

**CREATING SUPERIOR COMPETITIVE ADVANTAGES FOR THE SMALL  
TOURISM FIRM THROUGH CAPITALISING ON THE FIRM-LEVEL DYNAMIC  
CAPABILITY OF INNOVATIVENESS**

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## **ABSTRACT**

Extending the dynamic-capability perspective into the study of firm-level innovativeness, this paper proposes a conceptual model that explains how small tourism firms can increase competitiveness through capitalising upon the firm-level dynamic capability of innovativeness. While prior strategic management literature has extensively studied the positive effects of dynamic capabilities on firm performance and competitiveness (e.g., Eisenhardt and Martin, 2000), very little significant research of this kind has been specifically conducted in the small tourism firm and innovativeness context. This is primarily because tourism firms are generally considered to be less innovative. Although this mindset is changing (Hjalager, 2002), academic research in this area still remains underdeveloped.

Drawing from prior relevant work in the strategic management, innovation, tourism, marketing, and organisational behaviour literatures over the past 50 years, the paper addresses this knowledge gap. It offers a detailed insight into the logic and theoretical underpinnings (dynamic capability) of firm-level innovativeness; and illuminates its role in securing superior competitive advantages for small tourism firms. This paper significantly contributes towards understanding how the small tourism firm can utilise its innovative capability to confer superior competitive advantages.

**Keywords:** Dynamic-capabilities, innovativeness, firm performance, competitiveness, small tourism firm, conceptual model.

## **INTRODUCTION**

During recent years, competitiveness of tourism enterprises has become the most dominant issue of the tourist sector (Peters et al., 2008). Radical changes in the marketplace have a major influence on the ability of tourism SMEs (hereafter SMTEs) to compete effectively. Due to the global economic crisis combined with natural disasters such as the recent eruption of Iceland's Eyjafjallajokull volcano; Ireland's tourism industry is currently facing numerous economic and strategic challenges. These include a weakened demand from domestic and overseas markets<sup>1</sup>. In late April 2010, The Central Statistics Office (CSO) released its full

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<sup>1</sup> Arrivals in 2009 are estimated to be down by 12% to €6.5m, while Irish people took 8% fewer trips within Ireland (ITIC, 2009).

report showing figures for domestic tourism in 2009. The report shows that there was a clear deterioration in demand for Irish tourism during 2009, with each quarter increasingly underperforming the previous one when compared to the same period in 2008. This is combined with factors such as the high labour-intensity of the tourism industry, low productivity, seasonality of business, and high environmental dynamism (Fáilte Ireland, 2009). Consequently, the international competitiveness of Ireland's tourism firms is coming under severe strain<sup>2</sup>; especially with the emergence of new, more affordable tourism destination alternatives (e.g., Eastern Europe).

Today, the fundamental question for policymakers is how to restore the competitiveness of the Irish tourism industry. A frequent response to this question is the call by the National Tourism Development Agency, Fáilte Ireland, for a heightened level of innovation across the industry (The National Development Plan, 2007-2013). Based upon our understanding and conceptualisation of “innovativeness” (Walsh et al., 2009), and the dynamic capabilities view (henceforth DCV) (Teece, 2007; Teece et al., 1997), we argue that the answer resides in the dynamic capability-generating capacity of firm-level innovativeness on superior firm performance and sustainable competitive advantages.

Indeed, the importance of small tourism firms and innovativeness in contributing towards the economic well-being of Ireland has long been recognised by industry representatives, agencies, practitioners, and indeed, academics. Moreover, current recessionary times are prompting a re-think about the importance of SMTEs as a key driver of economic recovery in the next 5-10 years. Despite current challenges, tourism is still a valuable asset in terms of gaining future economic recovery; as evidenced by the OECD and others who have pointed out that tourism has grown strongly in Ireland in recent decades: in 2008, it generated €6.2 billion and provided almost 300,000 jobs

Despite this realisation, our knowledge of firm-level innovativeness in small tourism firms remains relatively limited. Specifically, our understanding of the firm-level dynamic capability of innovativeness in generating superior firm performance and competitive

