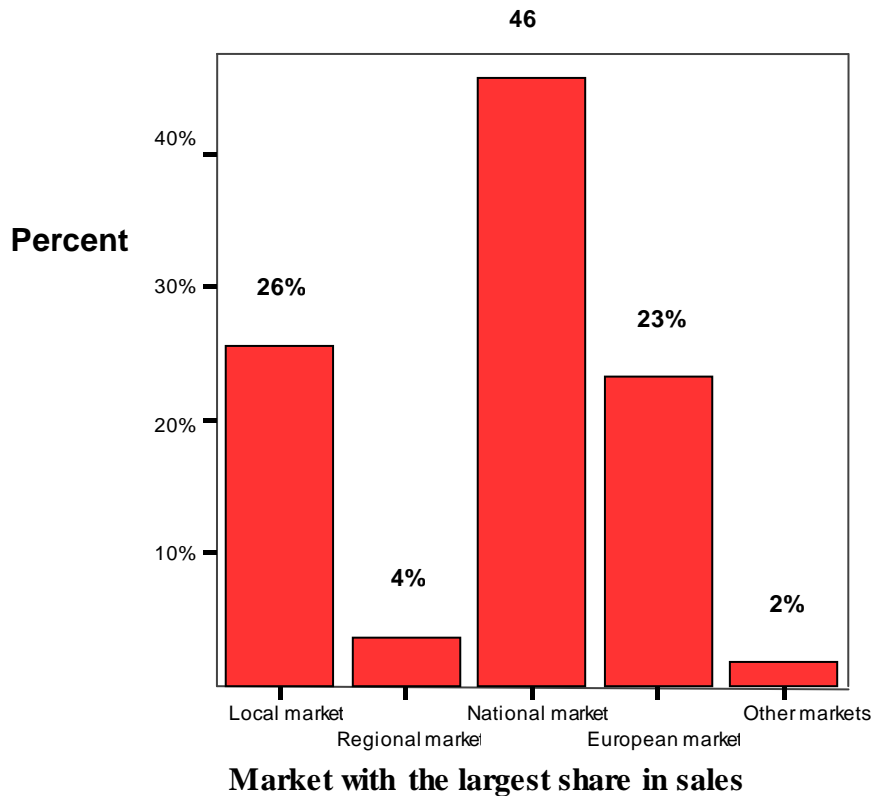


Figure 2 The market share of tourism products and services

One of the negative influences of innovation is that the companies are selling their products directly to customers (54,30%), and just 45,70% are using the on line sales. Unfortunately, nowadays, the customers have not much free time for looking after a tourism offer going from a travel agency to another, so they resort to internet. This is the easily way for compare prices, travels package, to command, reserve and pay the travel package.

Innovations involve some risks and in actual economic condition are few witch assumes it. Correlated with the nonexistent funds to invest in innovation 18,90% from company refused to create something new, 17,10% motivating the actual portfolio have a satisfactory sale.

Although UE offer a lot of grants 37,20% invested their own capital, just 1,2% have accessed European funds. This raises questions: why our business men are not take advantage of such offer, we can speak about economic knowledge or experience? In this moment the manager' economic knowledge is very important more than 34,20% have personal engaged in promotion, marketing, innovation, forecast and monitoring economic environment.

CONCLUSIONS

In the last decade, all economies have begun to pay increasing importance to research and in particular one of its components, innovation, along with basic research, applied research and technology transfer.

In this regard, all documents which are the international agreements or instruments of European innovation are given a separate space that is considered one of the drivers of competitiveness.

In principle with innovation consists of four key elements that constitute distinct activities:

- Marketing technology - translating excellence in science into products and services commercially successful;
- Knowledge transfer - promoting cooperation and exchange of ideas and information;
- Receptivity to new ideas - the ability to be receptive to new ideas from around the world and how they can be applied;
- Entrepreneurial Spirit - sizing of new ideas and implement them successfully in business.

A systematic quantitative analysis of new products and services in tourism, however, is constrained by the lack of R&D data and by the uncertain importance of R&D inputs, which are not in the same form as for tourism industry. If such a high-tech services list existed, the problem of comparable turnover statistics would remain, as the suggested classification is currently neither employed by the Romanian statistical offices nor can it be extracted from the surveyed data.

In conclusion, theoretical and empirical research on innovation activities in the tourism sector needs to be extended; interdisciplinary approaches would probably prove advantageous.

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