

Marco Valeri

The Role of Time for the Competitiveness of SMEs in the Service Sector



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The Role of Time for the Competitiveness of SMEs in the Service Sector

Marco Valeri¹

Abstract

This paper aims to highlight the analysis of the integrated role of time and knowledge factors for the SME competitiveness in the service sector, in the perspective of an intersystemic co-evolution. Particularly, it refers to hotels.

The analysis is developed from a conceptual base emphasizing time value in its subjective (i.e. socio-cultural) perspective, in the recursive setting of firm knowledge, here synthesized within the time-knowledge binomial, and called co-evolutionary time.

The appropriateness of this analysis is motivated by the observation of the evolutionary dynamics emerging in this sector. The paper combines theory and practice thanks to the case study of the Sextantio “albergo diffuso”, a hotel appreciated throughout the world for its innovative business.

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Editorial notes

The present paper expands and updates the results obtained in a monitoring study on “alberghi diffusi”. See Paniccia P., Pechlaner H., Valeri M., (2007), « Il tempo dell’esperienza nell’innovazione dell’impresa turistica. L’albergo diffuso Sextantio”, in Tavoletti E., (ed.), *Il settore immobiliare visto attraverso la case study research*, Torino: Giappichelli.

1. Introduction

The important doctrinal debate on competitiveness, highlights the variety of ways to theoretically understand and interpret the organisation and especially the firm. Up to now this comparison still misses of a convincing synthesis. Recently, in the management studies there has been a progressive exaltation of both the firm cognitive dimension, which determines its business success or failure (Foss, 2005), and its temporal dimension, involving a strong enhancement of the cognitive dimension (Mosakowski and Earley, 2000).

Similarly, technological and social innovation development brings new focus on both leadership theories and leader's profiles in the firms, with explicit reference to the need to promote innovation in SMEs (Normann, 1984; Hinteruber, 1998; Evans et al., 2000). Today this need is particularly felt while studying the services management, especially in the tourist sector. These studies clearly emphasize the need for ever more productive and provided formulas that must be integrated and responsive to developments in progress, particularly in the customer's changing role (Mutch, 1995; Morrison et al., 1999; Rayman-Bacchus and Molina, 2001; Cafferata and Cherubini, 2008).

In order to satisfy such a need, this contribution aims at analyzing the integrated management role of time and knowledge factors, in order to help a cultural trend to the firm-environment coevolution which is the assumption to activate enhancing developing dynamics (Paniccia, 2002).

The analysis is developed from a conceptual base emphasizing the value of subjective (i.e. socio-cultural) perspective of time in the recursive setting of production and reproduction of firm knowledge (Nelson and Winter, 1982; Nonaka, 1991), here synthesized within time-knowledge binomial, and called *co-evolutionary time*.. The term *co-evolutionary time*, or time-binomial knowledge, summarizes the basic approach. The basic idea is that consistent, therefore successful, delivery services (goods), are primarily the result of an ongoing, complex dialectic firm-environment confrontation. At this point the firm must not only be able to boost the environment but also to provoke changes especially in customers behaviour. These customers then become co-actors in their own value system (Grönroos, 2008).

The time-knowledge interaction will help to improve both the quality of relations within firms, preserving its systemic unity and integrity (Thompson, 1967; Saraceno, 1978; Golinelli, 2010), and above all, the firm's osmosis with the social and economic environment, which is the true source of competitive advantage (Cafferata, 2010).

Valuable developing courses for a lasting success, are rooted in the ability of rationally planning business processes. In short, firms management need a method so to integrate creativity and rationality to timely and well-timed (Madjar, Ortiz and Walter, 2008; Cafferata, 2009).

The selected firms are hotels. These firms represent an important and problematic component in the national economy, especially when related to the current progressive loss of competitiveness within the Italian tourist sector, which would require more adequate answers for a renewed *hospitality service* (Gray, 2006).

The coevolutionary perspective (Lewin, Long and Carrol, 1999) well fits with this analysis purpose. It also allows to appreciate and evaluate the effects of some relevant sector business convergences regarding the competitiveness of hotels (Koza and Lewin, 2001). Real estate and tourism sectors must have a common goal: the respect of the environment and its exploitation: This, obviously includes the territory that has always been a valuable source for both sectors and for all tourist destinations (Keller and Bieger, 2008; Pechlaner and Weiermairn, 2000).

This paper is structured in three parts. First of all, we will define the time-knowledge link, analyzing the coevolutionary potentials and their implications for the hotel competitiveness. We will then analyze the "albergo diffuso" model, epiphenomenon of an evolutionary view of the hotel, able to combine customer satisfaction with tourist and real estate innovative management solutions, assessing the fallouts in terms of firm competitiveness and tourist destination. Finally, we will present the Sextantio case study, useful to test the theoretical analysis.

2. The value of time between learning and obsolescence

Both a quantitative and qualitative evolution is now taking place in the Italian hospitality sector. This change, unthinkable just a few years ago, concerns the very way of creating a hotel (Wei et al., 2001; Panicia, Pechlaner and Valeri, 2007). This is an emerging topic in the touristic service management.

