

# Diversification and Innovation in Tourism Development Strategy: The Case of Abu Dhabi

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*Through its diversification thrust, Abu Dhabi has succeeded in reaping the benefits both of oil and gas and of the services sector, including tourism, through deliberate government action. Diversification and innovation have been key drivers in all sectors of the economy, including tourism, and innovations in one sector have spawned innovations in others. Drawing on literature sourced from secondary data, including government documents and publications available in the public domain, this article argues that innovation in various sectors can facilitate tourism diversification, innovation, and product/market development. The authors propose a diversification and innovation model, arguing that these aspects are inter-related and that their relationship is cyclical. Diversification and innovations are generated from and influenced by any economic, social, or institutional milieu and by entities such as government, business, and non-governmental organizations. The article contends that Abu Dhabi's new growth path should be geared towards small and medium enterprises in the boutique and lifestyle lodging business, so as to spread the benefits of its success in the tourism industry to the broader population through diversifying the emirate's "traditional" hotel market.*

*Keywords: Tourism, diversification, innovation, development strategy, Abu Dhabi, U.A.E.*

*Grâce à sa campagne de diversification, Abou Dhabi a réussi à engranger les avantages à la fois des secteurs du pétrole, du gaz et des services, dont le tourisme, grâce à une action voulue de l'État. La diversification et l'innovation ont été des moteurs importants dans tous les secteurs de l'économie, dont le tourisme, et des innovations dans un secteur en ont entraîné dans d'autres. En s'appuyant sur la littérature sur la question et sur des données secondaires, dont les documents et autres publications officiels disponibles dans le domaine public, cet article soutient que l'innovation dans divers secteurs pourrait faciliter la diversification dans le domaine du tourisme, ainsi que l'innovation et le développement de nouveaux produits et marchés. Les auteurs proposent un modèle de diversification et d'innovation, en faisant valoir que ces aspects sont reliés et que leur relation interne répond à des logiques cycliques. La*

*diversification et les innovations sont produites et influencées par les milieux économiques, sociaux ou institutionnels et par des entités telles que l'État, les entreprises et les organisations non-gouvernementales. L'article soutient que les nouvelles orientations de la croissance d'Abou Dhabi devraient être adaptées aux exigences des petites et moyennes entreprises dans le secteur des hôtels de luxe et des petits hôtels branchés. Les bénéfices tirés de ce choix seraient alors répartis dans la population grâce à la diversification du marché hôtelier « traditionnel » de l'émirat.*

*Mots-clés: tourisme, diversification, innovation, stratégie de développement, Abou Dhabi, Émirats Arabes Unis (EAU)*

### **Introduction**

Tourism is a leading economic sector and has been embraced by many countries as a development strategy. Saeid et al. (2012a, 2897) consider tourism one of the key contributors to economic success in the world, as it accounts for a large part of the total national income of many countries. The United Arab Emirates (U.A.E.), and some specific cities within it such as Abu Dhabi, are among those who have deliberately developed their tourism sector to take advantage of this trend. Growth in tourism income has a positive impact on other sectors of the economy because of the linkages between them; as exemplified by Abu Dhabi, growth in the tourism sector creates jobs, enhances national pride, contributes to improved standards of living, affects migration and mobility, and helps to open up the economy. To reap these effects, the U.A.E., and Abu Dhabi in particular, has overtaken their predecessors in the tourism industry over the past two decades to achieve a profound and active presence on the tourism scene (Saeid et al. 2012a, 2897) through proactive measures including diversification.

Diversification is an important element of current tourism development. As we have argued elsewhere (Giampiccoli and Mtapuri 2014, 343), “diversification of tourism products is necessary in the face of stiff global competition and the need to rejuvenate the tourism sector in the face of decline.” With all countries competing for the same tourism revenues, this sector has suffered declines due to global economic and financial crises and incessant terrorism threats. Under such circumstances, innovation and creativity have been very important in the services sector, and particularly in the tourism sector (Aldebert et al. 2011, 1204).

