

# **PECULIARITIES OF TOURISM BUSINESS INNOVATIONS IN LITHUANIA**

**Aida Macerinskiene**  
**Grazina Mikaliuniene**  
Vilnius University, Lithuania

**ABSTRACT:** Ongoing innovation processes in the tourism industry tend to have a very clear and defined goal - to find new effective ways of creating added value for customers. Tourism innovation is often associated with innovation in general. However, in science, innovation is precisely defined and closely associated with the analysis of market processes. In this article, innovation is divided into several categories: product, process, organizational /managerial, management, communication and institutional innovations. Innovation development opportunities in the above-mentioned categories are detailed in the hotel business. The aim of the research is to investigate the opportunities for innovation impact on the tourism business by analyzing hotel business as the most important group of services in Lithuania. The results allow us to understand the peculiarities of innovative hotel business in relationship with opportunities offered by innovations. However, the most interesting outcome of the study is an attempt to assess complex benefits of tourism business innovations. **Keywords:** tourism service, tourism industry, tourism business, processes innovation, innovation categories, qualitative research.

## **INNOVATION CATEGORIES IN TOURISM SERVICE SECTOR**

Ongoing innovation processes in a wide range of business areas are mostly targeted at finding new and more effective instruments to create added value for customers. Innovations contribute to the progress of the society and the productive human performance facilitates the system's transition from a lower level to a higher one. "The objective of this transition is to satisfy the changing public needs" (Melnikas et al., 2000; p.6, Victorino et al., 2005; p.556). Sustainable regional development is becoming one of the essential requirements of today's society. Sustainable development can be ensured through the application of innovations on different development levels. It is innovations that

---

**Aida Macerinskiene** is Associate Professor in the Business Department at the Faculty of Economics, Vilnius University, Lithuania. Email: aida.macerinskiene@ef.vu.lt.  
**Grazina Mikaliuniene** is PhD Student in the Business Department, at Faculty of Economics, Vilnius University, Lithuania. Email: grazina.mikaliuniene@ef.vu.lt

provide the possibilities to achieve the objectives of companies and the society as a whole. It is important that “innovation is always a relevant phenomenon of a dynamic nature, frequently in conflict with the old and destroying norms and traditions that have already been established in the organisation” (Strazdas, 2003, p.9; Zeng et al., 2010, p.191).

Innovations and their categories have been examined and defined in the scientific literature in a variety of ways. Some authors argue that innovation can be seen only as a complete process, while others claim that innovation starts with the launch of a new idea or its application in practice.

The majority of authors draw a clear line between invention and innovation: “Innovations are – compared to inventions – brought to the stage of implementation and commercialisation” (Hjalager, 2010, p.2).

Oslo Manual summarises the definition of innovation: “an innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations” (Oslo Manual, 2005, p.47). “Innovation refers to the process of bringing any new, problem solving idea into use. Ideas for reorganising, cutting cost, putting in new budgetary systems, improving communication or assembling products in teams are also innovations.” (Hall & Williams, 2008, p.263).

Innovation activities are all scientific, technological, organisational, financial and commercial steps which actually, or are intended to, lead to the implementation of innovations. Some innovation activities are themselves innovative, while others are not novel activities but are necessary for the implementation of innovations. Innovation activities also include R&D that is not directly related to the development of a specific innovation. (Oslo Manual, 2005, p.48)

Oslo Manual identifies four main types of innovation and defines their specifics in the service sector, which may be applicable to the tourism and hotel industry. “Four types of innovations are distinguished: product innovations, process innovations, marketing innovations and organisational innovations.” (Oslo Manual, 2005, p.48). Product innovations and process innovations are closely related to the concept of technological product innovation and technological process innovation.

A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Product innovations in services can include significant improvements in how they are provided (for example, in terms of their efficiency or speed), the addition of new functions or characteristics to existing services, or the introduction of entirely new services.

A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software. Process innovations can be intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products.

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales.

An organisational innovation is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations. (Hjalager, 2005a, p. 49). Organisational innovations can be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labour productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies. Organisational innovations in business practices involve the implementation of new methods for organising routines and procedures for the conduct of work. (Oslo Manual, 2005, p. 52)

