Understanding collaborative innovation from a dynamic capabilities perspective

Abstract

Purpose – This paper aims to understand the key factors affecting collaborative innovation in a destination management organisation from a dynamic capability perspective.

Design/methodology/approach – An in-depth case study was conducted, using semi-structured interviews with the CEO and Chairman of the DMO and internal DMO documents from 2011-2016. Thematic analysis was carried out on the data both deductively, with generic themes identified and informed by theory, and inductively, where detailed subthemes were developed from the data.

Findings –The success of innovation in the context of a DMO depends on having a strong base of microfoundations that underpin the DMO's capabilities to sense and seize opportunities and reconfigure its assets for competitive advantage. Collaboration with the key players in the sector has been the essential elements of these microfoundations.

Research limitations/implications – This study has been conducted within a single DMO case study. Future research should test the proposed models in different types of organisation and collaborative contexts.

Practical implications – The proposed dynamic capability framework helps managers to achieve collaborative innovation, leading to competitive advantage through better development of relevant capabilities.

Originality/value – The study represents a first attempt to understand the key factors enabling successful collaborative innovation in the context of DMOs, from a dynamic capability perspective. The unique opportunity of accessing information and witnessing the changes in a DMO over a period of five years enabled the authors to gain in-depth insights and comprehensive understanding as to why and how a UK DMO has been successful in enhancing its business performance through a successful collaborative innovation.

Keywords Innovation, collaboration, dynamic capability, microfoundations, destination management organisations

1. Introduction

Although innovation is seen as a critical factor for competitive advantage and business success in all sectors, innovation studies in general have devoted their attention to manufacturing firms, with insufficient literature on innovation in tourism (Gomezelj *et al.*, 2016; Thomas and Wood, 2015). While researchers are increasingly interested in service sector innovation due to the growing importance of the service sector in developed economies (Gomezelj *et al.*, 2016), there remains a paucity of studies that focus on collaborative innovation in hospitality and tourism. Although a number of studies allude to the role of collaborative behaviour and participation in networks as catalysts for innovation, there is little detail on the processes involved and a dearth of examples of innovation. Interestingly, despite their prominent role in developing and marketing the tourism and hospitality products that comprise a destination, little research has been undertaken into innovation in the Destination Management Organisation (DMO) sector. In order to address this gap this paper aims to examine, from a dynamic capability perspective, how a UK DMO engaged and succeeded in collaborative innovation. Specifically, this study addresses two key research questions

1. How does a UK DMO engage in collaborative innovation from a dynamic capability perspective?
2. What are the microfoundations of dynamic capabilities that enable successful collaborative innovation?

The DMO sector is facing many unprecedented challenges including declining public sector support, outdated business models, competition from online travel agencies, and credibility issues (Lennon *et al.,* 2006*;* Morgan *et al.,* 2012*)*. A recent UK Tourism Society event entitled 'Destination Organisations: Fit for Purpose and Ready for what the Future Holds?' observed that funding uncertainty was creating short termism and a tendency for DMOs to reinvent the wheel (Tourism Society, 2016). This underlines the importance of being innovative but does challenge DMOs on how to leverage external and internal resources in order to achieve that.

The concept of dynamic capabilities has been widely used to understand how such capabilities contribute to sustainable competitive advantage and the fostering of entrepreneurial and innovative change (Teece, 2009). Teece (2007) argues that enterprises with strong dynamic capabilities not only adapt to business ecosystems, but also shape them through innovation and through collaboration with other enterprises, entities, and institutions. Dynamic capabilities provide a relatively new perspective for examining service innovation (Kindström *et al.,* 2013), which is important given "the peculiarities of tourism" (Thomas and Wood, 2015, p. 85) and the differences between innovation in tourism as a service as opposed to, for example, manufacturing (Sundbo *et al.,* 2007*)*. As the purpose of our study is to understand and identify the key enablers of collaborative innovation in a UK DMO, the concept of dynamic capabilities is used as a theoretical lens to examine the evidence collected

from the DMO case study which is the chosen method for this paper. More specifically, it is argued that dynamic capabilities are seen to be more critical in dynamic environments because they are specifically associated with change (Lee and Kelly, 2008), external turbulence and regimes of rapid technological change (Teece 2007). This makes the application of dynamic capabilities a suitable theoretical perspective for this study of a DMO, which faces a range of complex challenges, including rapid technological change that offers more opportunities for innovation, new competition and the need to partner as "the new way of life" (Gretzel *et al*., 2006, p. 118).

However, Ambrosini and Bowman (2009) argue that much more is needed to fully understand what dynamic capabilities are, how they work and whether there are, for instance, patterns across industries. There are also a number of calls on the need for qualitative field investigations (e.g. Danneels, 2008; Lockett and Thompson, 2001) when applying dynamic capabilities theory. Dynamic capabilities theory has not previously been used in examining innovation through collaboration in a DMO context, therefore this study attempts to make new contributions to knowledge in the field of collaborative innovation in destination management research through an in-depth case study of a UK DMO.

2. Literature review

2.1 Innovation in tourism and hospitality
Innovation research in tourism and hospitality has attracted significant attention (e.g. Hall and Williams, 2008; Hjalager, 2002, 2010; Pikkemaat and Peters, 2012; Sundbo *et al.,* 2007; Thomas and Wood, 2014, 2015). However, "because the literature on innovation in the hospitality and tourism sector covers many different subject areas and research fields, it is difficult to understand the wide-ranging factors that can influence an organisation's or a tourism destination's ability to become more innovative" (Gomezelj *et al*., 2016, p. 38). This paper aims to examine the role of collaboration, in the context of a DMO, as one of those "influencing factors" that Gomezelj *et al*. (2016) refer to.

In the management literature, it has been clear for some time that collaboration increases the capacity to innovate (Ketchen *et al.,* 2007). For example, in discussing collaborative innovation in the public sector, Sørensen and Torfing (2011) point out that the positive impact of collaboration on innovation is not only confirmed in studies of innovation in private firms but also in empirical analyses of public sector innovation. A meta-analysis of studies of organizational innovation shows that diversity among the involved actors and a high level of internal and external communication has a positive impact on innovation in both public and private organizations (Damanpour, 1991). Similarly, "innovation often requires close collaboration between those who do not commonly work together" (Tushman and Nadler, 1986; cited in Lee and Kelley, 2008, p. 158).

