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Faculty of tourism and business logistics -
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ISCTBL**

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY



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PREFACE

The Faculty of Tourism and Business Logistics in Gevgelija, at the Goce Delcev University - Stip, hosted the First International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century".

The conference was held on 24 and 25 October 2017 in Gevgelija with an optional visit to Dojran - Dojran Lake.

32 works of 60 authors from Serbia, Latvia, Turkey, Poland, Bulgaria, Kosovo and Macedonia were presented at the Conference.

The purpose of the Conference is exchange of ideas and experiences of the participants coming from Macedonia and abroad, and establishment of cooperation for further development of tourism and business logistics in Macedonia and beyond.

The results of the Conference are visible through publication in a collection of papers, which is presented to a wider scientific audience and the public.

In this way, we want to promote the Faculty of Tourism and Business Logistics, to promote Gevgelija and Dojran as the most visited settlements in the south-eastern part of Macedonia.

Gevgelija - Stip,
December 2017

Editor
Nikola V. Dimitrov Ph.D. *Dean*

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ENTREPRENEURSHIP AS A PROCESS OF SOCIAL INNOVATION IN TOURISM

Branko Nikolovski¹

Abstract

From the perspectives of entrepreneurship, social innovation is seen as a different context in which entrepreneurial opportunities can be identified, sized and commercialized into a consumable tourism product. These opportunities are then transformed into business innovations based on nature, culture, heritage, traditions, religions, and other tourism venture initiatives. Various factors encourage STFs to innovate, as follows: emerging technologies; competitor actions; new ideas from customers, strategic partners, and employees; and emerging changes in the external environment (societal, political, industry trends and government support). The aim of the paper is to show that entrepreneurship, as a social innovation, is the key catalyst of destination growth, rather than capital investment. Social Innovation is a multifaceted concept and it can be classified according to the object, the field, relevance and origin. Social innovation in the tourism can be observed at different levels: firm level, network level, and public policy level.

Key words: *Entrepreneurship, Innovation, Tourism*

JEL classification: L26, O35, Z32

Introduction

Tourism is a growing and very competitive sector on a world-wide scale (World Economic Forum, 2017). The importance and economic magnitude of tourism sector is well recognized by governments, public bodies, academia, and the private sector (World Travel & Tourism Council, 2017). Tourism includes activities mostly in the service sector. Tourism differentiates from other sectors in the economy in one aspect, the process of tourism spending, products are created within tourism. As a cross-cutting sector, tourism includes those activities directly related to the tourist (accommodation, transportation, restaurants, entertainment and travel agencies), and some activities indirectly related to the tourist (telecommunications, health, retail, banking, etc.). From this point of view, instead of “tourism industry”, we could use the term “tourism industries”, which in essence are service industries. Tourism is very difficult to explore, tourism borders are very unclear on macro-level policy

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application or on micro-level business strategy development. As a dynamic sector, tourism is in a constant process of transformation. Tourism is a highly competitive sector, locally, domestically, and internationally. The tourist industry is comprised of a lot of small businesses. Consequently, tourism industry has a relatively low level of innovation activity compared to other service providers, low application of professional management, systematic collaboration and organization of innovative activities. To be competitive, tourism businesses need to innovate, in order to meet ever increasing tourist demands. Otherwise, their offerings will become obsolete and no sale will exist. Here, innovation emerges as a driver of economic growth and a source of competitive advantage to the tourism firms (Mei, X. Y., Arcodia, Ch., Ruhanen, L., 2013).

Process of entrepreneurship

Entrepreneurship literature review leads us to the conclusion about nonexistence of universally accepted definition. "To define" means "to state or set forth the meaning of a word"¹, or to "state or describe exactly the nature, scope, or meaning of"² the word. With acceptable definition, we try to make an order from chaos. A definition helps us build a mutual understanding on a common topic of discussion. Anyhow, since the topic of entrepreneurship is fluid and ambiguous, the definition will be hard to agree on. In this respect, not everyone understands us when we talk about entrepreneurship. The concept of entrepreneurship should be related to the societal context in use. There isn't one, and exact definition of entrepreneurship. The word entrepreneur means "to undertake." In a business context, it means to start a business. The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise³.

We can safely say that entrepreneurial agents and venture participants should be able to identify and act on business opportunities, in order to produce successful entrepreneurship. To develop and gain an economic reward for the entrepreneur and the society, innovation is crucial. Entrepreneurial ventures are deeply rooted into societal changes, and thus characterized with a high degree of uncertainty. Entrepreneurs, in their endeavors try to reduce uncertainty by risk management (Vonortas, N. S., Kim, Y., 2016). Most of the definitions on entrepreneurship focus on five elements: individuals carry out actions, defined by innovation embedded in business opportunities, by building an organization, which involves a burden of risk. These elements are the most common when we look at entrepreneurship as a process.