These changing patterns reflect changes in the sector itself, including tourism enterprises as well as destinations (Hjalager 2002, 465); Aldebert et al. (2011, 1204) observe that innovation and change in the tourism sector have spurred more tourism research. This conceptual article is based on secondary sources (documents, articles, and books); its aim is to propose a model of the relationship between tourism diversification and

innovation, illustrated by an investigation of patterns and trends in tourism innovation in Abu Dhabi. Because our intent is to advance the literature of innovation in tourism, our focus in this article is on innovation, although issues of tourism diversification provide a useful backdrop.

### **Literature Review**

Tourism diversification has become a focus of research because of its importance to scholars, practitioners, policy makers, and other stakeholders (Benur and Bramwell 2015; Giampiccoli and Mtapuri 2014, 2015; Lejarraja and Walkenhorst 2007). In general, diversified economies do better over the long haul than economies that rely only on one sector (Nair et al. 2011, 49); as Nair et al. (2011, 49) observe, quite a number of countries in the Middle East have made tremendous progress towards diversification. Hjalager (2002) observed that innovation has been used to define how destinations, enterprises, and the sector manifest and behave themselves. More recent studies have examined innovation in various contexts, such as environmental determinants of innovation in SMEs in Dubai (Pervan et al. 2015); the roles of small- and medium-sized enterprises (SMEs) in innovation in the tourism sector (Hsu et al. 2013); tourism innovation in Africa (Carlisle et al. 2013); the role of government in tourism innovation (Mei et al. 2015); and innovation in relation to new forms of tourism and information and communication technologies (Stamboulis and Skayannis 2003). Novelli et al. (2006) have specifically explored the role of network and cluster creation in innovation in SMEs, while Aldebert et al. (2011) examined innovation from the perspective of information and communication technology. Hjalager (2010) acknowledges that in the course of history, tourism has been characterized by “immense innovativeness” (Hjalager 2010, 1; see also Nagy 2012); innovation pervades all sectors of tourism and is a key driver.

Innovation is considered of high importance and relevance as a key factor in the success of firms in competitive markets (Pervan et al. 2015, 60). It is no surprise, therefore, that national governments adopt measures aimed at promoting innovation in a bid to increase national innovativeness (Mei et al. 2015, 1172). Innovation has been defined as “the ability to achieve change that creates a new dimension of performance—at least new to the national economy, if not new to the wider world” (Nair et al. 2011, 49). Hjalager (qtd. in Carlisle et al. 2013, 60) states that “innovation is generally characterised by everything that differs from business as usual or which represents a discontinuance of previous practice in some sense for the innovating firm.” In the tourism sector, innovation and entrepreneurship can benefit the development of alternative forms of tourism (e.g., cultural tourism and eco-tourism);

Carlisle et al. (2013, 60) observe that these two factors have helped international tourism because tourists are demanding unique or niche products that enhance their experiences and satisfaction as new destinations open up within local communities.

Hjalager (2002, 465) initially suggested five categories of innovation: product innovations, process innovations, management innovations, logistics innovations, and institutional innovations; a later version of the list includes product or service innovations, process innovations, managerial innovations (e.g., internal collaborations, empowering employees, enhancing job satisfaction), management innovations (e.g., loyalty programs, destination management), and institutional innovations (Hjalager 2010, 2). Carlisle et al. (2013, 61) offer a different but overlapping set of categories:

products (e.g. new hotel services or new attractions in a destination); methods of production; (e.g. identifying new customer segments or improvements in tour guiding which enhances the efficiency and quality of the tourist experience); sources of supply (e.g. diversifying to new niche tour operators); new markets (e.g. redirecting existing destination brands to cater for new markets) and new ways to organize business.

Most recently, Booyens and Rogerson (2016, 25) have proposed the following categories of innovation in tourism:

*Product innovation:* The introduction of a new or significantly improved product or service to the market with respect to its characteristics or intended uses such as its capabilities, components, materials, software, user friendliness or other functional characteristics.

*Marketing innovation:* The implementation of a new or significantly improved marketing method including better addressing customer needs, opening up of new markets, or newly positioning of the firm's product on the market with the objective of increasing the firm's sales.

*Environmental innovation:* The implementation of a new or significantly improved product (or service), process or practice to ensure environmental benefits or reduce adverse environmental impacts.