In the tourism literature, at a theoretical level at least, collaboration is recognised for the role it plays in fostering innovation: "Collaboration in the tourism sector is indispensable"

(Gomezelj *et al*., 2016, p. 36; citing Plaza *et al*., 2011). Collaboration can be an important source of innovation, sustainability and competitive advantage (Morvillo *et al*., 2015). The role of intangible inputs, for example strategic networking, are increasingly recognised as drivers of innovation in tourism (Plaza *et al.*, 2011). However, empirically the picture is a little more mixed when it comes to understanding innovation in a destination context and the opportunities for collaboration to support innovation. Zach (2012, p. 413) comments "that little is understood about the nature and role of collaboration between tourism organizations in supporting innovation and innovation success". Morgan *et al.* (2012, p. 76) observe that: "Innovations in public tourism service provision and in destination management and governance have not had the attention they deserve". However, they are upbeat about the benefits of academia and DMOs working together as they propose a new destination marketing evaluation framework. Sundbo *et al.* (2007) found that in Denmark there was little collaboration and innovation taking place in destinations, although in more established tourism destinations in Spain, where relationships have been developed over time, network participation was higher, with a more open approach to sharing information.

Hall and Williams (2008, p. 11) remind us that innovation is not just about the initial spark of an idea but it requires acceptance of that idea and the consequential change; it requires ongoing adaptation – a "linked but shifting set of endeavours over time". Walsh *et al*. (2011) view meaningful innovation, not as one-off initiatives but as fostering long term change in organisational culture and mind-set, focusing on the propensity to innovate.

2.2 Dynamic capabilities and innovation in hospitality and tourism
Dynamic capabilities are "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece *et al.*, 1997, p. 516). More specifically, dynamic capabilities are the abilities of firms to identify emerging opportunities and threats (Gilbert, 2006), and subsequently modify their existing organizational functions to achieve a strategic fit between the external environment and internal configurations (Helfat *et al*., 2007).

The dynamic capabilities literature suggests that it is a multidimensional construct and can be disaggregated into distinctive but related capabilities (Wu *et al*., 2014). Teece (2007) argues that dynamic capabilities comprise the capacity (1) to sense opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through reconfiguring resources. Based on Teece (2007), the three capabilities are further explained below:

Sensing capabilities – To identify and shape opportunities, enterprises must constantly scan, search and explore across technologies and markets (Teece, 2009). 'Sensing' refers essentially to the gathering of relevant marketing intelligence (Kindström *et al*., 2013). An organisation's ability to constantly sense opportunities and threats will be an important basis for the development and provision of new products and services. For example, the sensing of new opportunities due to customer demand, business partnership, and the availability of emerging technologies can be crucial for innovation through collaboration.

Seizing capabilities - Once a new opportunity is sensed, it must be addressed through new products, processes, or services. This is referred to as seizing capabilities. Seizing opportunities involves improving technological competences and may require new investment. Collaboration with technological providers may be necessary to ensure the best return on investment. It may not be surprising if an organisation senses a business opportunity but fails to invest (Teece, 2007).

Reconfiguring capabilities – The value of dynamic capabilities for competitive advantage lies in their ability to alter the resource base: create, integrate, recombine, and release resources (Eisenhardt and Martin, 2000). Reconfiguring can refer to the ability to recombine and to reconfigure organizational assets as the enterprise grows, and as markets and technologies change. Reconfiguration is needed to maintain evolutionary fitness and, if necessary, to try and escape from "unfavourable path dependencies" (Teece, 2007, p. 1335).

Teece (2007, p. 1319) explains that underpinning these three types of capabilities are "microfoundations", that are defined by him as "distinct skills, processes, procedures, organizational structures, decision rules, and disciplines". Kindström *et al*. (2013) argue that the underpinning microfoundations of dynamic capabilities are at the very core of the understanding of the creation of competitive advantage, but they are difficult to develop and deploy (Teece, 1997). Barney and Felin (2013) also call for more research for a better understanding of microfoundations and organisational capability. More specifically, microfoundations can be different in different business contexts. Therefore, understanding an organisation's microfoundations will provide a detailed and in-depth understanding of dynamic capabilities that helps managers delineate relevant strategic considerations and the priorities they must adopt to enhance enterprise performance (Teece, 2007).

Dynamic capabilities have attracted growing interest in the hospitality and tourism literature, often as a lens through which to study innovation (Camisón and Monfort-Mir, 2012; Denicolai *et al*., 2010; Nieves and Haller, 2014; Walsh *et al*., 2011). While "few investigative works have studied the organizational variables that encourage and support these capabilities in the tourism industry" (Nieves and Haller, 2014, p. 224), it is nevertheless clear that collaboration is one those variables. For example, Denicolai *et al*. (2010, p. 261) recognise that: "the competitive advantage of the tourism destination as a whole often relies on the overall inter-firm network configuration, more than on a few individual firm competencies".

In summary, the literature review suggests that dynamic capabilities can be used as a suitable framework within which to study innovation in tourism (Camisón and Monfort-Mir, 2012). However, the dynamic capabilities literature, certainly in a hospitality and tourism context, has little by way of empirical evidence demonstrating the microfoundations that underpin dynamic capabilities and their impact on innovation. The microfoundations of three distinctive dynamic capabilities, sensing, seizing and reconfiguring, will be considered in our analysis of the case study which is explained in the next section.

3. Research Methodology

This research aims to understand how a UK DMO engages in collaborative innovation from a dynamic capability perspective, and what the microfoundations of dynamic capabilities are that enable successful collaborative innovation.

Before explaining the methodology, it is helpful to establish a working definition of innovation for this study. Innovation covers a vast and diverse array of literature which has many definitions and, whilst there is some overlap between those definitions, there is no agreement (Baregheh *et al*., 2009). Sørensen and Torfing (2011, p. 849), when studying collaborative innovation in the public sector, define innovation as "an intentional and proactive process that involves the generation and practical adoption and spread of new and creative ideas, which aim to produce a qualitative change in a specific context". This definition is used as the working definition in this study, first because their consideration of innovation in the public sector is more relevant to the DMO context, given that DMO in the UK are significantly funded by the public sector; and second because innovation can be considered both as a process and a result and the chosen definition is aligned with the process perspective adopted in the study.

A single in-depth case study of VisitWiltshire, a UK DMO, is adopted. Wiltshire is home to the iconic Stonehenge attraction (for more detailed information visit www.visitwiltshire.co.uk). The innovation under investigation is the development and implementation of a brand positioning project over a 12-month period in 2014, however this paper also studies the activities that took place during a five-year timeframe, starting in 2011, as part of the implementation of VisitWiltshire's long term strategic plan.