After an average growth rate of 7% between 2004 and 2007, in 2008 worldwide international arrivals rose by only 1, 8% , reaching a market share of 924 million (UNWTO, 2009). Compared to the positive trend in the national and international tourist demand, in Italy there has been a total of 77.5 million arrivals and 321.6 million of presences (+11.2% in the first nine months of 2008, or 2.6 % less than the same period in 2007). To this we need to add a growing array of tourist clientele, with an emotional involvement obviously different from conventional business travelers, confirmed by the growth in arrivals of foreign tourists in Italy (a total of + 7% in the first nine months of 2008, namely 5 % less than the same period of 2007) (Touring Club, 2009).

In terms of supply, the competitive pressure is getting stronger and “globalized”. The pressure exercised by non-hotel or complementing receptive firms played a significant role in causing such a situation; as a matter of fact, such firms recently experienced an outstanding quantitative development (+ 15,2% in 2007 compared to 2002). Moreover, an important role has been played by emerging *low-cost* formulas, favouring world mobility, and by the increasingly material role played by the commercial intermediation firms (travel agencies) in managing the tourist flow, as well as by the market power exercised by tour operators in the hotel selection (Murphy and Tan, 2003).

Parallely, we may find innovative hotel concepts which assume important changes in the hotel service production/allocation modality. The epiphenomenon is now represented by the development of the “*alberghi diffusi*” where an entire village has become an hotel, and further more an “experience context” (Pine and Gilmore, 1999) where its villagers, peasants and artisans are part of the tourist offer. We are dealing with an Italian phenomenon –which is still not widespread– but very interesting if related to both the in progress evolution and the competitive dynamics in the hotel sector.

In respect of such a scenario, the most important factor for Italian hotels is not only to be able to offer a location, although well structured, where to host undifferentiated tourists. The hotel does not need to be homologated or flattened; it requires functional differentiation, personalisation, ability to be a valuable complement and to push the action well beyond the limits of the, indeed important, inner qualities of the estate. In this view we need to analyse the recent phenomena referred to the rediscovery of historic villages, rural reality and a rural world together with agri-tourism as well as the restructuring/requalification of ancient farmhouses for a tourist use.

Important management implications derive on both tourism and real estate side.

In short, we need to fill the “space” in line with our age (Falk and Dierking, 1992). This is not an easy task. Nevertheless the hotel is not the sole hospitality solution available. On the contrary, hotels shall fight to increase their competitive attitude and, thus, be selected among a large number of available options. Last but not least, the achievement of such a goal could benefit of a cautious management of time and knowledge factors.

To improve hotel competitiveness, a valuable know-how – innovation – is achieved where, while preserving its evolutionary identity, the firm is able to free itself, developing its autonomy, strengthening its system within a hospitality contextualisation principle that takes into account the social and natural value of its environment.

Hotels are strongly characterised by an unstable knowledge of their reference contexts, to the point where their ability of coping with them is always crucial (Sparrow, 2001; Chen et al., 2006; Wong and Anspinwall, 2005; McKeen et al., 2006); hence, it is not enough to know, if knowledge is separated from other factors, including the fundamental time factor.

The time factor must always be considered, if not, the risk could be to commence projects that, in their implementation phase, would prove to be outdated if related to their already modified context, jeopardising the firm’s ability to survive.

Considering the passing-by of time from a historical standpoint but not disregarding its objectivity characterisation, time is one of the most precious instruments of reference used by mankind: no knowledge, no skill and no actions

have value outside their time frames (Elias, 1984). This is also true as far as the hotel is concerned, in its notion of an organised system composed of persons and structure (Giddens, 1994; Matzler et al., 2005).

Also because of this, time is known to be an instrument used by any individual in accordance with his/her needs both in front of himself/herself and *vis-à-vis* the surrounding world.

Here lays the origin of the fundamental concepts of socio-cultural time, i.e. of “time” as reference and regulating instance for individuals, groups, complex organizations, and of the manifold aspects of social time (Sorokin and Merton, 1937; Gurvitch, 1958) which can not be disregarded in the creation and recreation of the firm’s knowledge. This is easier to understand when considering the aforementioned idea that the existence of any firm or individual not only takes place in time, but is deeply affected by time. In short, a developing hotel must cope with the complexity of its time frame (such as, for example, waiting time for consumers, operational time for suppliers, the schedules of technology, working hours) searching for the best possible level of synchronization first and foremost between all times inside the firm and then between its internal time and the environment external time.

The temporal perspective defines and characterizes the way in which individuals and organizations relate to the past and future starting from their present (Nuttin, 1992). It follows that the ability to learn significantly differs among various organizations, depending on the different level of emphasis given to adopting a temporal perspective on the present, future or past (Coser and Coser, 1963). If it is future-oriented, it brings to an active behavior in the form of early answers and proposals concerning the long-term evolution of people and structures.

There is, therefore, a linkage between time and knowledge for firm’s competitiveness, which can be synthetised in time-knowledge binomial, here called *co-evolutionary time*. It is a tie that expresses itself in a learning process which takes place neither too soon nor too late. It is useful to guide the firm’s evolution in a synchronic and dialectic relation with the changes in the environment (firm-environment co-evolution) (Paniccia, 2002).

The awareness of time and time competence allows not only to reduce the time of learning from the context to a minimum but, above all, allows punctual

learning, facilitating the conversion of accumulated knowledge into projects that are innovative, wide-ranging and realistic –as they are implemented at the right time and, therefore able to satisfy both internal and external expectations and pressures on the firms (Elias, 1984).