*Organisational innovation:* The implementation of a new or significantly improved change in the firm's structure, management methods, business practices, core-operations, workplace organisation or external relations intended to improve a firm's use of knowledge, the quality of products or services, the efficiency of workflows and productivity, or reduce administrative or transaction costs.

*Process innovation:* The implementation of a new or significantly improved method for the production, distribution or delivery of products and services or to raise the performance of operations. This includes changes in techniques, equipment and/ software.

*Structural innovation:* The implementation of a new or significantly improved product (or service), process or practice to ensure social benefits or reduce adverse social impacts.

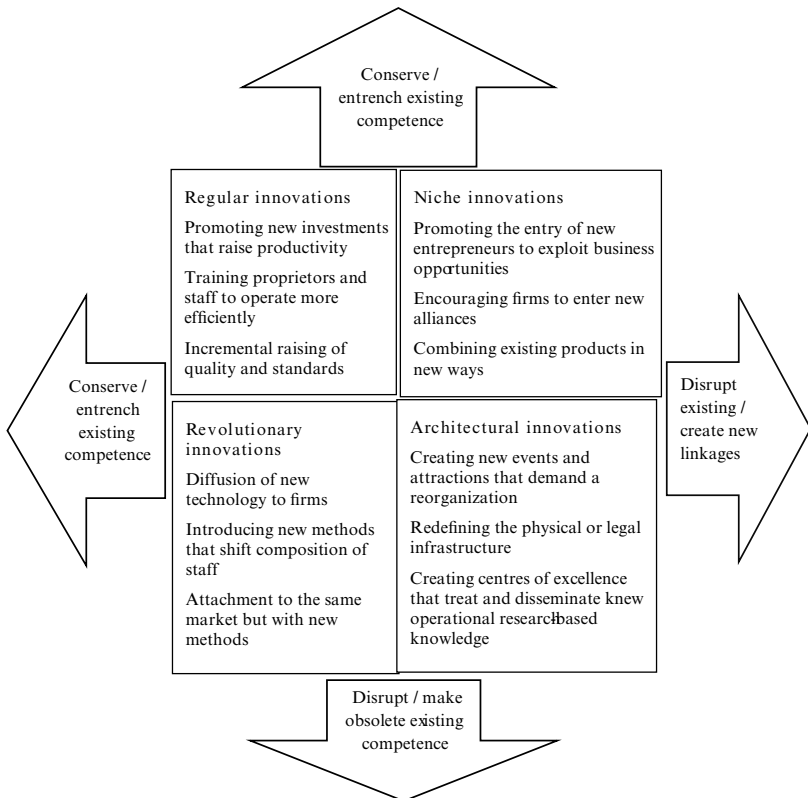
*Social innovation:* The implementation of a new or significantly improved collaborative or regulatory structure, or initiative for the benefit of the local economy (or community) or destination which extends beyond the boundaries of a firm or institution.

Abernathy and Clark (qtd. in Hjalager 2002, 466) identified four types of innovations within the tourism milieu: *regular, niche, revolutionary, and architectural* (see Figure 1).

FIGURE 1

The Abernathy and Clark model—a tourism perspective

Source: Hjalager (2002, 467)



It is important to note that types of innovation should not be considered in isolation. Hjalager (2002, 2) argues that distinctions between innovation types are not simple because innovations in one field trigger innovations in others. Similarly, in the tourism sector, each entity should not be considered in isolation; tourists bundle them together, formally or

informally, such that inter-firm relations allow the cross-pollination of ideas, which spurs and inspires new innovations and broadens the scope of innovations to increase “aggregate” innovativeness (Hjalager 2010, 7).

Thus, innovation can take many forms. Within the product or service innovation milieu, it has been suggested that

in the accommodation sector, the “Formule 1” concept introduced by the Accor hotel chain represents a generic innovation. These hotels were started to provide a low-price service without compromising essential and basic hotel standards such as accessibility, cleanliness, and comfortable beds. Later [...] a diversification of the mainly small-scale accommodation sector has occurred through design and niche hotels as a way to create a sensuous atmosphere, illusions and aesthetics which are important ingredients in the product on a footing with functional attributes (Hjalager 2010, 2).