In August 2011, VisitWiltshire made the formal transition to an independent company limited by guarantee. A CEO was appointed in June 2011 and a three-year contract was agreed with Wiltshire Council that undertook to fund VisitWiltshire for £500,000 per annum for a 3-year period. Subsequently that funding decreased to £350,000 per annum, however VisitWiltshire has continued to perform well, increasing its value to the economy from £1.1 billion and 20,917 jobs in 2012/2013 to £1.5 billion and 28,062 jobs in 2014; additionally it has increased its partnership base from 336 to over 650 tourism-related businesses and organisations from 2011-2016, providing almost £350,000 of income for VisitWiltshire in the form of partner fees, marketing support and other income (email communication with CEO of VisitWiltshire, June 2016); this success has been achieved despite declining public sector funding.

The brand positioning project was prepared for VisitWiltshire by the UK-based Heavenly brand marketing agency. The development of the brand positioning project involved a number of methods: desk based research into visitor markets, workshops with business and town partners, interviews with key stakeholders including Swindon & Wiltshire Local Economic Partnership and Wiltshire Council, and engagement with the local media to obtain community input. The final positioning plan made a series of recommendations including a brand narrative, brand architecture, a UK and an international proposition, product and personality values and tone of voice.

The case provides an ideal vehicle for the study of collaborative innovation for a number of reasons.

Firstly, following our adopted definition of innovation (Sørensen and Torfing, 2011, p. 8), the project can be regarded as an innovation because it involves "an intentional and proactive process" that covered a 12-month period. "New and creative ideas" were generated and, perhaps more significantly, practically adopted (Hall and Williams, 2008), not only by VisitWiltshire but also its partners; this is in large part due to the microfoundations that VisitWiltshire had been developing over the preceding years and that will be discussed in detail in the findings section. The ideas resulted from the creative work of the brand agency, Heavenly, in collaboration with VisitWiltshire and its partners and key stakeholders. These ideas resulted in the core brand positioning of 'Timeless', as described by Heavenly:

> *Timeless builds on powerful truth about Wiltshire. No other place in England can make such a strong case. Timeless is about history and provenance – time and place. And literally, it's time free, a place which calms, revives and is full of magic and wonder.*

The positioning also has a practical creativity that allows the extension of the positioning to different products: "Timeless Wonders (iconic attractions), Timeless Pleasures (e.g. canal boating), Timeless Places (towns and villages), and Timeless Nature (the countryside)". Finally, it aimed to "produce a qualitative change in a specific context" (Sørensen and Torfing, 2011, p. 8) insomuch that the project was undertaken within the framework of a clear destination strategy that included a clear case for creating a strong brand identity.

Secondly, the case can be considered a "critical case" (Yin, 2013, p. 51) as it enables us to address the key research questions through the lens of dynamic capabilities. Furthermore, although the brand positioning project was developed in one year, the five-year timeframe of the study allows for an investigation of how the VisitWiltshire microfoundations developed and evolved to facilitate the brand marketing innovation, and how the project impacted on VisitWiltshire's business performance after the project implementation.

Thirdly, and owing to the role of one of the authors of this paper as a VisitWiltshire board member from 2011-present, the case can be considered "revelatory" (Yin, 2013, p. 52) given the "access to the inner sanctum of DMO decision making" (Pike and Page, 2014, p. 210), providing access to key informants, internal documents and processes that ordinarily would be not be available to researchers.

Fourthly, the case is "significant" (Yin, 2013, p. 201) in that it addresses issues of national importance in terms of the viability of DMOs in England. Before England's 10 Regional Development Agencies (RDA) were abolished, they had statutory responsibility for tourism and were spending £65m (in addition to Local Authority spend) per annum on tourism development and marketing at a regional level. The loss of RDA funding has been

exacerbated by Local Authorities having to undertake significant spending cuts - their funding for tourism has decreased from £122m in 2007/8 to £70m in 2015/16 (Department of Communities and Local Government, 2016). According to the Tourism Alliance in the UK, which lobbies government both in the UK and Brussels on the key strategic issues facing the industry, this 35% decrease in Local Authority funding on top of the loss of RDA funding and statutory responsibility challenges the viability of many DMOs. Therefore, there is acute interest in this sector in how DMOs can innovate and explore new funding models, as long term reliance on public funding is no longer an option.

Finally, this collaborative innovation project was successful on a number of levels including the extent to which it has been, and continues to be, adopted by partners in the region, the extent to which the brand positioning and narrative has been successfully integrated into VisitWiltshire's offline and online marketing channels, and its potential for developing new business models, which will be discussed later in the paper. This allows us to study the factors that led to that success and, importantly, how that success in turn can foster future innovation.

The empirical evidence used for the case study came from two sources:

1. Two key stakeholder interviews undertaken with the Chief Executive Officer and Chairman of VisitWiltshire in May 2016
2. Analysis of a wide range of internal documents as shown in Table 1, presented in chronological order.

Interviews
The interviewees were chosen on the basis that they were key informants who possessed strategic-level oversight of VisitWiltshire and could answer questions pertaining to collaborative innovation. The Chairman of VisitWiltshire was in post when the DMO transitioned to become an independent company and therefore is uniquely well placed to comment on the development of the organisation's capabilities over the 5-year timeframe, prior to and during the brand innovation project. The CEO was appointed soon after the company had been formed and, together with his extensive experience as a DMO professional, also occupied a key informant position. The interviews, of approximately one-hour duration, were loosely structured around the topics of innovation and collaboration and captured the essence of the journey that VisitWiltshire has been on over the five-year timeline. Questions included: What is your understanding of innovation? What example(s) would you provide of innovation at VisitWiltshire? What enabled that innovation to take place? What future barriers and opportunities does VisitWiltshire face? The interviews were characterised by flexibility and spontaneity, noted hallmarks of semi-structured interviewing (Brown and Aktas, 2011; Mason, 2002).

Internal documents
A comprehensive database of internal documents (Table 1), covering a five-year period, was compiled, including the minutes of all Board meetings that took place during that period,

updates from the CEO and Chairman presented at Board meetings, and strategies, business plans and external consultant reports. Some of these documents are publicly available (see a shortened link next to the document in Table 1). The documents are numbered (D1, D2, etc.) for ease of reference throughout the remaining sections of the paper.

Insert: Table 1. Internal case study documents

Data analysis
Thematic analysis, framed within the concept of dynamic capabilities, was adopted to analyse the interviews and documents. "Thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data" (Braun and Clarke, 2006, p. 79). This process involved four steps. Firstly, the transcribed and internal documents were uploaded to Google Drive Secondly, familiarisation and researcher immersion in the data (Holloway and Wheeler, 2010), involving repeated listening and reading of the interviews and the documents to get a sense of the evolution of the dynamic capability process over the 5-year timeframe. Thirdly, the interview transcripts and internal documents were coded by the three dynamic capabilities processes of sensing, seizing and reconfiguring.