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<sup>2</sup> Ireland has suffered a significant loss in competitiveness as a tourist destination in recent years, resulting in falling market share in some key source markets and negative trends in visitors' perceptions of value for money (ITIC, 2009).

advantages remains rather embryonic. This lack of understanding may be partially attributable to blind spots in the traditional research literature, which assumes tourism is generally a non-innovative industry with little environmental turbulence and change (Sundbo et al., 2007). Considerable stability is generally assumed, with the tourism industry often said to be less innovative than other industries (Hjalager, 2002, 2009; Tetzschner & Herlau, 2003). However this is not the case, since tourism is constantly in flux (Russell & Faulkner, 2004), and needs to be innovative in order to survive (Sundbo et al., 2007). Due to the current business environment, small tourism firms' willingness to create change, to experiment with new business models, and to break traditional rules has become an imperative (Yilmaz, 2009).

Furthermore, several researchers (Buhalis & Cooper, 1998; Getz & Carlsen, 2000; Getz & Petersen, 2005; Hjalager, 2002; Jacob & Groizard, 2003; Morrison et al, 1999; Shaw & Williams, 1998) argue that many SMTEs lack the necessary capabilities and resources to pursue growth opportunities through innovation even when they wish to do so. It appears that the critical role of tourism innovativeness, as a dynamic capability, in achieving economic recovery is not completely understood since resource limitation is not a problem that only SMTEs face, but all companies have limited (or even scarce) resources (Barney, 1996; Penrose 1959; Peteraf, 1993; Rumelt, 1984; Wernerfelt, 1984). Consequently, conflict exists between theory and reality; resulting in a failure to forge a tangible link between innovativeness, dynamic capabilities, firm performance, and tourism competitiveness. Therefore, academics and researchers cannot properly advice tourism practitioners on *how* they can capitalise on the dynamic capability of firm-level innovativeness to achieve superior competitive advantages.

In response to this research problem, this paper synthesises literature on innovativeness and dynamic capabilities to demonstrate how capitalising on the firm-level dynamic capability of innovativeness can serve as the foundation for achieving superior competitive advantages in small tourism firms.

The rest of the paper is structured as follows. The next section offers an insight into the high degree of academic rigour followed throughout this paper, providing a summary of the main journals/publications, books, and working papers used. This is followed by a discussion of the importance of firm-level innovativeness in restoring tourism firm competitiveness. Next, the

authors examine the dynamic-capability perspective. In the subsequent section, the authors present innovativeness as a firm-level dynamic capability, examining its moderating role in the creation of superior competitive advantages. On the basis of this, we conceptually and theoretically illustrate the proposed link between dynamic capabilities, firm-level innovativeness, and superior tourism firm competitiveness. Based on the foregoing, research propositions are developed, leading to the construction of our conceptual model. Finally, the authors provide the academic and practitioner implications of this research.

## **THE REVIEWED LITERATURE**

The innovativeness literature is undoubtedly very rich and in this paper we do not aim to cover all of this extensive literature. We focus on tourism firm-level innovativeness, but within the confines of DCV. The review encompasses conceptual and empirical research published in a wide range of journals, books, working papers, and internet sources. 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 how small tourism firms can create superior competitive advantages through capitalising on the firm-level dynamic capability of innovativeness. 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 this work, 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 material 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 this paper. Nevertheless, these problems with synthesising literature were 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 and DCV 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 hypotheses 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 conceptual and empirical research published in 26 journal titles from a wide variety of specialisations (e.g., strategic management, innovation, tourism, marketing, and organisational behaviour), covering the period from 1959 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, beginning with seminal papers. 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, 70 articles, conference papers, books, working papers, and internet sources were reviewed for this paper (table 1).