The *co-evolutionary time* is the expression of the dialectic relation among many different cultural values characterising the very existence of a firm in its progressive development. It encompasses both time perspectives, subjective (i.e. socio-cultural) and objective (i.e. mechanistic) in a hardly separable *unicum*, which is a product of the need for socialization and rationalization (Morrison et al., 1999). In this way, *co-evolutionary time* proves to be a factor potentially capable of adding value to the firm's knowledge (Picture 1).

These perspectives of the *co-evolutionary time* (subjective and objective) intersect perfectly in a harmonious way in the operations of a firm because time is not only a sterile mathematical succession of rational and universally perceived time units, but rather a critical succession of experiences, which are knowledge-based. In short, the *co-evolutionary time* is knowledge that develops over time and with the time (time-knowledge binomial), holding inside itself a learning concept now enriched and characterised by timeliness and timing.

The problem of “when” to act is to be seen mainly as a problem of cultural nature; in other words, of consciousness of time. Consciousness of time, indeed allows both the firm and the individual to perceive the existing continuity and integration between their present actions and the future events. The absence of this perception in the process of combination and re-combination of knowledge inevitably and rapidly causes a value loss to ideas, projects and actions (Mosakowski and Earley, 2000).

In this way, *co-evolutionary time* proves to be a factor potentially capable of adding value to the firm's knowledge. The combination of time and knowledge –whether tacit or explicit, original or imitated– is capable of strengthening the fundamental systemic vision attitude, enabling actions that make sense, especially in those contexts, as the hotel context, where the strong competition increases uncertainty.

Different knowledge and timings –existing within or outside the hotel– although substantially interrelated, require management modalities and instruments that are seldom quite differentiated, in order to avoid the loss of eco-

nomical value (Lowendahl et al., 2001; Miozzo and Grimshaw, 2006). This is not an easy task and it requires management and leadership criteria able to ensure the proper blend of aspects that are subjective and contextual, formal and informal, rational or generated by creativity (Foss, 2005).

And, to such purpose, we can not disregard the fundamental concept that social dynamics (learning individuals) (Nowotny et al., 2001; Hessels and Van Lente, 2008) and structures are in a circular causality relation: social dynamics are orientated and ordered by structures; in turn, structures acquire their configuration and completion through the social dynamics (Senge, 1990; Saraceno, 1978; Jasanoff, 2004; Golinelli, 2010).

From the above, we can derive the complex and key role of individuals at any levels (McGregor, 1960). A recommendable path is to promote cooperation in a responsible, creative and contingent fashion, within and outside the firm, preventing any conflicts (Barnard, 1938; Lawrence and Lorsch, 1967).

At the very end, everything in the firm is further complicated by events of cognitive and temporal interdependence between events, decisions, actions and results.

From the above, we can infer and outline the following consideration: adequate levels of knowledge in time and over time generate inequality, differentiation vis-à-vis competitors and, hence, represent a fundamental source of competitive advantage as well as an important firm-environment co-evolution factor.

3. Co-evolutionary potential of time

The *co-evolutionary time* (knowledge-time interaction) (Polanyi, 1967) enhances firm's knowledge, or its wealth of knowledge and, therefore, profoundly influences the evolutionary dynamics, favouring (or blocking) the development and/or the *timely* and *well-timed* activation set of tangible and intangible resources, along with the emerging needs.

From a co-evolutionary standpoint, we can emphasise that *knowledge*, *timeliness* (speed of learning) and *timing* (right time to act), if properly managed in an integrated fashion (time – knowledge binomial), represent an essential prereq-

quisite for the implementation of value-generating cognitive dynamics, being the result of a constant dialectic relation with their reference contexts (Lewin and Volberda, 1999; Koza and Lewin, 2001; Madsen, Mosakowski and Zaheer, 2002).

Hence the concept *co-evolutionary time* as a factor of cultural co-evolution between firm and environment: not only does the firm's evolution take place over time, it is time itself that evolves and triggers evolution (Sorokin and Merton, 1937).

A consequence of the above is the important function of time as a catalyst for changes (as it encourages and accelerates them) even large scale ones (radical changes), which are synchronised with the environmental variability and are harmoniously combined with the dynamics of people and structures within the firm.

The co-evolutionary potential of time, namely its potential role in favouring a cultural orientation towards firm-environment co-evolution, is connected to this important function.

This is an aspect of fundamental importance also in the value creation of hotel.

In order to properly understand these potentials, we should start from the idea that the *co-evolutionary time*, as it includes both the socio-cultural and mechanistic notion of time, favours the contextualization of the learning by the firm, thus easing its positioning within the socio-cultural and structural, internal or external, context in which it develops (Argyris and Schon, 1978; March, 1991).

We then sense that also the co-evolutionary dynamic between the hotel and its environment relies on the continuous, necessary and complex dialectic interaction between internal time and external time. In fact, such interaction allows to learn and to take advantage from all those skills that are needed to consciously activate experiential contexts that, in certain circumstances, may trigger evolution in their context of reference. Herein the time frame in which the action takes place plays a key role, as it must be consistent with the stability of the events identified in the face of the taken decisions. In short, this means grasping the right time for intervention, the "fugitive moment" i.e. the moment when there is the maximum awareness of the internal and external situation within the firm to act effectively.

In order to develop a cultural orientation to co-evolution, we need to understand that, considering the time-knowledge interaction, not only all business processes are irreversible (time and cognitive sequential nature), all events are interconnected (interdependence) and everything is differentiated (time and knowledge flexibility) but also, above all, everything changes due to this cumulative effect.