Hjalager (2010, 2) identifies specific services such as gastronomy, infrastructure, and wellness centres as areas in which hotels are being innovative. It is also useful to consider that social innovation—new approaches to or ways of doing things that enhance the socio-economic performance of public- and private-sector institutions, resolve crises, and satisfy new needs and goals of a regulatory or material nature—is equally important to socio-economic development and to everyday life in a modern society (Malek and Costa 2015, 283). In tourism, one manifestation of social innovation is an increase in community participation (see Malek and Costa 2015).

*Innovation* should not be seen as synonymous with *invention*. Nair et al. (2011, 49) argue that innovation “does not just mean ‘invention’ or ‘R&D,’ but rather the capacity to absorb, implement and exploit innovation effectively within industrial sectors in order to build competitive strength and generate added value for the economy.” In general, the Middle East region “has generally fallen short of expectations” in relation to innovation (Nair et al. 2011, 49); in the tourism sector specifically, however, the situation seems better. Pervan et al. (2015, 60), for example, observe that Dubai has shown great potential to innovate to become a world hub for commerce, service, and product development as it transitions from an oil-based economy to a knowledge-based economy. This also represents a transition from a hard (oil) to a soft (knowledge) product basis for economic development.

### **A Proposed Framework for Tourism Diversification/Innovation**

There is a link between diversification and innovation, to the extent that Nair et al. (2011, 49) argue that innovation is one of the main ingredients for economic diversification; for example, tourism product diversifica-

tion involves innovation in terms of assembling tourism products (e.g., linking heritage with coastal tourism, or excursions with cultural performances) and in how tourism commodities are supplied by firms (Benur and Bramwell 2015, 218). However, innovation can go beyond diversification. Thus, for example, while French ski resorts have diversified, some of this diversification is a result of “haphazard evolution rather than from a concerted planning approach,” and the resulting new products merely complement and enhance the skiing activity which are its singular focus (Paget et al. 2010, 829).

The relationship between diversification and innovation, then, should be understood in a flexible manner. An example is Stormsriver Adventures, a nature tourism company in South Africa, whose product innovation was branded and subsequently franchised and expanded into social innovations (e.g., empowering people through innovative skills development programs; reducing the environmental footprint of the company’s operations) and the provision of nature-based diversified products (Booyens and Rogerson 2016, 30).

Furthermore, innovation should be understood as a comprehensive outcome involving various entities. In tourism specifically, it should be seen as linked to various economic sectors. Different entities should be involved in the innovation effort; at the macro level, innovation performance results from the collective and concerted efforts of many players, including government, educational institutions, researchers, funders, and industry, interacting effectively to form a national innovation system (Nair et al. 2011, 51). It should be also kept in mind that diversification can take place in the whole economic sector as well as in tourism specifically; for example, a country can shift from an oil-based to a more diversified economy, as in Qatar, while its tourism sector diversifies from sea, sand, and sun to include, for instance, shopping and sport (Giampiccoli and Mtapuri 2015, 3). Innovation in the tourism sector is influenced by innovations in other sectors of the economy, which can facilitate tourism diversification, innovation, and development. This is because, as Aldebert et al. (2011, 1205) note, the tourism industry involves activities that are both diverse and “scattered in nature, time and space,” and which must be purposefully assembled by actors who may be in different organizational, physical, and cognitive spaces. At the same time, entrepreneurship and local innovations can generate new tourism benefits that penetrate into the local economy and, in turn, generate new local enterprises that create new jobs (Carlisle et al. 2013, 60). Also meriting consideration is the role played by linkages—defined as the network of intersectoral supply relationships between the tourism economy and other productive sectors of the domestic economy—in the impact of tourism on diversification. When such linkages exist, it is easier for local

entrepreneurs to collect signals from tourism demand and to achieve higher cost savings. The more linkages exist between tourism and the general economy, the more innovative the tourism cluster will be (Lejarraja and Walkenhorst 2007, 16).