## **THE NEED FOR INNOVATIVENESS TO RESTORE TOURISM FIRM COMPETITIVENESS**

In recent years, academics have started to view innovation not at a micro/product-level but as a macro/firm-level perspective (Siguaw et al., 2006). The main premise underlying this new trend is that the defining factor of long-term survival through innovation appears to be based not on specific, discrete innovations, but rather on an overarching, organisation-wide innovation capability structure, termed "innovativeness" (Trott, 1998). The logic underpinning this reasoning is that a tourism firm's long-term survival may rely more on overall firm-level innovativeness that produces dynamic capabilities which in turn enhances the development of innovations, and less on the actual innovations themselves (Abernathy & Utterback, 1978; Trott, 1998). For Menguc & Auh (2006), it is this idiosyncratic aspect that

encapsulates the difference between innovation and innovativeness. *Innovation* is typically defined as an outcome-oriented measure, such as “new product success” (Ayers et al., 1997); while *innovativeness* is recognised as a contextual variable representing the firm-level orientation or inclination towards innovation (Menguc & Auch, 2006; Hurley & Hult, 1998).

**Table 1: Reviewed Literature**

<b>Journal Title</b>	<b>Number</b>
Strategic Management Journal	13
Journal of Management	3
Academy of Management Review	3
Tourism Management	3
Journal of Product Innovation Management	2
Journal of Marketing	2
Annals of Tourism Research	2
Journal of the Academy of Marketing Science	2
Organization Science	2
Industrial Marketing Management	2
Academy of Marketing Science Review	1
Journal of Marketing Research	1
British Journal of Management	1
Academy of Management Journal	1
Management Science	1
Harvard Business Review	1
International Journal of Hospitality Management	1
European Journal of Innovation Management	1
International Journal of Contemporary Hospitality Management	1
California Management Review	1
Journal of Technology, Management, & Innovation	1
Research Policy	1
Technology Review	1
Journal of General Management	1
Scandinavian Journal of Hospitality and Tourism	1
International Journal of Collaborative Enterprise	1
Conference Papers	4
Books	10
Working Papers	2
Internet Sources	4
<b>Total</b>	<b>70</b>

### **Firm-Level Innovativeness**

At present, the innovativeness literature represents a very fragmented corpus, with many different definitions and conceptualisations being offered by various researchers and research

disciplines. The disconnection between these different bodies of literature means that there is currently no generally accepted definition and theory of firm-level innovativeness. For some, innovativeness refers to a firm's proclivity, receptivity, and inclination to adopt ideas that depart from the status quo (Zaltman et al., 1973; Hurley & Hult, 1998). For others, it is the firm's willingness to forgo old habits and try new, untested ideas (Menguc & Auh, 2006). Wang & Ahmed (2004) define innovativeness as a firm's ability to exceed routine thinking process, which involves going beyond the obvious to discover newness (Avlonitis et al., 2001). Hurley & Hult (1998: 44) view innovativeness as "the ability of the organisation 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.

Nevertheless, following a comprehensive and inter-disciplinary review of extant conceptualisations, we found that although an unambiguous definition of innovativeness does not exist, most researchers agree on the following dimensions: creativity, openness to new ideas, intention to innovate, willingness for risk-taking, willingness for sharing ideas and information, and capacity to innovate. Based on this, we define firm-level innovativeness as:-

*"An organisation-wide strategic mindset and attitude towards innovation possessed to some degree by all firms; composed of an embedded cultural willingness, propensity, receptivity, market responsiveness, commitment, intention, and technological capacity to engage in risky behaviour and to rapidly incorporate change in business practices through the [early] creation and/or adoption of new ideas that facilitates innovation and delivers a superior competitive advantage"* (Walsh et al., 2009).

Conceptualising innovativeness at the macro, firm-level in the tourism innovation literature is not coincidental but concurrent with a growing body of literature that centres on the topic of innovativeness. Organisational innovativeness is frequently cited as a key source of competitive advantage and subsequent firm performance – particularly in the context of small and medium-sized enterprises (Henneke, 2007; Peters & Pickkemaat, 2006; Hult et al., 2004). Many researchers recognise the importance of innovativeness as a firm-level strategic objective to ensure the survival of small tourism firms (e.g., Sundbo et al., 2007; Novelli et



al., 2006; Damanpour, 1991). However, the question remains as to why innovativeness is so important in the restoration of small tourism firm competitiveness.