The passing of time, in fact, involves an accumulation of knowledge, thus determining how business organizations, but also any other social organization, act. In this sense, we can define time as an inherently evolutionary dimension. From the above, we can infer the concept of time as an intrinsically evolutive dimension (Sorokin and Merton, 1937). On the other hand the firms, while interpreting and managing time according to their skills and opportunities, inevitably cause further evolutions in the way of understanding and managing time, over all as a result of cognitive selection processes aimed at identifying valuable ideas and implementing well working ideas in relation to their knowledge of the evolution of their respective environmental context.

In such a way, the firm is able to transmit intelligible stimula, meaningful for its interlocutors, even capable of causing modifications to behavioural rules. This triggers an intersystem co-evolution process with significant effects on competitive dynamics, as the “*alberghi diffusi*” reality shows.

4. The “albergo diffuso”: between firm’s evolution and destination’s competitiveness

The Italian hotels constitute a crucial component within the European hospitality sector and an important offering entity operating in the travel and tourist sector. In 2007, Italy (with its 34.058 hotel units) ranks third after Germany (with its 35.941 units) regarding number of hotels; but it ranks first in Europe as to available beds (with 2.142.786 beds with a share in Europe exceeding 17%), followed by Germany (1,643 millions) and Spain (1,642 millions) (Touring club, 2009).

While the importance of this sector for the Italian economy is evident, nevertheless Italian hotels are characterised by their small size. The average size

of Italian hotels is definitely smaller compared to its major competitors overlooking the Mediterranean Sea, notwithstanding the increase of the available per-hotel beds recorded in the last years (from 55,6 per-hotel beds in year 2000 to 62,9 in year 2007) (Touring club, 2009).

The aforementioned representation highlights certain strategic issues notably linked to the small size of the firms (Pepe, 1988; Evans, Boher and Richards, 2000; Lowendahl, et al., 2001; Chen, et al., 2006; Gray, 2006; Miozzo and Grimshaw, 2006). A first issue relates to an inadequate space management within the building (more beds within the same space), determining a deterioration of the hospitality quality (Benevolo and Grasso, 2005). However, this is neither the only nor the most relevant issue for the Italian hotels competitiveness.

An increasing key factor is the systemic ability to perceive and evaluate the external context, requiring professional and responsible answers. In this view, the care for the building but also the firm management and organisation criteria must be positioned within a larger vision of territory exploitation, capable of ensuring potentials of social, cultural and economic development, also to the country's future generation.

As a matter of fact, it is still a recognized notion that, where an adequate synchronisation with the environmental variability is lacking, the mere "promptness for variety" remains an end in itself and it can destroy, rather than generate, value (and here we can identify the *dark side of time-based competition*).

Therefore, an important task for the hotels is to pay attention to the territory in accordance with a *reciprocity principle* that should characterise the processes for the exploitation, in every tourist destination, of any local and governance system. Real estate firms are called to keep themselves involved in order to enable the performance of the mentioned task: to such purpose, they shall renew themselves in relation to the current evolutionary dynamics.

The competitive attitude of both hotel and real estate firms is increasingly linked to the reciprocal development of their respective relational and coordination skills (Dyer and Nobeoka, 2000; Sparrow, 2001; Wong and Anspinwall, 2005; Ruegg-Sturm, 2005) in a co-evolutive perspective focused on the co-generation of new competences, useful for safeguarding and exploiting the ter-

ritory that is – and will be increasingly in the future – the common value source for both sectors: receptive-hotel and real estate sectors.

The fact that the “*albergo diffuso*” model is recently imposing itself in Italy can be interpreted as a “*made in Italy*” evolution of the small sized hotels coherent with the ongoing dynamics of the tourist sector (Nowotny, et al., 2001). Compared to the traditional hotel (Matzler et al., 2005), the *albergo diffuso* plays an increasingly crucial role in connecting the territory, the real estate firm and the tourist, perfectly coping technological and organisational innovation of both tourist and real estate kind (Tidd, Bessant and Pavitt, 1997).

The adjective “*diffuso*” describes a hotel structure *horizontally* spread throughout a whole historical borough. Hotel bedrooms are embedded inside ancient buildings that are located in such boroughs.

The *albergo diffuso* phenomenon, although important, represents a still quite secluded situation (picture 2). The “*alberghi diffusi*” are altogether 30, all born in Italy, with an average of 20 rooms and 5 employees (Picture 2).

One important reason for the limited extent of this phenomenon lies in the fact that neither the entirety of the local community nor the historical centres within the territories are able to host “*albergo diffuso*” structures. From this point of view, in Italy there are many important opportunities to favour innovation in the tourism offer compared to other countries. They are an expression of the territory and can be described in short as a synergy between factors of the territorial, natural and institutional context as well as business-specific factors (Buhalis, 2000).

However, we can not disregard the size of investment in know-how and structures that an “*albergo diffuso*” requires.