The fourth and final step involved identifying the microfoundations that enabled the dynamic capabilities. This was a challenging task as, in certain cases, microfoundations support more than one dynamic capability. To help address this challenge, and to establish coding validity, the authors worked independently to code the data and to identify which microfoundations were more substantive in their support of one specific dynamic capability and which microfoundations were more equally supportive of two or more dynamic capabilities. A consensus was then reached on the emergent themes. This four-step process also helped the researchers to agree on when data saturation had been reached. Saturation was achieved as the researchers were coding the documents, going through the months and years from 2011-2016 and identifying a point where nothing new relevant to the topic was emerging. As a final step the researchers identified where themes overlapped from the documents and the interviews, giving them confidence that further data collection was not necessary.

While the role of the interviewer and one of the authors as a VisitWiltshire board member provided certain advantages, as explained above, there is nevertheless an issue pertaining to the trustworthiness (Decrop, 2004) of the data, arising from concerns of bias, and the need to address reflexivity and critical subjectivity. This involved a process of bracketing (Jones *et al.,* 2013), where the researcher considered the possible biases (e.g. uncritical acceptance of practices) that he might have. Any assumptions that were made, owing to over-familiarity with the case, were challenged by the study's co-researcher, in a form of researcher triangulation. Data triangulation was also used, whereby the interview process triangulated the data collected through internal case study documents that were rigorously compiled and organized over a 5-year period.

4. Findings: Dynamic capabilities, microfoundations and collaborative innovation

To address the research questions with the evidence collected from the case study, this section first examines the sensing, seizing and reconfiguration processes, through which VisitWiltshire facilitated innovation. It then identifies the microfoundations that underpin all three dynamic capabilities and the microfoundations that are specifically critical for each of the three dynamic capabilities.

4.1 The dynamic capability process for enabling collaborative innovation
From a dynamic capability perspective, the brand positioning project clearly involves a series of processes, including sensing and seizing innovation opportunities and reconfiguring the organisational resources and competencies.

Sensing process
There is considerable case evidence that VisitWiltshire, through both formal and informal processes, had been aware of the brand marketing opportunities and that collaboration would play an integral role in realising those opportunities. For example, the initial marketing strategy, presented at the February 2011 Board meeting (D1) included reference to "product brand values, attack brands and marketing themes and propositions". It is clear from the 90-day marketing plan (D3), included by the current CEO as part of his job application, that he was aware of the need to constantly review VisitWiltshire's business environment in order to identify marketing opportunities. The plan, broken down into three phases of 1-30 days, 30-60 days and 60-90 days, included "Branding" as the first area of marketing, with the following recommendations: "Ensure fully briefed on new VisitWiltshire branding/positioning" (1-30 days), "Review against member, stakeholder, customer understanding" (30-60 days), and "Seek new partnership and UGC (user generated content) opportunities for improving and communicating brand Wiltshire" (60-90 days).

There was an ongoing process of reviewing the destination's brand positioning that preceded the branding implementation: "Review and strengthen current brand positioning" (D6 Strategy Development 2011/12 – 2014/15). The current destination management plan (D17) recommends continuing this review process with visitor surveys and partner consultation to test the relevance and effectiveness of the brand positioning. Therefore, the Chairman's questioning of "what we were and what we were trying to communicate" (interview with Chairman, 2016) is not a one-off process but rather represents an ongoing strategic-level gap analysis.

Seizing process
Once a new opportunity is sensed, it can be addressed through new products, processes, or services (Teece, 2007). Seizing the brand marketing opportunity involved a process of, "defining what we actually had, define the product and find a way to communicate that" (interview with Chairman, 2016). However, he also refers to the challenge in seizing this opportunity in a DMO context: "trying to get your mind round what brand values a county should have wasn't easy".

The strategic prioritisation of branding led to VisitWiltshire inviting applications for the brand positioning contract. The Heavenly brand agency was successful in winning the contract at the beginning of 2014 and it is clear from their response (D15) that their track record in delivering successful brand projects, coupled with the depth of brand research they proposed to undertake, were instrumental in their success. They identified key audiences - hospitality and tourism businesses, local community, visitors and strategic stakeholders - that would be engaged with, in identifying, developing and testing the brand positioning ideas. Heavenly used VisitWiltshire's annual partner forum in February 2014 to introduce the process and to encourage feedback from businesses, with a workshop titled "Wiltshire Futures – Branding". The Wiltshire Futures project is part of the VisitWiltshire's long term business plan (D19) that formally recognises branding as a strategic priority.

The involvement of Heavenly was central to the successful seizing of the opportunity. They brought a "baggage- and agenda-free" (interview with Chairman, 2016) advantage, "We couldn't have done it without an independent organisation in the mix … had it been VisitWiltshire on its own, it wouldn't have worked" (interview with Chairman, 2016). Crucially, however, the steps that Heavenly proposed were in large part only possible because they were able to leverage the successful partnerships that VisitWiltshire had established in the destination.

Reconfiguration process
"Reconfiguration is needed to maintain evolutionary fitness" (Teece, 2007, p. 1335). When VisitWiltshire transitioned to become an independent company in 2011, the leadership inherited an organisation that was bereft of "broader thinking" and they set out to "create a bigger chunk of activity" (interview with Chairman, 2016). Part of the reconfiguring process involved repositioning VisitWiltshire in the minds of its destination partners to become a more marketing-led organization. This involved, for example, extensive development of the packages of services that were offered to partners (D8). It also involved creating the Wiltshire – Futures initiative, comprising destination development plan, brand positioning and accommodation futures (D19); this provided a strategy that was inherently change-oriented.

The reconfiguration involved VisitWiltshire creating a more collaborative culture in the destination, as described by the Chairman, "Inheriting lots of squabbles, lots of silo activity, lots of stakeholders all doing their own thing; no economy of scale, no broader thinking. So we had to tackle that …. We started off with a disparate bunch of activities that we wanted to put form around" (interview with Chairman, 2016). The new brand helped to provide that "form" and has enabled the successful transformation of VisitWiltshire from a public sector-led DMO to a more dynamic independent marketing-led company.

Impact of collaborative innovation
There are several impacts that can be directly or indirectly attributed to the brand positioning project.