¹ <http://www.dictionary.com/browse/define> (20.Nov.2017)

² <https://www.google.com/search?q=To+define&oq=To+define&aqs=chrome..69i57j0l5.2046j0j4&sourceid=chrome&ie=UTF-8#dobs=define> (20.Nov.2017)

³ <http://www.quickmba.com/entre/definition/> (20.Nov.2017)

The need for innovation

Recognizing the need for innovation, in March 2010 the European Commission presented the [Europe 2020 Strategy](#)¹. This strategy aims to create Europe the most competitive economic region in the world. The challenge is to be met through investment in human capital, innovation and entrepreneurship. Innovation Union² is the European Union strategy to create an innovation-friendly environment that makes it easier for great ideas to be turned into products and services. It forms part of the Europe 2020 strategy that aims to create smart, sustainable and inclusive growth. The European Commission provides various tools that map, monitor and assess the EU's performance in different innovation areas. The Commission's tools are: European Innovation Scoreboard (EIS), Regional Innovation Scoreboard (RIS), [European Public Sector Innovation Scoreboard](#) (EPSIS), Innobarometer, Business Innovation Observatory, Digital Entrepreneurship Monitor, European Cluster Observatory, European Service Innovation Scoreboard, KETs Observatory, and KETs Technology Infrastructures Mapping. The information provided by these tools, helps to benchmark performance and policies and to learn about new trends and emerging business opportunities that can inform policy decision-makers.

OECD Innovation Strategy 2015: An Agenda for Policy Action³ calls governments to play a "...key role in fostering a sound environment for innovation, in investing in the foundations for innovation, in helping overcome certain barriers to innovation, and in ensuring that innovation contributes to key goals of public policy. The OECD Innovation Strategy 2015 sets out a concrete agenda to strengthen innovation performance and put it to use for stronger, greener and more inclusive growth. The Strategy sets out 5 priorities for policy makers that together provide the basis for a comprehensive and action-oriented approach to innovation...".

Economic concept of innovation was introduced by Schumpeter (1883-1950), a leading theoretician on innovation. Schumpeter vision of the concept encompassed innovation as the development of new products, new production processes, new markets, new sources of raw materials, and new modes of organization. Schumpeter introduced the concept of "creative destruction" led by dynamic business leaders, namely "entrepreneurs". This process of creative destruction served as a source of new economic cycle, in which innovation leads the way to the new creation of value, judged by the consumers at the end. Approaches to the role of innovation in economic development can differentiate (Abelina, A., 2007) from focusing on economics on the industrial innovation, R&D and innovation, industry differences, innovation in services, and the role firm-level knowledge capabilities play in learning and innovation.

The origin of the word "innovation" comes from the Latin words "innovatio" or "innovo." Both words mean to "renew or to make something new". Innovation

¹<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%200007%20-%20Europe%202020%20-%20EN%20version.pdf> (20.Nov.2017)

² http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=home (20.Nov.2017)

³<https://www.oecd.org/sti/OECD-Innovation-Strategy-2015-CMIN2015-7.pdf> (20.Nov.2017)

doesn't mean creation from nothing. Creativity and innovation differ. Creativity unlocks the new ideas, approaches and inventions, whereby innovation applies new and creative ideas and implements inventions. What that's mean? People and organizations can create without being necessarily innovating. Innovation is a social process (not the result), into which invention is commercialized into a consumable product. There is a time lag between invention and innovation. Someone can invent, but invention needs to be user-adopted as an improvement innovation. Can we consider something innovative if it is new to the firm, if it involves just the small marginal change, not an incremental change?

Innovation means discontinuity, and progress. New and better products, services, or organizational methods help firms to be more efficient, thus making existing products and processes obsolete. Therefore, innovation creates resistance to change, appears as a threat to certain interests. For example, large retail chains can trigger decline of the small family shops, information and communication technology development can disrupt the tourism distribution channels.

Innovation and success are intertwined. Traditional role of the manager is to maximize current operations, and minimize risk to acceptable levels. On the other hand, risk behavior is inherent to the innovator, the higher the risk and uncertainty, more radical the innovation is. Not innovating is much higher business risk, which can lead to failing technologically, sociologically, inertia, and to the business failure in the end.