### **Why Innovativeness?**

As one of the fastest growing sectors of the global economy, tourism consists of many SMTEs trying to be successful in an extremely competitive and rapidly changing business environment. Tajeddini (2009) argues that the tourism and hospitality industry, specifically the hotel industry, are very vulnerable to economic and environmental changes and incidents, such as the global financial crisis and natural disasters. Jogaratnam & Ching-Yick Tse (2006) state that under such conditions, the service industry, in particular hoteliers, have to be more innovative and flexible in order to develop a sustainable competitive advantage. Furthermore, dynamic environments call for dynamic capabilities (Helfat et al., 2007).

Drawing from the resource-based (Barney, 1991) and the dynamic capabilities (Teece et al., 1997) views of the firm, if small tourism firms can strategically practice innovation, their limited resources will be utilised to maximum capacity and profitability, and competitiveness should increase as a result (Sundbo et al., 2007). Recognising innovativeness as a firm-level competence is particularly significant because, if harnessed effectively, should yield a superior competitive advantage. Fundamentally, innovativeness increases a firm's capacity to innovate (Damanpour, 1991) by encouraging innovative behaviours through strategic practices (Siguaw et al., 2006); increasing overall competitiveness.

Hence, innovativeness undoubtedly contributes to a firm's positional advantage and its subsequent competitive stance (Hult & Ketchen, 2001). Consistent with the strategic marketing literature (e.g., Bharadwaj et al., 1993; Day & Wensley, 1998), Menguc & Auch (2006) argue that continuous innovation (i.e., innovativeness) is necessary to sustain barriers to imitation. Because innovativeness satisfies the three main conditions that shape casual ambiguity - tacitness, complexity, and specificity (Reed & DeFillippi, 1990) - it is deemed to be an extremely high barrier to imitation. It is a firm-specific, valuable, and socially complex resource and capability that is not easily transferable or imitable by other firms (Hult & Ketchen, 2001), representing a strategic driver of firm success. It is non-universal, having idiosyncratic properties that make it difficult to be transferred or traded between firms, raising the barriers to imitation (Menguc & Auch, 2006). Simply, innovativeness is so embedded

within the firm's organisational culture, climate, strategy, structure, systems, behaviours, and processes (Hurley & Hult, 1998), that it cannot be easily imitated or competed away from the individual firm; thus making it a unique and valuable source of overall competitiveness and performance. Thus, small tourism practitioners cannot afford to ignore the criticality of innovativeness in creating and sustaining superior competitive advantages.

In line with these arguments, this paper positions innovativeness as a critical organisational competence and dynamic capability that reconfigures existing organisational resources to create and sustain superior competitive advantages for small tourism firms.

### **THE DYNAMIC-CAPABILITY PERSPECTIVE**

The DCV is the evolutionary and complementary version of the resource-based view (RBV) (Bowman & Ambrosini, 2003), used as an alternative approach for understanding how and why firms can create a sustainable competitive advantage, and what makes some firms more competitive than others. Numerous but similar definitions of 'dynamic capabilities' exist throughout the strategic management literature, which successfully capture the key components of this theory. The original definition proposed by Teece et al. (1997: 516) refers to dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments". Teece et al.'s (1997) definition considers dynamic capabilities as the driver of a firm's competitive advantage by means of converting and reconfiguring organisational strategic resources and competences in response to changing market conditions and environmental turbulence and instability. Teece et al.'s conceptualisation is noteworthy because it tends to focus mainly on the firm's ability to learn and evolve (Lei et al., 1996) - key aspects of an innovative firm (Hurley & Hult, 1998).