Firstly, one of the key points of the project, was to agree a brand positioning that would drive immediacy of travel. It was not just about creating a positioning in consultation, it was also about how that could help deliver economic growth through giving people reasons to visit Wiltshire now. The Timeless positioning achieved impressive exposure online, for example in April 2015 the #timeforWiltshire hashtag was trending on Twitter for a day (D2). This contributed to VisitWiltshire coming first out of 126 UK destinations in the inaugural English Tourism SocialMedia Index. The main Autumn 2014 campaign "Time for Wiltshire" included 190,000 leaflets inserted in key print media channels including prominent UK newspapers, The Telegraph and The Mail; panel advertising on South West trains for two weeks; direct e-newsletter marketing; PR; a Facebook campaign that reached over 225,000 people, obtained 2,300 Likes and generated 1,500 opted-in names.

Secondly, the creation of a clear identity for Wiltshire has created an opportunity for VisitWiltshire to be involved in a "place-shaping workstream" (interview with Chairman, 2016), which essentially posits that if the county is not an attractive place to visit, then it is less likely to be an attractive place in which to live, to work, and to invest. Consequently, the objectives listed in the Business Plan 2015-2018 (D19) also refer to the brand positioning in a broader context, "Help enhance Wiltshire's image as a place to work, live, invest and do business". The reconfiguration has resulted in something that is potentially transformative (Kindström *et al.,* 2013), positioning VisitWiltshire beyond the core activities of destination marketing, a restricted model which could place constraints on innovation in the future (interview with Chairman, 2016).

Thirdly, the brand identity helped VisitWiltshire forge a closer relationship with a range of towns, industries and other partners, including for example, Areas of Outstanding Natural Beauty and World Heritage Sites. The "Time for Wiltshire...Visit Salisbury" campaign was launched mid-January 2015 with partners including Salisbury Cathedral, English Heritage, and the Salisbury Business Improvement District.

Fourthly, there is strong interest from town partners in adopting the "Timeless" brand positioning; a key town partner, Bradford on Avon, confirmed it would proceed with the branding and Swindon commissioned Heavenly to develop a brand study, with VisitWiltshire helping to facilitate that process.

As discussed above, the case study analysis demonstrates that the three dynamic capability processes (sensing, seizing and reconfiguring) are inter-connected activities, facilitated by collaboration, as illustrated in Figure 1.

Insert: Figure 1. A dynamic capability process of collaborative innovation

In the context of collaborative innovation, the case study analysis demonstrates that the sensing process enables the DMO to identify what the opportunities are for innovation, and that the knowledge gained from information-gathering leads to seizing the opportunities to enable innovation through reconfiguration. The successful innovation led to enhanced

organisational resources and competencies for sustaining competitive advantage. Figure 1 also shows the dynamic capability process is not a one-off event that finishes after the reconfiguration; it is a continuous process in response to the constantly evolving business environment. For example, VisitWiltshire has acquired a reputation for marketing expertise and enhanced its credibility with partner businesses and towns as a result of the brand positioning project. This new positioning has enabled VisitWiltshire to identify opportunities to act as a marketing agency for individual clients, including helping develop individual marketing plans, inputting to town tourism strategies and managing branding/marketing activity projects (interview with CEO, 2016). Therefore, the skills developed as part of the branding project have enabled the sensing of new opportunities that can be seized through the reconfiguration of VisitWiltshire's assets and its business model. The sensing and seizing processes can be mutually dependent and iterative in nature. For example, during the implementation period of the brand positioning project, Blue Sail consultants, that developed the destination management plan, recommended the need for partner and visitor consultation to sense opportunities for enhancing the brand (D17).

4.2 Analysis of VisitWiltshire's microfoundations

Three microfoundations are identified, based on a thematic analysis of the case evidence, as enabling all three dynamic capabilities, and three additional microfoundations are identified as particular enablers of each dynamic capability. Figure 2 provides an overview of the microfoundations and their links to dynamic capabilities. Example quotations supporting the identification of six microfoundations are provided in appendix 1.

Insert: Figure 2. Microfoundations of dynamic capability for collaborative innovation

4.2.1 Microfoundations of all three capabilities

Partnership strategy and management
VisitWiltshire has been strategic in its fostering of partnerships (D18), which have underpinned and enabled the sensing, seizing and reconfiguration processes that made the brand positioning project possible. For example, the Online Marketing Group, comprising approximately 15 VisitWiltshire partners, was established in 2012 - to the best of the authors' knowledge, VisitWiltshire is the only DMO in the UK to have established such a group. The group used an open innovation (Chesborough, 2011) tool, IdeaScale, to enable members to upload ideas for redesigning the VisitWiltshire website in 2012-2013. These ideas were fed through to New Mind | tellUs, VisitWiltshire's technology partner, during the development cycle (D7). The Online Marketing Group was also consulted in 2014 when the website was refreshed, partly to reflect the new branding. With technology influencing the future marketing activity of all DMOs, the partnership between the Online Marketing Group and VisitWiltshire will play an important role in supporting the sensing and seizing capabilities.

In his capacity as a Swindon & Wiltshire Local Enterprise Partnership board member, the VisitWiltshire chairman has been successful in raising the profile of the visitor economy as an important economic driver. "The visitor economy is now specifically referenced in the

LEP's refreshed Strategic Economic Plan (SEP)" (D13). There is now a closer synergy between VisitWiltshire's activity and the strategic vision of the LEP. As a result of this lobbying and strategic alignment, the LEP contributed to the funding of the brand positioning project, without which the opportunity would not have been seized.

Similarly, an effective partnership with the Heavenly brand marketing agency was instrumental in achieving a successful and innovative brand positioning. In its pitch to win the contract (D15), Heavenly outlined how they would consult with partners and stakeholders in the region as part of a three-stage process of 1) brand audit and immersion, 2) positioning and narrative option generation, and 3) brand refinement and ideation. The insistence by VisitWiltshire that extensive consultation should underpin the branding meant that "Heavenly had a lot more work to finesse it than they expected" (interview with CEO, 2016).

DMOs do not own or directly manage tourism products and therefore, trust and relationship with partners forms an important part of the partnership management. The credible positioning of VisitWiltshire relative to its partners in a way that would "speak the same language" (interview with Chairman, 2016) as them and gain their trust was key to the ability of the organisation to seize the brand positioning opportunity. Only through this enhanced internal positioning would VisitWiltshire be able to secure the cooperation of businesses in the destination. The increase in the VisitWiltshire partnership base (comprising businesses and towns) from 336 to 651 partners from 2011-2016, is evidence of the successful development of this critical microfoundation.

The case evidence demonstrates that it is not possible to facilitate collaborative innovation and marketing without a close partnership with the technology provider. The collaboration between the Online Marketing Group (described earlier in the paper), the VisitWiltshire marketing team, and New Mind | tellUs, VisitWiltshire's technology partner, was instrumental in embedding the new brand elements in the destination website, and will be central to VisitWiltshire's ability to innovate in the future.