Specifics of innovations in tourism

Innovation in tourism differs from those innovations in manufacturing, other service industries, or agriculture. There are some general models which take into consideration social environments, features found in different human contexts. Following considerations can be taken into account.

Tourism products are validated after the experience; tourists are memorizing their experiences and build upon them. These can be referred to as "customization"-mass production tailored to the needs of the customers. Tourism exists and is rooted in the physical geography, it is spatial, consumes cultural heritage, attractions and accommodation services. Consumption is sequential; the tourist selects and builds product features by consuming different parts at a different time and locations. Tourism and recreation services share some common activities, such as cultural, sporting and well-being activities. Industrialization affects tourism, leisure and recreation (such as, innovations in urban tourism, developing short-term practices; casinos, museums, and special events development) to the point where it is hard to distinguish between them.

It is difficult to use the same categories to explain innovation in services and innovation in manufacturing industries. Categories such as R&D, marketing, patentability and use of technology have different potential for tourism compared to manufacturing.

Industrialization and technological improvements are making tourism more innovative, for example, the growing field of electronic commerce.

Innovations in tourism can be classified as technological and non-technological innovations; according to the nature of innovation: product or process innovation; organizational or market innovation; according to the intensity of innovation: radical, incremental or architectural (Cáceres-Carrasco, R., Romero, I., Tejada, P., 2016).

Tourism entrepreneurship dynamics: knowledge, innovation, and social capital

Tourism is an inspirational arena for innovations simply because it enables tourists and hosts to act as agents of societal change in the tourist destinations. Touristic atmosphere offers plenty of social contacts, followed by new experiences and impressions which effectively turn out the tourist's mind from everyday routines, refreshing his mind in a memorable way. Tourism actors get in touch, collect and stimulate new ideas and insights during the process of their trip, enrich the knowledge of the tourist, and change previous mental models and assumptions. Diversity of interactions can be observed not only between hosts and tourists, but also between various tourist groups. These interactions help model mental understanding of the tourist destination as a source of innovation. In these contexts we start to look at the development of social capital in tourism.

In its essence, tourism entrepreneurship dynamics builds upon a series of networks, connections and relationships between individuals and organizations in tourism (Tinsley, R., Lynch, P., 2001). Here we focus on systemic dimension of tourism entrepreneurship: complementarity, synergy, networking, and local/regional/national/global competition between various firms. The ability of firms in a given localization to work together is a mix of competition (during promotion and marketing) and cooperation (during innovation and production). This market behavior tends towards the concept of "social capital" (Lollo, E., 2012), found in relationships among institutions, organizations, individuals, communities, networks, and societies (van der Zee, E. & Vanneste, D. (2015). Social capital in tourism can be observed as a capital of the structural network of relations; types and quality of tourism agent's personal relations; and common code and mental understanding of systems within a localized community. The ability to build relationships and network is of crucial importance for an entrepreneur. Information, support and resource combinations are easier to spot in a well-defined structural system of relations. But, not only is it important who you reach, but also the type and the quality of relations are a determining "social glue" in relations, namely, trust, friendliness, respect. Thus, the entrepreneurs can easily engage in cooperative activity, through which further innovation can occur.

Summary

Various international organizations are recognizing the need for innovation in order to stay competitive on the world stage. For example, the European Commission has launched the Innovation Union strategy as a part of the Europe 2020 strategy that aims to create smart, sustainable and inclusive growth. Also, OECD Innovation

Strategy 2015: An Agenda for Policy Action calls governments to build a sound environment for innovation, and sets out a concrete agenda to strengthen the innovation performance of the economies.

Entrepreneurship is a visible driver of change, innovation and creative employment within tourism industry. The entrepreneurship ventures are enabling development of new markets, thus meeting ever-evolving tourism market demands. Entrepreneurship initiatives are focusing on combinations in the production, new markets, new services/products, distribution channels improvements, discovering new resources, and new organizational forms. The entrepreneurs are stimulating innovation within their environments to enable free flow of ideas, to synthesize and distill useful opportunities, and to commercialize resulting business concepts. The byproduct of all of these activities is a boost in the competitive advantage, which increases the ability for price discrimination and profit rewards.

Innovation in tourism differs from those innovations in manufacturing, other service industries, or agriculture. Innovations in tourism can be classified as technological and non-technological; according to the nature of innovation: product or process innovation; organizational or market innovation; according to the intensity of innovation: radical, incremental or architectural.

Tourism entrepreneurship dynamics can be located in the free flow of knowledge through the social interactions and dispersion channels, which create innovation opportunities, strengthened by the social and relational networks in the industry/firm environments.

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