Industry clusters are also relevant to innovation, as such business regions, which are formed through collaboration and cooperation, increase the chances of innovation and sustainability in business (Hsu et al. 2013, 1070); following the industry cluster approach encourages innovation and productivity, including industrial competitiveness (Hsu et al. 2013, 1076). Thus, cooperation between firms, especially SMEs, is relevant to fostering innovation. For example, marketing innovation in tourism niche markets can be achieved through engaging with groups and networks (membership bodies, associations, community groups, and umbrella bodies) that benefit businesses by pooling resources and skills from diverse stakeholders (Carlisle et al. 2013, 62).

Based on the above, we propose an essential relationship model for diversification and innovation in the tourism sector (see Figure 2).

FIGURE 2

Essential relationship model of diversification and innovation in tourism

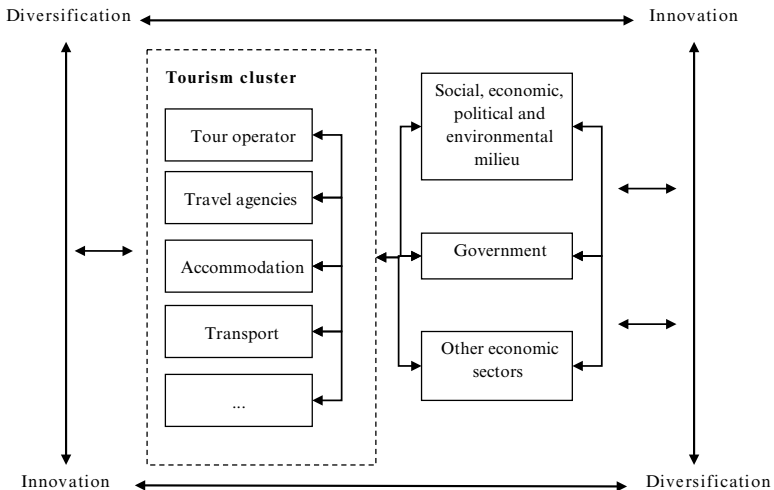


Figure 2 illustrates various aspects of the relationship between innovation, diversification and the tourism sector: first, all elements within a tourism cluster are interrelated; second, the tourism cluster as a whole and all its element independently are correlated to the wider economy, the government, and the general social, economic, political, and environmental milieu; third, the wider economy and government are also linked.



Diversification and innovation are linked by a continuous and bi-directional relationship, so that diversification can facilitate innovation and vice versa on a cyclical and continuous basis. Importantly, all these elements and their interrelations fall within the influence of and, at the same time, facilitate and spread both diversification and innovation. These relationships play out at various geographic scales, from the local to the global, and at different times. Diversification and innovation can be generated from, and can influence, any economic, social, or institutional milieu or entity at any geographic scale. It is the whole system that produces diversification and innovation, which further grows between and within systems.

### **Diversification and Innovation in Abu Dhabi**

Tourism in Abu Dhabi is key to the current strategic development plan. For example, *The National* (2015) reports that in 2014 “a record 3.49 million tourists visited the emirate, according to the Abu Dhabi Tourism and Culture Authority. Arrivals increased by 25 per cent, exceeding last year’s target by nearly 400,000.” In line with the increased demand represented by tourist arrivals, the supply side also increased: the number of hotel rooms in Abu Dhabi has been growing, with about 10 new properties added in the past year for a total of 160 hotel and hotel apartment properties and 28 374 rooms (The National 2015). Besides holding a leading position in oil production, Abu Dhabi, the U.A.E. capital, is an important global tourist attraction because of its history, culture, and religion (Saeid et al. 2012b, 2888).

Saeid et al. (2012b) observe that in addition to its strategic location, Abu Dhabi has established itself as a “distinguished destination on the map of the most advanced cities of the world” by attaining the highest quality standards of excellence in tourism, business, arts, and culture. Abu Dhabi’s diversification strategy (see Giampiccoli and Mtapuri 2014; Sharpley 2002; Henderson 2014) involves diversifying its economic base from an almost exclusive focus on oil to various economic sectors, notably tourism. The Abu Dhabi Economic Vision 2030 clearly identifies the desire for long-term economic diversification as a deliberate development strategy: “The year 2030 represents an important milestone for the Emirate of Abu Dhabi. Baseline growth assumptions reveal that Abu Dhabi could achieve tangible levels of economic diversification by that time” (Government of Abu Dhabi 2008, 1). The same document identifies tourism as one of the sectors expected to propel the growth of Abu Dhabi’s economy and its diversification strategy, and the emirate is already investing significant funds in tourism development (Government of Abu Dhabi 2008, 117; on diversification from a government perspective, see also Department of Economic Development 2013).