Such a structural configuration implies a renewal, though seldom a drastic renewal, of the managing and organizational solutions compared to those usually adopted in hotels characterised by buildings in vertical configuration. Particularly, we can highlight at least three remarkable aspects:

- The horizontal configuration of the service production/provision plant assumes organisational and management models supplemented by specialised knowledge and sophisticated technologies (Mutch, 1995; Wei et al., 2001), while running the risk of a loss in the economic value. In particular, we can highlight the real estate competences and human creativity capabilities. As a

matter of fact, it is not an easy task to conjugate the recovery of the authenticity of buildings within an historical borough with the need for such buildings to be functional;

- Room allocation within the village requires flexibility in the very integration mechanisms able to ensure the right blend of consideration of subjective and contextual aspects, of rationality and creativity, in and out of the firm, while taking on the risk of impracticality of a centralised *facility* management (services towards buildings and individuals);
- The osmosis between the firm, its environment (the borough and its territory) and the tourist does not require management processes homologation; on the contrary, it requires their differentiation, functional to the harmonic combination of the needs for human experiences, client's research for both cultural and territorial authenticity and the territorial typicality.

In any case, the temporal perspective is especially useful as it favors a synergy purpose and behavior among all participants during project implementation on the basis of knowledge, shared goals, objectives and motivations and codes of time ¹.

For such purpose, the connective strength of the *co-evolutionary time* (Luhmann, 1975) may prove to be a valuable lever.

Indeed, there is no doubt that a better integration between people and technologies within a structure, especially if it also considers the aspect of time, is always an important factor determining the ability of an organization to respond rapidly and timely to the problems posed by environmental evolution.

The "albergo diffuso" is not only a hotel, but also a project for promoting the history and culture of an entire location, consistent with trends, even on the face of sustainability.

If we analyse a tourism destination from a systemic and entrepreneurial perspective, the "albergo diffuso" becomes a meeting point among the location, the real estate business and the tourist.

¹ The codes and the rules of time, since they are common and understandable, may provide an important contribution in the realisation of a sense of trust, within the firm and in its external relationship.

As to the link between hotels and real estate firms, often considered as limited to the sole reciprocal functionality, the “*albergo diffuso*” emphasises the value of the competitive dynamics: on the one hand, the hospitality sector is attracting more and more investments from real estate companies and operators (Soens and Brown, 1997), on the other hand, the hotel businesses are not only looking for investments from the real estate sector but first and foremost for real estate entrepreneurship. This would allow to increase the value of entire locations by means of a human and structural resource development that aims at boosting real estate revenues as a means of enhancing the value of the hospitality offered.

In fact, with a systemic and entrepreneurial approach to tourist destinations, many high-potential synergies between these two sectors can be discovered. The same also holds true also of the relation between these two sectors and most other relevant business sectors in a destination.

More in general, the relation between firm’s competitiveness and competitiveness of the location in which they operate is to be analysed on the basis of a systemic conception of the territory and of circular relations between different subjects. Next to the structural components (material infrastructure), the development of immaterial components of a location (cultural heritage, technological and managerial skills, services, functions, information, etc.) shall be highlighted, together with the interaction/communication processes between citizens, companies, markets, institutions and local authorities (Saxenian, 1994).

From such a wider perspective, for a proper exploitation of the tourist destination concerned, it is essential to carry out activities aimed at strengthening the relationship of the hotels not only with the real estate firms but also with firms belonging to other industries.

From this perspective the competitiveness of hotels and their respective environment would depend, to a great extent, on the mutual development of the respective relational and coordination skills, in a coevolutionary perspective that aims at generating systemic value (Nahapiet and Ghoshal, 1998; Panicia, 2002). It clearly emerges that institutions and local authorities can play a key role in the innovation of tourism business when fostering integration and cohesion among the different actors of an entire territory.

In short terms, we can infer that the theme appearing more related to the value of the “*albergo diffuso*” model is a re-interpretation of the firm-territory - environment relationship, with a systemic and even co-evolutive viewpoint that, above all, leads to reconsidering the centrality of the territory in the management and innovation processes (Ruegg-Sturm, 2001; 2005), within or outside of the firm, that should be qualified as *learning network* (Dyer and Nobeoka, 2000; Kogut, 2000; Amin and Cohendet, 2004; Landry, *et al.*, 2007).

5. Research methodology

The methodology of the present case study initially focuses on the analysis of Sextantio’s dynamics of evolution over a period of about ten years; that is from its foundation in 1999 to the present time. This choice represents a viewpoint that still needs to be adequately developed and that differs very deeply from other more common and acknowledged ways of observing organisations, which centre, for instance, around the division of labour and specialisation, power relations, communication processes.

Nevertheless, it allows to describe the innovative potential in the time-knowledge interaction with respect to generating innovative ideas, establishing a company’s competitiveness in the short-term and also favouring dynamics of intersystem coevolution for innovation within Sextantio’s geographic and social environment. This analysis is useful to represent the potential time-knowledge interaction with respect to:

- innovative idea generation (*albergo diffuso*);
- competitive ability of the firm;
- intersystemic co-evolution, generating value for the firm and the tourist destination.

Three aspects were considered:

- major development projects implemented by the firm during the period under analysis in response to the evolution of the tourism business in its context of reference;

- relevant structural changes implemented during the period of the study, especially related to wise, timely and well-timed changes in values, principles, working methods and schedules within the firm's operational structure and accommodation facilities;
- curriculum, professional experiences, entrepreneurship and its collaborators skills.

Information was collected through five interviews (*open-ended, focused interview*) directed to the entrepreneur Daniele Khilgren, the 20 hotel employees and the institutional actors of Abruzzo destination. Further useful information was obtained by consulting specialised national and international press ² and the available strictly historic-sociological matrix documents on the Sextantio firm.