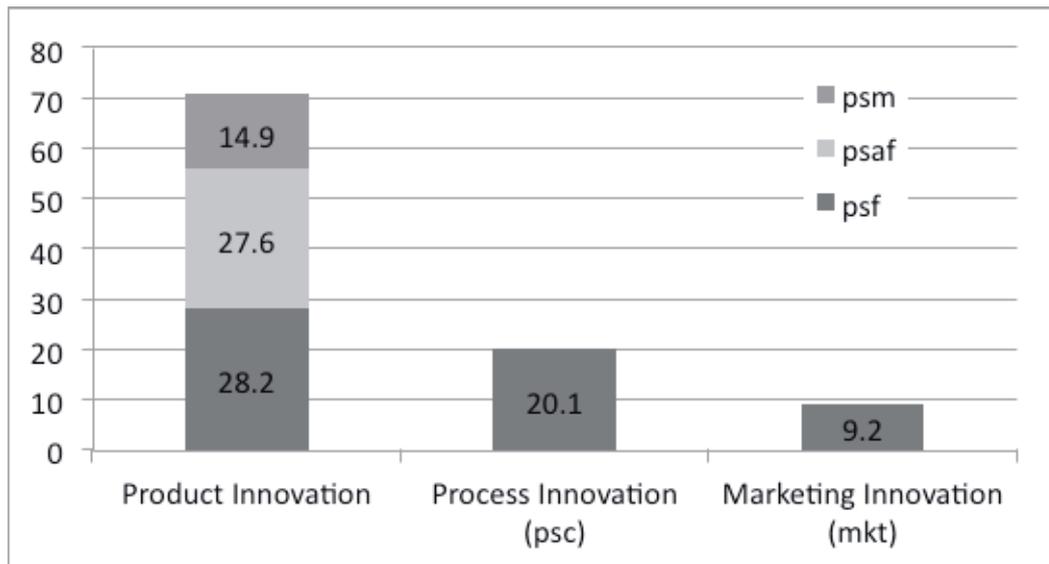
A detailed analysis of innovations in tourism is provided by a Danish scientist Anne-Mette Hjalager. The author categorises innovations in accordance with the complexity of tourism and hotel industry. The organisational innovations are divided into several categories, thus emphasising the differences between innovations observed in the internal organisation and innovations of significant elements operating in the external environment of the organisation (Hjalager, 2005b, p. 11).

"Product, process, organisational/managerial and market innovations constitute the main body of innovation categories. Distribution innovations and institutional innovations are examples of attempts to consider particularities of innovation in tourism, and cater for them in the research" (Hjalager, 2010, p 2).

- Product or service innovations refer to changes directly observed by the customer and regarded as new.
- Process innovations refer typically to backstage initiatives which aim at escalating efficiency, productivity and flow.
- Managerial innovations deal with new ways of organising internal collaboration, directing and empowering staff, building careers and compensating work with pay and benefits.
- Management innovations. Tourist boards, destination management entities and individual enterprises often declare themselves as innovative in an attempt to identify with a new segment of customers or redirect existing messages and strengthen brands. (Hankinton, 2004, p. 112).

- An institutional innovation is a new, embracing collaborative/organisational structure or legal framework that efficiently redirects or enhances the business in certain fields of tourism. (Lynch & Morrison, 2007, p. 46).

Bénédicte Aldebert, Rani J. Dang, Christian Longhi explore the structure of innovation in tourism. The findings of the study reveal the prevalence of various types of innovations as well as ongoing trends in tourism enterprises.



**Figure 1. Criteria of innovation (%).**

*Source: Bénédicte Aldebert, Rani J. Dang, Christian Longhi, Innovation in the tourism industry: The case of Tourism@, Tourism Management, Volume 32, Issue 5, October 2011.*

In accordance with the data of this study, 70.7% of innovation in tourism is product or service innovation. Market innovation (psm) corresponds to major product innovation that is new to both the firm and the market (14.9%). Firm innovation (psf) occurs when firms introduce products or services that are new to the firm but already exist in the market (28.2%). Application innovation (psaf) is a minor innovation. It consists of improvements (in terms of performance or cost) to a simple product, through the use of higher performance components or materials, or a complex product through the introduction of changes to one of the integrated technical subsystems (27.6%).

Process innovation (psc) is the implementation of a new or significantly improved production or delivery method. This includes significant changes to techniques, equipment and/or software. Process innovations may be aimed at decreasing the unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products (19.1%). An organisational innovation might be the creation or adoption of an idea or behaviour new to the organisation.

Marketing innovation (mkt) is the implementation of a new marketing method involving significant changes to product design or packaging, product placement, product promotion or pricing (9.2%). Marketing innovations are aimed at satisfying customer needs, opening up new markets, or positioning a new product, with the objective of increasing the firm's sales. (Aldebert et al., 2011, p.1211).

The most commonly developed and applied innovations in the tourism and hotel industry are product innovations. It is important to evaluate the effectiveness of innovations and measure the obtained results. One of the most significant indicators that characterise the success of the organisation is the market value of the organisation and its dynamics. In this respect, Juan Luis Nicolau, MaríaJesús Santa-Maria conducted a research and evaluated the effect of innovations in hotel industry through the changing share price of the organisation. The study examines the effect through market value and by distinguishing the potentially different impacts of distinct innovation types: product, process, organisation and marketing. This research contributes to consolidating the empirical evidence of hotel innovation and performance by analysing whether distinct types of innovation lead to different levels of results. The findings show that innovations are perceived to have a positive impact on the future sales of the company. "In terms of innovation types, process and marketing innovations are found to have a higher positive effect on hotel market value than product or organisational innovations, which is explained by potential cost differences among innovations"( Nicolau et al., 2013, p. 71).