While Hjalager (2010, 9) notes that innovation policy is not prominent in tourism research on destination management, cultural institutions, and public tourism provision, despite being relevant to policies with specific targets in mind (e.g., for SMEs), the relevance of innovation is well recognized in Abu Dhabi. For example, it is very visible and explicitly stated in various government documents (e.g., Department of Economic Development 2013, n.d.; IKED 2010) and print media (Business Year 2015). It is worth noting that in the U.A.E., 2015 was declared the Year of Innovation (see Embassy of the United Arab Emirates in London 2015).

In the more competitive global environment, Abu Dhabi needs new solutions, such as new business models; the Government of Abu Dhabi (2008, 7) acknowledges that the emirate needs to do more in terms of leveraging fresh business models and actively participating in the global growth trade in services, together with an extensive research and development program that will spread local innovation and link Abu Dhabi with other global innovation centres of excellence.

While tourism is seen as important for the future, its current role in innovation, relative to other economic sectors and government entities, is debatable. The Department of Economic Development (n.d., 46) has observed that oil and gas, construction, government purchases, and public services have a profound impact on the economy; these are the key drivers of innovation to spur the demand side. While sectors such as health, tourism, and media have been identified as good candidates to spur future growth, their strategic impact to date has been modest (Department of Economic Development n.d., 46).

Linkages exist between SMEs and innovation (see Department of Economic Development n.d.). However, government intervention is needed to change the frameworks under which SMEs operate and assist them in overcoming specific barriers to embrace innovation. The high costs associated with innovation particularly affect small businesses, which find themselves competing with large firms in a domestic market dominated by the latter (Department of Economic Development n.d., 57). For the Emirate, it is important to achieve higher levels of innovation if the factors that impede SMEs from innovating are removed (Department of Economic Development n.d., 57).

In discussing SMEs in the context of diversification and innovation, the Abu Dhabi Economic Vision 2030 suggests that

diversifying the enterprise base to include a larger number of economically active SMEs spreads and fragments this risk and reduces the adverse effects of shocks on the economy as a whole. At the same time, competition among a larger number of SMEs, or cooperation within an SME cluster, enables the kind

of economic and technological innovation that will maximize growth in high value-added economic sectors and could potentially spawn the next generation of “National Champions (Government of Abu Dhabi 2008, 31).

In addition, the local government has observed the potential of SMEs as platforms for growth as venture capitalists and entrepreneurs to create quality jobs for a growing Emirati population (Government of Abu Dhabi 2008, 31).

The role of tourism development in Abu Dhabi has been fundamental; the Abu Dhabi government has deliberately set out to develop tourism as an important sector of the national economy by establishing a vibrant eco-tourism industry, which promotes tourism and has had the added advantage of spurring growth in the other sectors of the economy (Saeid et al. 2012a, 2897).

### **Discussion**

In this section, we propose some new, action-oriented directions for tourism development in Abu Dhabi in which government assistance and support are required, advancing another possible option for diversification/innovation that could benefit Abu Dhabi as an extension of its diversification and innovation strategy. Some time ago, Sharpley (2002, 234) suggested that Abu Dhabi should exploit its existing meetings, incentives, conferences, and exhibitions (MICE) tourism base as a path towards diversification, instead of focusing on the tourism sector only. While we do not oppose this strategy, we propose that the tourism sector itself should be diversified and innovated; innovative approaches in tourism strategies should focus on rebalancing the tourism sector towards smaller-scale, locally owned businesses. Below we propose a strategy for shifting or rebalancing in favour of “alternative” smaller (meaning SMEs) and locally owned tourism facilities, using the example of the accommodation sector. As Benur and Bramwell (2015, 214) have pointed out, product diversification can also encourage the production of socially and environmentally sustainable “alternative” products for destinations, because these can be used as identifiers of a destination’s character and involve locally run and locally owned businesses.