6. The Sextantio firm

Sextantio is an "*albergo diffuso*", founded in 1999 on the basis of an innovative idea by Daniele Kihlgren, an Italian-Swedish entrepreneur: refurbishing the entire mediaeval borough of Santo Stefano di Sessanio, located in Abruzzo. The

² "Die Welt", November 8st, 2003; "Kurier", October 21st 2003; "TAT" November-December, 2004 pp 27-29; "Lounge", n.28, June 2004, pp.90-95; "Il Tempo" December 29st, 2004, pp 45; September 14st, 2005, n. 255, p. 41; September 18st, 2005, n. 259, p.41; September 21st, 2005, n. 282, p. 14; December 2st, 2005, n. 337, p. 34; "Mainpost" October 30st, 2004; "Milano Finanza", November 20st, 2004, p. 72; "Italy down under", Spring-Summer, 2004, pp. 60-64; "The Washington Post", A 10 Monday, July 12st, 2004; "Gourmet", September 2004, pp. 139-205; "Il Sole 24 Ore", May 25st, 2003, p.17; July 19st, 2004, p.11; August 14st, 2004, p.10; January 31st, 2004, p.13; June 27st, 2005, n. 174, p. 10; November 19st, 2005, p. 15; "Il Messaggero", July 19st, 2004; January 15st, 2004, pp. 41-42; March 6st, 2004, p. 39; "Financial Times", January 3st, 2004, p. 16; "The Times travel", February 21st, 2004, p.8; "La Tribune", June 4st, 2004; p. 10; "Algeme en Dagblad", April 17st, 2004, p.35; "The American", January 1st, 2005, pp. 16-20; "Season", November, 2005; "CoteSud", December 31st 2005, pp. 165-170; "Italian", September 9st 2005, p. 24; "Travel", 19st -20st March, 2005; "The Times", April 28st, 2008; "Travel.co.uk", June 17st, 2008; "The New York Times – Travel", August 16st, 2008; "Die Zeit", May 15st, 2009.

accommodation structure is spread over an area of 3,500 square metres, that is 35% of the total surface of the borough.

The entire complex consists of 36 rooms, native arts and crafts workshops, a wine cellar selling local products and wines, a restaurant serving typical dishes of the Abruzzo mountains, a wellness centre, an excursion centre and a conference room.

Sextantio represents one of the most significant international examples of a company internalising the temporal perspective. Here the social and cultural dimension of time translates into timely and well-timed learning from the internal and external context and determines different aspects: the conception of the innovative idea, the competitiveness of the firm (Sorokin and Merton, 1937). Sextantio has thus realised an extremely valuable innovative project for the local and national tourism system (Mill and Morrison, 1985).

If we follow the Sextantio's evolution over the years, it emerges how its competitive strength is linked to the specific synergic combination *firm specific* of the firm and to *territorial context factors*, in accordance with a intersystem and value generating coevolution process.

The first important result of Daniele Kihlgren's efforts in terms of time and knowledge was purchasing and refurbishing the buildings. The idea at the basis of Sextantio already implied the consciousness of the social and cultural dimension of time (Elias, 1984), seen as a form of knowledge of the demands in the national tourism system: these required new hospitality models.

Later, in collaboration with important local institutions and real estate firms, a big project was implemented. The project aimed at preserving the borough's original buildings avoiding that its new tourist destination could cause a mixing of styles while refurbishing the buildings or by using non-medieval furniture in the rooms.

The restoration of all authentic details in the original buildings implied the later elimination of architectonic elements, substituting the missing ones with similar elements found in the same region and restoring very delicate parts with the help of the most advanced technologies. Still, these massive interventions remain mostly invisible to the eye. The desire of preserving the original function of historic buildings went so far as to maintain clear traces of the past in the plaster and layers of the buildings.

The effort described here was the first evident signal of the business having a temporal perspective that looks to the future. All this turned into an innovative offer within the hotel business, because Sextantio's accommodation units are spread over a large area, but even more because it increases the value of the landscape as well as the human, historical and artistic resources and attractions of the location (Falk and Dierking, 1992).

While catching the sense of the evolution in the tourist scenarios and wisely and timely anticipating them, the entrepreneur was able to make its firm an experience context, mainly attracting foreign tourist flows, where the guest can indeed plunge into the local culture of Abruzzo by taking part in the life of the borough and thus discover feelings and emotions that are triggered by its fascinating and unspoiled nature (Pearce, 1982; Uriely, 2005). The results described above are no doubt a consequence of a dialectic process – of a mainly cultural nature – between the company and its environment. This was one of Sextantio's characteristics from its very beginning, which progressively grew and developed in time (firm-environment coevolution). Summing up the elements of the analysis laid out in the preceding paragraphs, the distinctive competences lying beneath Sextantio's success can be described as follows:

- a) expert timely and well-timed planning abilities within a model of territorial management that aims at revitalising society and economy in the Abruzzo region, also by promoting the rise of a new local entrepreneurship;
- b) extreme attentiveness to the relations with the local real estate companies for the restoration of the original buildings in the borough;
- c) philological approach to some aspects of the indigenous material culture that survived in the memory of the senior citizens (wool mattresses, bed linen and tablecloths woven on traditional looms, blankets dyed with natural colours);
- d) use of complex modern but unobtrusive technologies (remote controlled low-voltage electrical installations, remote controlled radiant floor heating, intranet, internet, satellite TV).