Since its inception, the dynamic capabilities concept has become the subject of increased research attention (Zollo & Winter, 2002), with ensuing studies expanding and refining the original definition. In what is considered to be a major contribution, apart from that of Teece et al. (1997), Eisenhardt & Martin (2000: 1107) define dynamic capabilities as "the firm's processes that use resources...to match and even create market change". Helfat & Peteraf (2003: 997) conceptualise dynamic capabilities in terms of "adaptation and change", due to

their ability to “build, integrate, and reconfigure other resources and capabilities”. Bowman & Ambrosini (2003) regard dynamic capabilities as the firm’s ability to renew its existing resources in response to environmental changes. Zollo & Winter (2002: 340) focus on the notion of organisational learning as a source of dynamic capability, which they defined as “a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness”. Additionally, the literature notes the importance of managerial sense making capability as a source of dynamic capability. Adner & Helfat (2003: 1012) conceptualise dynamic capabilities by using the term “dynamic managerial capabilities” to refer to the general capacity of managers to create, extend, or modify the resource base of an organisation. Likewise, Helfat et al. (2007) conceptualise dynamic capabilities as “...the capacity of an organisation to purposefully create, extend, or modify its resource base”. For Teece (2007: 1319), dynamic capabilities can be disaggregated into “the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise’s intangible and tangible assets”.

The fundamental proposition of the DCV overlap with the RBV, which are, that a firm’s superior competitive advantage is derived from the set of resources and capabilities controlled by a firm that are valuable, rare, imperfectly imitable, and non-substitutable (VRIN) (Barney, 1991). If a resource possesses all of these four attributes, then it is considered to be highly heterogeneous and immobile, making it a strategic source of superior competitive advantage. In addition, the organisation (O) must be able to absorb and apply these four conditions (Barney, 1991, 1994, 2002).

Simply, firms should not expect to be able to simply ‘purchase’ or ‘buy’ a superior competitive advantage on open markets as if it were a tradable entity (Barney, 1986; 1988; Wernerfelt, 1989), but such advantages must be found in the VRINO resources that are already controlled by the firm (Dierickx & Cool, 1989). Since firm-specific resources and capabilities are so embedded in the firm’s structures and processes, it would be necessary to buy or sell the entire organisation or sub units in order to imitate or replicate its competences and capabilities.

Having discussed both firm-level innovativeness and DCV, the following section marries these two concepts, positioning firm-level innovativeness as a dynamic capability.

## **INNOVATIVENESS AS A FIRM-LEVEL DYNAMIC CAPABILITY**

### **The Moderating Role of Firm-Level Innovativeness in Achieving Superior Competitive Advantage**

Capabilities are distinctive, unique, and intangible dimensions of an organisation. For Menguc & Auh (2006), innovativeness is a distinctive firm-level competency since it is rare, valuable, and hard-to-copy; which cannot be easily accomplished overnight. Innovativeness is an embedded aspect of the firm's social structure (and culture) of the firm (Lado & Wilson, 1994).

Due to the dynamic and highly flexible nature of the tourism industry, innovativeness is deemed to be an extremely important organisational capability because it enables the small tourism firm to quickly adapt and respond to its changing environment. According to Teece et al. (1997), the ability to “orchestrate changes”, build new capabilities, transform the asset base, and reconfigure processes is crucial for competitiveness in changing environments. Eisenhardt and Martin (2000) argue that a firm who possesses the ability to be nimble, change quickly, and to be alert to changes in the environment (attributes of innovativeness), and thus apply its dynamic capabilities sooner and more strategically than competitors, will be better able to adapt more quickly and easily to changing market conditions, and thus create a superior competitive advantage. Indeed, a more innovative, or innovation capable, organisation is one that has the ability to build and deploy distinctive resources faster than others (Winter, 2003). In essence, an innovative firm is a proactive firm that constantly explores new market opportunities instead of exploiting existing ones (Menguc & Auh, 2006). Innovativeness, characterised by a high degree of organisational flexibility and the active and effective implementation of new organisational strategies and practices, enhances productivity and enables firms to match their asset base to the requirements of a changing business environment.

## **LINK BETWEEN DYNAMIC CAPABILITIES (INNOVATIVENESS), RESOURCES, AND SUPERIOR TOURISM FIRM COMPETITIVENESS**

Eisenhardt & Martin (2000) acknowledge the significant contribution which the RBV has made to understanding *how* firms create and sustain a competitive advantage; yet, they note that this strand of literature fails to adequately explain how and why firms have competitive advantage in *dynamic* markets where change is rapid and unpredictable. This represents a key concern for our research since tourism represents a dynamic sector. Hence, we have included the DCV in our conceptual model to demonstrate the competitive advantage-generating capacity of the firm-level capability of innovativeness.