Leadership skills and networks
The depth and breadth of the skills of the VisitWiltshire leadership comprising the CEO, Chairman and the Board of Directors, were key enablers for the three dynamic capability processes. Two Board Directors were responsible for chairing the online marketing group and travel trade groups respectively. This bottom-up approach to partnership engagement enabled VisitWiltshire to configure its partnership assets in order to take advantage of opportunities as they arose, for example targeting tour operators in Russia, China, Singapore and Italy (D4). Crucially, VisitWiltshire secured funding for the brand positioning project from the Swindon & Wiltshire Local Economic Partnership and is a good example of a project that the private sector alone would not fund and which would not happen without public intervention. This underlines the significance of an effective wider network system within which innovation can thrive (Sundbo *et al.*, 2007).

Entrepreneurial culture and future orientation

Teece (2007) reminds us that maintaining dynamic capabilities requires entrepreneurial management and a successful organisation must constantly challenge its boundaries and strive to adapt and, if necessary, re-invent its business model. Over the five-year period of this case study VisitWiltshire has developed a more commercial and results-oriented culture that has enabled more effective sensing and seizing of opportunities and reconfiguring the DMO's strategic priorities and resources. For example, when consulting with its arts and culture partners on VisitWiltshire marketing material, staff at VisitWiltshire proposed the co-creation of a promotional leaflet, rather than simply selling space in a pre-designed one. This required a new "cultural shift and team dynamic" (interview with CEO, 2016) and is also evident by the way in which the CEO underscored all examples of collaborative innovation with the impact that they had achieved. For example, the private sector businesses that comprise the Travel Trade Group have part funded a member of the VisitWiltshire team with a remit for developing travel operator and group tours to the destination.

Teece (2009, p. 96) argues "the importance of having an entrepreneurial element in leadership". The future orientation and longer term vision of VisitWiltshire, encapsulated in its Wiltshire – Futures initiative, which included Brand Positioning, Destination Management & Development Plan, and Accommodation Futures (D19), helped to ensure that the DMO challenged the business model established under local authority ownership. The output of the brand positioning project, discussed earlier, is evidence for how Wiltshire – Futures created a structure that facilitated innovation and a "revamping" (Teece, 2007, p. 1335) of the rules governing DMOs. This included "setting up a strategic working group to look at evolving our business model" (D2) and "to increase our focus on attracting income from a wider range of avenues including non-tourism sectors" (D18). However, the CEO of VisitWiltshire identified a threat to this higher risk, future-proofing approach; namely a tendency toward short termism, brought on by changes to DMO funding that create uncertainty (interview with CEO, 2016).

4.2.2 Microfoundations of sensing capability

Strategic network embeddedness
The "network embeddedness" (Nieves and Haller, 2014, p. 226) of VisitWiltshire was instrumental in fostering a successful collaborative innovation process; it also facilitated a sensing capability through the gathering of marketing intelligence (Kindström *et al.*, 2013) and scanning of the environment (Nieves and Haller, 2014). This microfoundation also facilitated the interviews that Heavenly undertook with key stakeholders, including the Swindon and Wiltshire Local Enterprise Partnership, Enterprise Wiltshire, Influence Swindon, Wiltshire Council and Salisbury First, to review the brand positioning opportunities.

4.2.3 Microfoundations of seizing capability

Strategic-level support

An important factor that enabled the successful seizing of the branding opportunity was the participation and support of the VisitWiltshire board, a factor that Heavenly acknowledged as being important at the outset, "It is also important that the VisitWiltshire board is supportive of and engaged in the process" (D15). In March 2014, the senior management of Heavenly met and facilitated an interactive workshop with the VisitWiltshire Board to explain and get feedback on the branding process (D2). The ideas generated at this workshop were taken forward into the partner workshops. Of specific importance was developing and nurturing the partnership with Wiltshire Council, viewed as a key strategic partner: "I'm including Wiltshire Council in this, particularly Wiltshire Council." (interview with Chairman, 2016).

4.2.4 Microfoundations of reconfiguration capability

Organisational agility
The reconfiguration process of utilising and transforming internal and external assets was enabled by the increased agility of VisitWiltshire and its ability to make decisions more quickly than it had previously been able to do under local authority control. This was a recurring theme in the interview with the Chairman: "The freedom we've obtained has helped us to become what we've become", and "This trust [referring to the relationship with Wiltshire Council and tourism business partners in the destination] has allowed us to be a little bit more creative, a little bit more bullish". Essentially, the Council, a majority funder of VisitWiltshire, provided a level of support that allowed the DMO to move quickly to make decisions. Nevertheless, this trust, support and autonomy notwithstanding, "firms must have in place processes and competencies that will allow them to transform and reconfigure their resource base" (Kindström *et al*., 2013, p. 1069). One of the key competencies that VisitWiltshire possesses is the ability of its leadership to navigate the "political environment" (interview with Chairman, 2016) that it inhabits. It was the manner in which VisitWiltshire "orchestrated" (Kindström *et al*., 2013, p. 1069) its partners and stakeholder relationships (including its 650 independent partners, LEP, Wiltshire Council, Heavenly brand agency, New Mind | tellUs technology partner) that enabled it to reconfigure for innovation. Central to that was the formation of working groups, for example a heritage group comprising VisitWiltshire, English Heritage, National Trust, the Devizes and Salisbury museums, the World Heritage Site and the Canal Trust (D3), which placed partners at the centre of decision-making and led to the faster implementation of decisions. Fundamentally important was the new "mental model" that VisitWiltshire adopted and its ability to "unlearn" (Kindström *et al*., 2013, p. 1070) past behaviours under the local authority model, which had limited its focus and the range of value added services it offered to partners in the destination.

The strong partnership base and strategic support from key regional stakeholders has enabled the management team of VisitWiltshire to operate with a relatively high level of autonomy and the freedom to begin shaping its own future including, in the words of the CEO, "kicking off initiatives" (interviews with the Chairman and CEO respectively, 2016).

5. Discussion and Conclusion

This research sought to advance our knowledge and understanding of collaborative innovation from a dynamic capability perspective in the context of a UK DMO. The unique opportunity of accessing information and witnessing the changes over a period of five years enabled the authors to gain in-depth insights and a comprehensive understanding of why and how a UK DMO has been successful in enhancing its business performance through collaborative innovation. The first research question, "how does a UK DMO engage in collaborative innovation from a dynamic capability perspective" is examined through the lens of sensing, seizing and reconfiguration capabilities. The outcome of this examination is the proposed dynamic capability process model in figure 1. The second research question, "what are the microfoundations of dynamic capabilities that enable successful collaborative innovation?" is addressed through the identification and analysis of microfoundations developed over five years and their relevance to different dynamic capabilities. In particular, the findings demonstrate that external collaboration has been an essential element for all the microfoundations identified in the case study. The key findings related to the second research question are illustrated in figure 2.