Sextantio is not only a hotel, but also a *project for promoting the history and culture of an entire location* of the Abruzzo region which aims at the social and economic

revitalisation of the local territory, also through the creation of a new local entrepreneurship (Morrison, 1989). This should suffice to prove how Sextantio introduces an innovative tendency by trying to establish a connection with its environment and by taking into account ethical, social, cultural problems even beyond the strict interests of the business and market. From this standpoint, we underline the cooperation relationship set up by the Sextantio firm and the *Genti d'Abruzzo* Museum (seated in Pescara), that hosts a rich collection of traditional craft tools, part of which is currently used in Sextantio's arts and crafts workshops.

The value system of Abruzzo destination can actually be observed from two points of view: on the one hand, the chain of activities generating value for the guest (Porter, 1985), on the other hand, the relation between business actors and institutional actors involved in the process of creating value (Kogut, 2000) (Picture 3).

The figure shows a preliminary chart – still to be verified by further field studies – of the *structure of intersystem relations* characterising the Abruzzo destination. These relations cover two closely interlinked yet different main levels: task and general environment.

Each level involves several different business actors and institutional actors and many different relations (of a cooperative or competitive nature), which determine the behaviour of local hotels in different ways and thus influence the competitiveness of the entire destination.

The task environment concerns the whole (horizontal and vertical) intersystem relationship among the various players (firms and institutions) within the local tourist destination and between such players and other actors operating in other competing tourist destinations. Likewise, at this level we can bring in context cross-relationships (infra-sector and inter-sector) between the various actors in the tourist destination and the economic-social reference which the destination concerned originates from and takes the form of (other local firms and institutions).

The general environment embraces all relations between the actors of a destination and relevant institutional actors of the destination (e.g. World Tourism Organization).

One of the most notable aspects is the complexity of this structure, which extends beyond the vertical relations within a tourist destination.

The purpose of the present paper is to consider the potential of *cooperative intersystem relations* between the single actors of Abruzzo destination and between the destination and its socio-economic context of reference, for the competitiveness of Sextantio and, more in general, of the Abruzzo destination.

The cooperative relations between firms operating in the tourist (and other) sectors and between the former and the social institutions can take different forms and are strongly connected to the social and cultural values of their environment. They can be ascribed mainly to the concept of reciprocity that should characterise the process of value generation in every tourist destination.

To such purpose, we highlight the need for fostering the role of institutions, naturally in charge of the governance of the Abruzzo territory, in favouring and backing adequate relationship levels in and among tourist destinations, punctually evaluating the relevant effects on the co-evolutive firm-environment dynamics. Particularly, of an important nature are the relationships with high competence real estate firms. Therefore, it is key to reach that ‘quality boost in hospitality’, which the tourism businesses in the Abruzzo region need in order to strengthen their competitiveness on the national and international markets thanks to innovative solutions. It is important to enquire whether the differences in the competitive dynamics of Sextantio, vis-à-vis other alberghi diffusi operating in other regions of Italy, can indeed be ascribed to the different elements, especially immaterial elements, in the local environment of the Abruzzo region whom the local destination belongs to.

Based on this, we will be able to identify the specificities of both the single “*albergo diffuso*” and the single tourist destination in order to enhance competitiveness of the overall system, consistently with the emerging challenges of the globalisation in field of tourism.

7. Conclusions

The foregoing analysis has illustrated the very deep influence of the time-knowledge interaction on the competitiveness of the hotel, as part of the complex relationships between and among firm, tourist and territory.

Based on our analysis, we demonstrated the valuable role of the *co-evolutionary time* in facilitating a new cultural approach in the management of a hotel; however, such an approach does not seem sufficiently widespread in Italy yet.

The above case study shows how *co-evolutionary time* is in itself a essential orientation tool that – when managed properly– can facilitate consistent changes if related to the ongoing evolutionary dynamics of the hospitality sector, rewarding in terms of competitive advantage.

Indeed, it also deeply affects the cognitive dynamics of a firm, be they of a generative or adaptive nature, since they lie underneath the concrete strategic and operational corporate behavior. Thus, also on this basis, in various occasions, the firm not only succeeded in creating –in a short time frame– innovative projects related to the tourism system evolution but, more important, it also timely implemented them (i.e. at the right time), preserving its systemic unity and integrity.

Hence the true extent of the coevolutionary potential of time, which not only means to guide the firm's evolution, encouraging its essential role in structuring the actual strategic and operational behaviour, but rather contributes to develop a intersystemic co-evolution culture, able to generate systemic value.

Sextantio consequently managed to progressively enter a conscious relation of intersystem coevolution with its environment and to assert its innovative tradition as well as its importance for the economic and cultural progress of the national and local tourist system. In such ambit, we emphasized the importance of the relationship factor in creating value for the firm and, more in general, the competitiveness of its destination.

Indeed, the innovations achieved by Sextantio constitute the combined outcome of a firm's specific capabilities (notably, cognitive and temporal capabilities) autonomously introduced in order to answer the demands emerging from the environment.

However, in this context we also have to consider the important role of territorial governance in exploiting –or failing to exploit– such specificity in a systemic perspective. To promote cooperation preventing conflicts is a recommended course of action.

In particular, this last point leads to underline reflections –mostly well acknowledged and clear, although not often shared– involving two fundamental aspects.