The RBV and DCV have been proposed as two distinct, yet closely intertwined, mechanisms which firms can use to achieve superior competitive advantage and persistent superior business performance (Barney & Arikan, 2001). Eisenhardt & Martin (2000) demonstrate this link, in so far as dynamic capabilities are perceived to be the antecedent organisational and strategic routines which managers call upon in order to alter and reconfigure their organisational resource base, that is, acquire and shed resources, integrate them together, and recombine them as necessary– to generate new value-creating strategies (Grant, 1996; Pisano, 1994). Eisenhardt & Martin (2000) consider dynamic capabilities to be the key drivers behind the creation, evolution, and recombination of resources in order to create and sustain a competitive advantage. Eisenhardt & Martin (2000: 1118) argue that dynamic capabilities should be conceptualised as “tools that manipulate resource configurations”; since long-term competitive advantage lies in resource configurations via dynamic capabilities, and not in the actual dynamic capabilities themselves. Likewise, Teece (2007) consider dynamic capabilities to be the enabling factors that help firms create, deploy, and protect intangible assets.

The mediating role of dynamic capabilities in the deployment and development of strategic resources has been widely studied (Amit & Schoemaker, 1993; Barney, 1986; Barney & Zajac, 1994). Moreover, managers are believed to play a moderating role in the process by which resources lead to sustainable competitive advantages, since “resources, in and of themselves, do not confer a sustainable competitive advantage” (Fahy and Smithee, 1999: 7).

The landscape of the tourism industry is radically changing. Teece et al. (1997) asserted that in a dynamic environment typified by a high volume of change, a firm's competitive advantage will rest on the firm's *internal processes and routines* that enable the firm to renew and change its stock of organisational capabilities in response to environmental changes, thereby making it possible to deliver a constant stream of new and innovative products and services to customers in order to satisfy changing customer needs, wants, and expectations. Today more than ever, a firm's sustainable competitive advantage significantly depends on its capacity to innovate, or innovativeness (e.g., Hult et al., 2004; Stamboulis & Skyannis, 2003; Hjalager, 1997). That is, its cumulative involvement in learning processes that go far beyond the borders of R&D and in which organisational and managerial aspects play a fundamental role (Marques & Ferreira, 2009). Hence, organisational learning and managerial skills mediate the role of the dynamic-capability of firm-level innovativeness on firm competitiveness (e.g., Zollo & Winter, 2002).

Based on the foregoing discussion, the authors propose the following:-

### **Proposition Development**

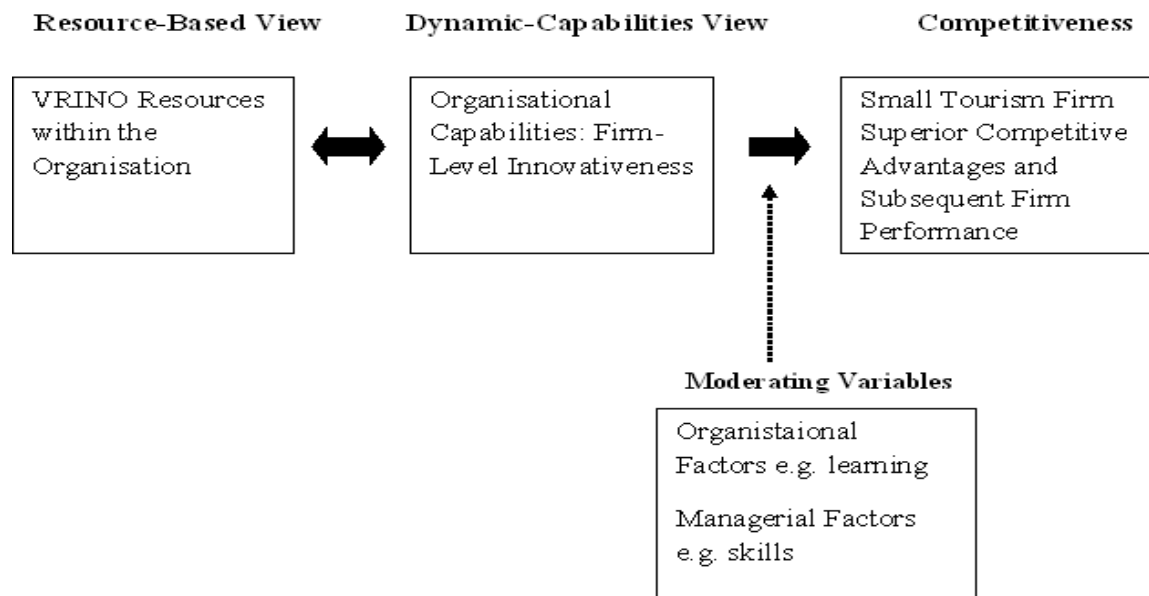
**P1a:** A significant positive relationship exists between greater firm-level innovativeness and small tourism firm superior competitive advantage.