Abu Dhabi’s proposed move towards a shift in tourism segments represents a departure from its current “business tourism dominated hotel guest profile to a more balanced business/leisure tourism split” (ttg mena luxury 2011, 25). Within this context, the “Tourism Development and Investment Company (TDIC), along with joint venture partners, aims to deliver six new iconic hotels to the Abu Dhabi scene this year, adding more than 1,600 hotel rooms and residences to the emirate” (25). It is noteworthy that international brands dominate Abu Dhabi’s hotel

sector. In general, the U.A.E. hotel market is known for the huge presence of international operators (Jones Lang LaSalle 2014, 10); in 2013, a study found that 43 % of hotels and 68 % of hotel rooms were international brands, that is, international operators tended to own larger properties (180–300 keys on average) than independently owned hotels (often >150 keys on average; Jones Lang LaSalle 2014, 10). In some cases, more diversified brands had been introduced at the mid-scale level, but more hotels by international operators were also in the pipeline (see Jones Lang LaSalle 2014, 10).

The tourism market is ever changing, and over the past decade the accommodation sector has seen the emergence of different types of tourist lodgings around the world; scholars attribute this phenomenon to changing markets, new customer patterns and trends towards refusing homogeneity in accommodation, and the shift in the production of accommodation (Khosravi et al. 2014, 26). For example, there has been marked growth in the boutique hotel sector worldwide (Khosravi et al. 2014, 27) and in community-based tourism (CBT) as it gains popularity among European tourists (CBI n.d.), indicating a possible new approach to tourism development. While CBT's original sense of social justice and concern for disadvantaged people should remain its point of departure, in the Abu Dhabi context the goal should be for CBT characteristics and understandings to influence the whole tourism sector (and society) to support initiatives that aim to regain local control of, and derive local benefit from, the tourism economy for the benefit of local communities (Saayman and Giampiccoli 2016, 166).

Importantly for Abu Dhabi's luxury target market, new specific types of accommodation are emerging and expanding. As Day et al. (2012, 2) note, the boutique and lifestyle hotel sector is burgeoning and flourishing, and big hotel brands such as Holiday Inn, Hilton, and Marriott are now differentiating their products in response to this phenomenon, following years of standardization. In major world centres, boutique and lifestyle hotels are emerging as an important factor in lodging markets. The lodging market is crucial for SMEs particularly because they respond to these specific needs and interests; indeed, SMEs constitute the "life blood of the travel and tourism industry world-wide" (Novelli et al. 2006, 1141).

Therefore, we propose a new alternative strategy, in line with these recent market trends, to recalibrate and rebalance Abu Dhabi's accommodation sub-sector by directing it towards smaller and preferably locally owned accommodation establishments. However, it is important that state-owned tourism entities not be jeopardized, nor be seen as antagonistic to this "rebalancing" process. State-owned tourism entities of any size should be allies in the process of promoting small accommo-

dation establishments. State-owned tourism products, facilities, and services can also invigorate the rebalancing process through possible restructuring, which, while guaranteeing state ownership, may consider opening ownership and control more directly to the local citizenry.

Rebalancing towards locally owned and smaller enterprises (and the possible parallel restructuring of state-owned facilities) should not be seen as contradicting the luxury parameters of Abu Dhabi's current tourism market. Rather, SMEs and especially locally owned establishments should be directed towards high-end tourism; for example, small locally owned boutiques and lifestyle hotels—or, better still, small luxury guest houses—should be favoured and supported. This does not mean excluding large foreign-owned establishments *tout court*, especially in the short to medium term; rather, a more local focus and a smaller-scale accommodation sector should gradually become more relevant and widespread, counterbalancing the predominance of large-scale and/or foreign-owned facilities. Trends in the tourism sector are very important, as they herald and are accompanied by innovations in the tourism sector; for example, new trends in tourism, such as the initial wave of boutique hotels, should be seen as an innovation. To enlarge the population base benefiting from tourism-specific actions and policies, supporting initiatives should target people living in Abu Dhabi, so that the tourism industry remains welcome and supported by many people who live in the Emirate.