The first factor is entrepreneurship in the Italian hospitality sector, which is required to renovate itself as to professionalism and accountability as well as in its planning and management capabilities, complying with an hospitality quality principle that considers the social, cultural and natural value of its respective environment.

The second factor can be ascribed to the supporting role of institutions and their ability to adapt themselves and grow so as to create the preconditions for a qualitative development of the small hotels over time. In this context, it seems useful to facilitate cooperative intersystem relationships in order to recover competition in *coevolutionary perspective* within a national and international environment that, as a matter of fact, proves to be more complex than it was in the past.

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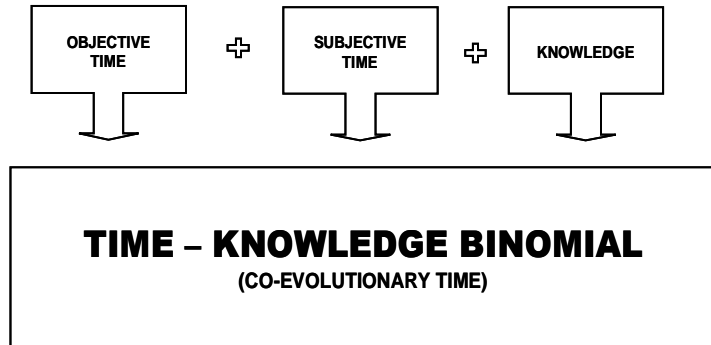
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Pictures

Picture 1: *Co-evolutionary time* components



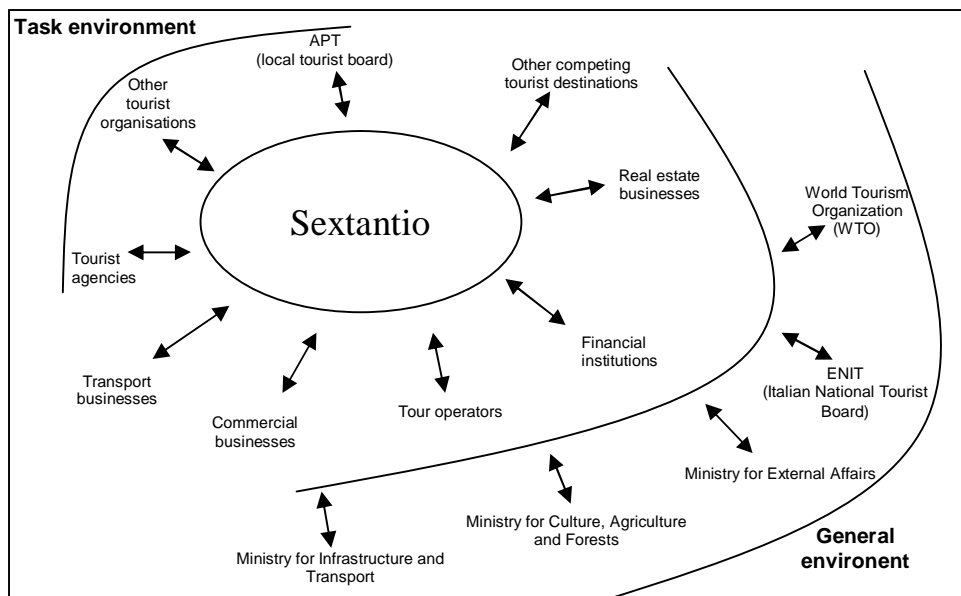
Source: Paniccia, 2002

Picture 2: Size of the “alberghi diffusi” – November 30st, 2009

Region	N.	Province	Alberghi Diffusi	Number Employees of rooms	
Friuli Venezia Giulia	4	Udine	Forgaria Viva Monte Prat	38	4
			Borgo Soandri	40	4
			Comeglians	39	4
			Sauris	35	3
Emilia Roma- gna	1	Forlì-Cesena	Al Vecchio Convento	15	3
		Arezzo	Il Borgo dei Corsi	11	4
Toscana	3	Firenze	Locanda Senio	9	5
		Grosseto	Le Casette del Borgo	18	1
Umbria	1	Perugia	Castello di Montignano	12	10
		Pesaro	Casa Oliva	17	4
Marche	3	Pesaro	Due Campanili	35	9
		Ascoli Piceno	Smerillo	20	3
		Rieti	Villa Retrosi	7	2
Lazio	3	Roma	Settelune	14	1
		Frosinone	La locanda del Ditirambo	7	btw 1 and 4
Abruzzo		L'Aquila	Sextantio	36	20
		L'Aquila	La Casa di Costanza	4	btw 1 and 6
		Campobasso	La Dimora di Isabella	5	btw 1 and 4
Molise	3	Campobasso	Palazzo Ducale Carafa	8	2
		Termoli	Residenza Sveva	9	4
Sardegna	1	Nuoro	Omu Axiu	11	4
		Bari	Sotto le Cummerse	10	4
		Bari	Trullidea	25	4
Puglia	6	Brindisi	BorgodiOria	7	1
		Taranto	Vecchia Mottola	18	5
		Taranto	La Galatea	30	4
		Lecce	Trulli Holiday	25	5
Basilicata	1	Potenza	Le Costellazioni	30	9
Calabria	1	Cosenza	Casabarbieri	18	12
Sicilia	1	Agrigento	Val di Kam	4	2
Total	30				

Source: own elaboration

Pcture 3: Structure of the intersystem relationship in the value system of the tourist destination



Source: own elaboration