**P1b:** The positive effect of firm-level innovativeness on superior competitive advantage is moderated by managerial and organisational aspects of the firm.

### **A DYNAMIC CAPABILITY MODEL OF FIRM-LEVEL INNOVATIVENESS**

On the basis of the foregoing theoretical base, the authors now turn to presenting an integrated conceptual model. The model (figure 1) is based on the seminal work of Eisenhardt & Martin (2000). It depicts the role of the dynamic capability-generating capacity of firm-level innovativeness on superior competitive advantages and performance. Working concurrently, "resources are the source of a firm's capabilities" and "capabilities are the main source of its competitive advantage" Grant (1991: 119). This means that relevant resources and capabilities must exist together in order to create a superior competitive advantage for the small tourism firm.

**Figure 1: A Tentative Model of the Dynamic-Generating Capacity of Innovativeness on Superior Tourism Firm Competitiveness and Performance**



## CONCLUSIONS & IMPLICATIONS

This paper has presented a discussion of the most salient aspects of the innovativeness and DCV literatures in a tourism competitiveness context. Drawing on the dynamic capabilities perspective, this paper adopts the view that innovativeness is a rare, valuable, inimitable, and non-substitutable firm resource; and furthermore is a set of dynamic capabilities. Using this discussion as a foundation, a conceptual model was developed demonstrating the proposed mediating role of firm-level innovativeness in achieving superior competitive advantages and performance for small tourism firms. The conceptual model shows the integrative relationship between RBV and DCV, how innovativeness can be transformed into dynamic capabilities,

and demonstrates its competitive value for small tourism firms. The model also depicts the moderating effect of managerial skills and organisational learning on the relationship between innovativeness and competitiveness. This paper has both academic and practical implications.

### **Academic**

This paper provides an initial insight into the critical importance of firm-level innovativeness in achieving superior competitive advantages for small tourism firms; contributing to the tourism innovativeness literature. It gives tourism academics and researchers a solid foundation on which to build further research into this area.

### **Practitioner**

Small tourism firms can adopt and apply the conceptual model presented here to enhance their competitiveness strategy. Innovation has been long recognised as a key factor in ensuring superior competitive advantages. However, the role of innovativeness in long term business success and sustainability is a relatively new phenomenon in tourism. Reverting back to VRINO resources, the likelihood of innovativeness in ensuring superior, and even sustainable, competitive advantages, is far greater than that of innovation.

Hence, this paper contributes towards ongoing research efforts towards developing an implementable set of guidelines for small tourism firms about their choice of competitive strategy.

### **Further Research**

The conceptual model presented here is only a first attempt, but nevertheless an extremely important first step, to fully understanding how small Irish tourism firms can achieve superior competitive advantages through capitalising on the firm-level dynamic capability of innovativeness. The model has limitations and creates scope for further research. The main limitation is the fact that the model is untested and requires further collaboration with practitioners, to explore its applicability and identify whether it requires any further modification. Hence, the next stage of this research is to operationalise and refine the model to generate a more comprehensive model that is capable of practical use in an empirical setting.



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