Redirecting towards local and smaller establishments does not preclude seeking new innovative strategies. The positive association between SME and innovation in tourism should be leveraged and used in the interests of Abu Dhabi and its people. According to Hsu et al. (2013, 1069), SMEs are both producers and creators of service innovation in the development of tourism. The same study found that SMEs integrated their products and services to meet diverse client needs through innovation, which customer participation to offer functional services early on but high-value propositions at the mature stages of their growth (Hsu et al. 2013, 1085).

In tourism, multi-stakeholder collaboration is important to innovation (see Carlisle et al. 2013). Shifting the accommodation strategy to favour boutique and lifestyle hotel experiences is relevant to Abu Dhabi and current debates on participation in tourism. As we have observed elsewhere (Giampiccoli and Mtapuri 2014, 347), “collaboration with and participation by various stakeholders in the tourism sector in Abu Dhabi is debated.” However, Malek and Costa (2015, 283) argue that participation in tourism is relevant to innovation, as issues of citizenship, rights, and agency are important in creating innovative methods by involving communities in planning and decision making concerning their destinations to enhance participation, responsiveness, and responsibility.

The Abu Dhabi Economic Vision 2030 notes that the rapid population growth in the emirate is partly a consequence of economic success, and that Abu Dhabi must ensure that the benefits of this success are shared and accrue to its residents (Government of Abu Dhabi 2008, 35). Again, those segments of the population that are under-represented in the mainstream economy, such as women, should be encouraged to participate fully in this success (Government of Abu Dhabi 2008, 35). The Abu Dhabi Urban Planning Council and the Abu Dhabi Council for Economic Development maintain that collaboration between government agencies is key, beyond mere cooperation, and that partnerships between diverse stakeholders such as non-governmental organizations, business, research institutes, academia, and regional and local authorities are part and parcel of successful cities (ADUPC and ADCED n.d., 15). In the U.A.E. context, a 2014 UNESCO report highlights the importance of the stakeholder participation and specifically mentions that federal and regional authorities have ensured the the full participation of communities by involving their leadership and NGO representatives in matters that affect them; for instance, tribal groups in different regions of the emirate are consulted and have even assisted in documenting their own histories and heritage, “inventorying the elements and requested nominations for inscription on the UNESCO Representative List” (UNESCO 2014, 2).

### **Conclusion**

In this article we have looked at diversification and, more specifically, innovation in tourism, using Abu Dhabi as a case study. Diversification and innovation are important and current features in the tourism sector, and Abu Dhabi uses tourism in its own diversification strategy. After presenting a literature review which focused on innovation in tourism, we proposed an essential model of diversification and innovation in tourism, then presented issues related to diversification and innovation in Abu Dhabi, in an effort to direct this analysis into the tourism milieu.

Our proposal, which advocates moving towards a more locally contextualized and SME-oriented tourism sector in Abu Dhabi, supports the findings of an earlier study that there is a relationship between local communities, on the one hand, and tourism planning and social innovation in order to understand the specific characteristics of specific destinations, particularly for participation in community-based tourism ventures and the creation and sharing of knowledge (Malek and Costa 2015, 283).

In the context of Abu Dhabi, arriving at more accurate and consistent conclusions on community participation in tourism development

requires more research and analysis, which is not our goal in this article. Rather, this article traces the current directions that Abu Dhabi is pursuing, based on the Abu Dhabi Economic Vision 2030 (Government of Abu Dhabi 2008, 35) and the recent UNESCO report (UNESCO 2014) related to participation and collaboration. We argue that Abu Dhabi needs to remain consistent and to further favour the participation of local people in tourism ventures, which has the highest potential for diversification and innovation in the tourism sector. This participatory direction is important, for example, for sustainable tourist ventures and communities to ensure that the social capital created so far will not be wasted (Malek and Costa 2015, 296). It is important to facilitate and work towards diversification and innovation, which enables more community participation.

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