5.1 Theoretical contributions

Firstly, this study contributes to new knowledge on the dynamism and critical enablers for a successful innovation through collaboration in the networked environment of UK DMOs. Based on case study evidence gathered over 5 years, it is the first research in the hospitality and tourism industry to analyse the development of dynamic capabilities and processes that led to successful collaborative innovation. The gathered empirical evidence enables us to have a fuller understanding of how collaborative innovation is achieved. It has helped to rebalance dynamic capability research that has been criticised as too conceptual or mainly based on quantitative studies (Ambrosini and Bowman, 2009; Danneels, 2008; Lockett and Thompson, 2001). The insights gained into the dynamic processes that a UK DMO is engaging with provides a better understanding of the nature and characteristics of innovation in a tourism context and, in so doing, makes a contribution to the wider innovation literature in tourism, which has called for more information on "the processes and outcomes of innovation in tourism" (Camisón and Monfort-Mir, 2012, p. 787).

Secondly, addressing the limitation that "very few empirical studies have analysed the factors that encourage the development of dynamic capabilities in service firms" (Nieves and Haller, 2014, p. 224), this study has developed an evidence-led framework (figure 2) on the key microfoundations underpinning the dynamic capabilities of sensing, seizing and reconfiguration. The framework represents a contribution to the wider management literature and, more specifically, to the hospitality and tourism literature. For example, although Kindstrom et al (2013) and den Hertog et al (2010) applied dynamic capability theory to service sector innovation, they did not consider the role of external collaboration. Similarly, Thomas and Wood (2014, 2015) studied innovation in the hotel (2014) and meeting sectors (2015) from a dynamic capabilities perspective, but they focused specifically on the organisation's internal abilities, not on how they engage in innovation through external partnership and collaboration.

Thirdly, the findings provide strong theoretical and empirical support for the role of collaboration in successful innovations in DMOs. It is clear from the case that building dynamic capabilities for innovation requires close collaboration. The CEO of VisitWiltshire succinctly summed up the centrality of collaboration to the DMO's strategy, "It's completely massively key to everything" (interview with CEO, 2016), and it permeates the three-year partner development strategy (D18). DMOs have very limited resources and therefore must collaborate closely with key stakeholders in order to sense and seize opportunities for innovation. Collaboration lies at the core of the microfoundations and without that collaborative approach and mind-set, the innovation would have been neither sensed nor seized. For instance, it was the insistence of the VisitWiltshire leadership that Heavenly adopt a higher-than-planned collaborative approach to the brand positioning that contributed to successful output. Therefore, developing dynamic capabilities requires that collaboration runs throughout the destination as a connected ecosystem of partners.

5.2 Practical implications

Firstly, the findings demonstrate the critical role of collaboration in successful innovations in DMOs. To survive in the current business environment, UK DMOs need to be innovative in destination marketing and servicing; collaboration is an essential source of innovation given DMOs' limited resources. UK DMOs are operating in an ever-changing external environment and facing many unprecedented challenges, not least a steady decline in public funding; to respond to and survive in this changing landscape, DMOs need to develop a long term propensity to be innovative, rather than just strive for ad hoc innovation (Walsh *et al*., 2011). Teece (2009, p. 88) asserts "If an enterprise possesses resources and competences but lacks dynamic capabilities, it has a chance to make a competitive return for a short period, but superior returns cannot be sustained." The longer term superior returns in this case include going beyond tactical marketing advantages and seizing the opportunity to explore new business models linked to, for example, the place-shaping agenda and the provision of marketing services. The case study provides examples of good practice that DMOs could test in their own destination; for example, creating partner working groups (such as the online marketing and travel trade groups), providing a platform for generating ideas by partners (such as the IdeaScale forum), integrating external expertise into dynamic capability processes (such as the contract with Heavenly), with the proviso that this is done within a clear strategic framework.

Secondly, the microfoundations of dynamic capability identified provide valuable considerations for DMO managers to understand the critical factors for innovation success and guide them to be more focused on identifying and developing the microfoundations of capabilities. The study has found that collaboration is the core element of these microfoundations and DMOs, not just in the UK, but worldwide, could review their strategies and processes to determine to what extent they are underpinned by effective partnerships, particularly with strategic stakeholders.

Thirdly, this case has demonstrated the dynamic process of how innovation was created and how, in turn, that innovation helped to create new and improved microfoundations that can

enable dynamic capabilities for further innovation. It is important given the complexity of the DMO business environment that managers are cognisant of the need to reconfigure their limited resources in order to be able to sense and seize opportunities. The chairman of VisitWiltshire's prediction, "I think we can forget about public sector funding in 5 years' time", (interview with Chairman, 2016) is a salutary reminder that DMOs face serious challenges in the future. This also carries the threat that a lack of public sector funding will lead to short termism and a lack of investment in longer term initiatives such as the brand innovation project reported in this study. There is no easy solution to this predicament, however the case has demonstrated that, if DMOs develop strong microfoundations (figure 2), they can enable the three dynamic capability processes for competitive advantage.

The implications of this study reach beyond UK DMOs and indeed beyond the DMO sector in general. With the current trend towards the co-creation of services, the frameworks have relevance for many tourism-related service organizations that need to collaborate with partners in order to create new and added value.

5.3 Limitation and future research

However, owing to the nature of the case study approach, this study has limitations that may require caution when applying the findings in other contexts, Firstly, it is explorative in nature, so the findings may not be entirely conclusive. Secondly, the evidence collected, though thorough and in-depth, are limited to one UK DMO with a limited number of interviews, and the findings may not be directly generalizable to DMOs in other countries. However, the findings provide good opportunities for future research in a number of directions. Firstly, more case studies of DMOs in other contexts can be carried out to further validate or elaborate the proposed framework, thus enhancing its generalizability. Secondly, a quantitative research approach using surveys can be developed based on the framework proposed to further validate the relevance, significance and relationships of the microfoundations. Thirdly, the identification of the microfoundations that are specifically relevant to collaborative innovation provide a new theoretical foundation for researchers to base their future research on any specific microfoundation to further enrich our knowledge. For example, researchers who are interested in network theory can focus on the development of "Strategic network embeddedness" and those coming from an entrepreneurial and innovation culture perspective can explore the microfoundations of "entrepreneurial culture" in DMOs.

Appendix 1 is here.

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Table 1. Internal case study documents

	Document name	Explanation (period covered/document presented)
D1.	Marketing strategy 2011	Marketing strategy including objectives, segments, marketing mix (February 2011)
D2.	Board minutes	Minutes of each quarterly board meeting (February 2011-present)
D3.	CEO 90-day marketing plan	Submitted as part of CEO job interview; provides insight to CEO vision, thinking and prioritisation (June 2011)
D4.	CEO and Chairman update and performance reports	Prepared in advance of each board meeting covering period since the previous meeting (November 2011-present)
D5.	Financial reports	Prepared in advance of each board meeting covering period since the previous meeting (November 2011-present)
D6.	Strategy development	Presents key priorities as a framework for VisitWiltshire's development (2011/2012 - 2014/2015)
D7.	Website development	The website approach, strategy and next steps and explaining the creation of the Online Marketing Group (February 2012)
D8.	Membership 2012 and beyond	Update on membership activity; "Starting the journey towards an exclusively inclusive Partnership" (May 2012)
D9.	Business Plan April 2012 – 2015	How VisitWiltshire will work in partnership with strategic and industry partners to grow inbound visits and visitor spend, win market share and stimulate economic growth for Wiltshire. (September 2012)
D10.	Annual accounts	Directors' report and financial statement (2012-present)
D11.	Draft action plan 2013-2014	Describes tactical activity, priorities and focus for the business in 2013-14; supports the priorities, objectives and targets set out in 2012-15 Business Plan (February 2013)
D12.	Wiltshire's visitor economy: Accelerating growth	A paper presented to the Board in preparation for its presentation to the Local Enterprise Partnership setting out the case to support tourism (May 2013)

D13.	Chairman's reports	Chairman's update prepared in advance of each board meeting covering period since the previous meeting (September 2013-present)
D14.	VisitWiltshire proposal to the Salisbury BID	Proposal for VisitWiltshire to become the lead agency for all Salisbury BID tourism marketing and management activity (September 2013)
D15.	Brand positioning plan prepared for VisitWiltshire	Heavenly response to Request For Quotation (RFQ); the agency's pitch to win the contract (February 2014)
D16.	VisitWiltshire brand positioning (http://goo.gl/9gi6CM)	PowerPoint presentation of Heavenly brand marketing agency brand positioning plan (December 2014)
D17.	Wiltshire & Swindon destination management & development plan 2015-2020 (http://goo.gl/7jXY5r)	A shared plan for managing and investing in the development of the visitor economy of Wiltshire & Swindon for the next 5 years (December 2014)
D18.	Three-year partner development strategy	To increase our focus on attracting income from a wider range of avenues including non-tourism sectors (February 2015)
D19.	Draft business plan 2015-18 (http://goo.gl/jFFzGa)	Picks up on actions identified in the Wiltshire Futures pieces of work namely the: Destination Management & Development Plan; Accommodation Futures; Brand Positioning (September 2015)
D20.	Future funding & grant programmes	Update on VisitWiltshire funding and future business model (December 2015)
D21.	VisitWiltshire Marketing Strategy and Plan 2015 (http://goo.gl/NqG6r8)	Marketing strategy including objectives, segments, marketing mix and brand positioning elements (accessed online 5th August 2016)

Business Environment	

Sensing
e.g. formal reviewing of destination position, surveying visitors and partners, analysing strategic-level gaps.

Seizing
e.g. strategic decision making, contracting external expertise, developing, leveraging existing partnerships.

Reconfiguration
e.g. transforming brand partnership base, generating new resource configurations, repositioning the core proposition, shaping the environment.
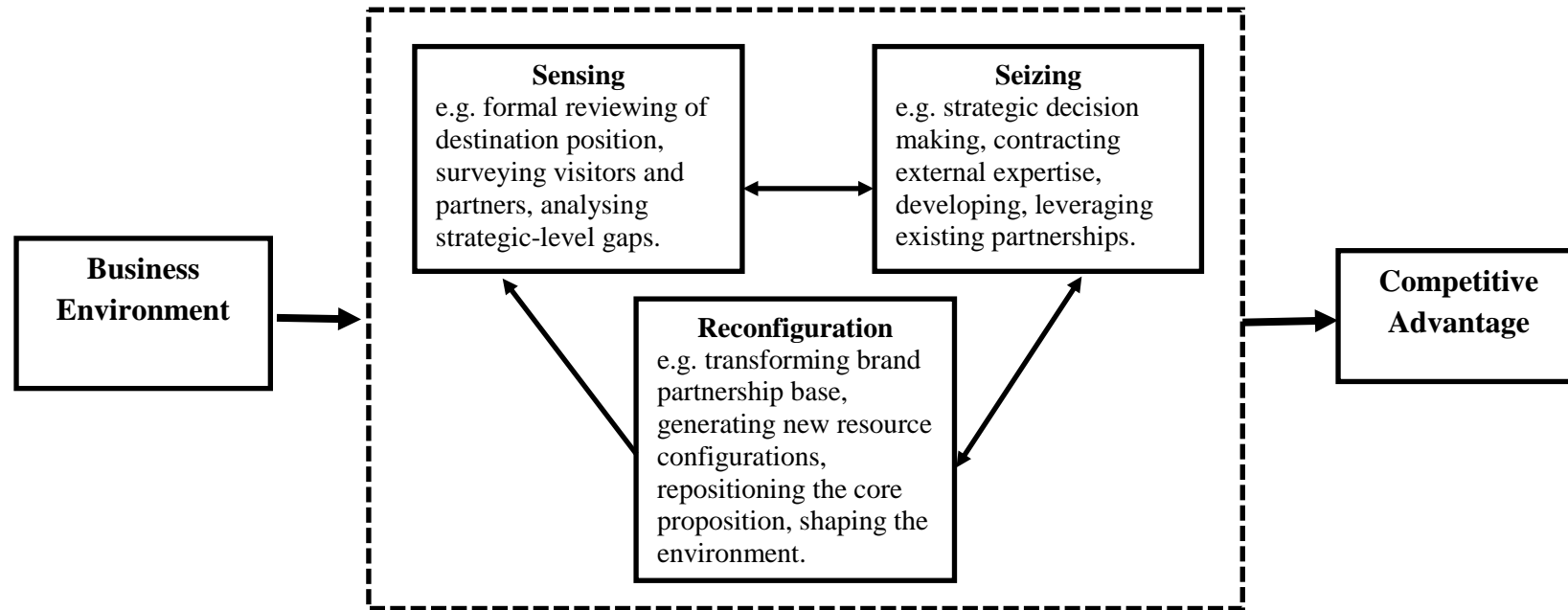
Competitive Advantage

Figure 1. A dynamic capability process of collaborative innovation