Overall, it can be claimed that a wider spectrum of categories should be applied in the tourism and hotel industry as the complex medium, by introducing managerial innovations, management innovations, and institutional innovations. Most of innovations in tourism are created in product category, but the greatest effect in enhancing the company's value is created process and marketing innovations.

## METHODOLOGY

In order to assess various factors that determine the attraction of investment of companies in high technology, various indices are being modelled, analysed and calculated. To assess the achievements of the EU member states and to demonstrate the advantages and disadvantages of the national research and innovation systems, the European Commission (EC) provides an aggregated index of innovation "Innovation Union Scoreboard 2013". It is concluded by analysing the human resources, research and financial support. In accordance with "Innovation Union Scoreboard 2013" index, Lithuania ranks only 23rd out of 27 EU coun-

tries which is a moderate position for a modest innovator. Although it is 2 ranks above, compared with the rating of 2011, the index value is still less than half the average of the 27 EU countries, not to mention Sweden, Denmark, Germany and Finland, the leaders of the rating.

The innovation index concluded by the EC is a significant indicator. The application of achievements in the technological field, together with an entrepreneurial and innovative approach to products and services, leads to technological progress which promotes the increasingly growing productivity of the economic performance.

The opportunities provided by innovation, their inertia, changing consumerism needs of the new generation may be very closely linked to tourism. Taking into account that tourism is directly associated with the dynamics of the market, it is relevant to conduct a research seeking to evaluate the relationship between tourism business and innovation.

The aim of the research is to investigate the opportunities for the innovation impact on tourism business by analysing hotel business as the most important group of services.

### *Research Method*

The research was conducted by interviewing professional experts from governmental tourism institutions and tourism business. The strategic tourism development is usually initiated by the Tourism Department under the Ministry of Economy of the Republic of Lithuania. Seeking to implement innovations, the representatives of tourism business are continuously observing the changes in consumer demand, are aware of the benefits of innovation, however, lack an insight into strategic planning processes. During the survey all decision makers- 6 professional experts (referred to as E1 – E6 below) representing the mentioned above two bodies were interviewed.

A qualitative semi-structured interview with field experts was selected as a research method. The interview method was chosen as the main data collection tool, considered to be an efficient approach to the human perception, values, definition of situations and the construction of reality. In the course of semi-structured interviews all respondents were given the same questions, however, their sequence and implications varied depending on the situation when talking to each respondent individually (Bryman, 2004. P. 106). This approach enables the maximum adaptability to the respondent in obtaining more genuine and detailed information.

A qualitative content analysis method was selected to carry out data analysis. The analysis is based on the interpretive perspective as a valid method, leading to draw specific conclusions from the text under analysis (Mayring, 2001, p. 1). Qualitative content analysis consists of several stages:

1. Repeated reading of the text (in this case – transcripts based on interview records);
2. Distinction of categories on the basis of “keywords”;
3. Division of categories into sub-categories;
4. Interpretation of categories and sub-categories and justification by pre-extracted evidence.

### *Research instrument*

Interview questions (presented in the table below) comply with the aim of the research. The survey responses should reveal opportunities for the tourism business provided by process innovations (initiation process, significant measures, etc.). Questions targeted to identify practical application of innovations were formulated in accordance with the main categories of innovation process discussed in the theoretical section (Table 1).

**Table 1. The research instrument**

<b>Interview Questions:</b>	<b>Function of the question:</b>
1. What would you consider to be innovation in tourism business? What is the essence of innovation?	Introductory questions. General understanding of innovation value in the tourism sector.
2. How are innovations being initiated in the tourism process, what stage of innovation is the Lithuanian tourism sector in?	
	<b>Identification of opportunities for tourism innovations:</b>
3. What product/service innovations are being introduced/promoted to be introduced at the national level?	Product and service innovations
4. What type of process innovations are being introduced in the Lithuanian tourism market and are they supervised by your organisation?	Process innovations
5. What kind of value chain innovations are being introduced the Lithuanian tourism sector?	Value chain innovations
6. What communication innovations are being applied by tourism organisations, or what communication innovations in the market are you aware of?	Communication innovations
7. What kind of management innovations are being introduced in the Lithuanian tourism market and your organisation?	Management innovations
8. What institutional innovations are being promoted by tourism organisations in the country and how are they being promoted?	Institutional innovations
9. What benefit does the state gain from innovations introduced in the tourism sector and how can it be measured?	Aspects of innovation impact assessment
10. How significant is the role of main actors - the state, business and science- played in the innovation process?	Assessment of complex impact of innovations - the relationship between the actors of the innovation process

To avoid suggestive answers, the formulation of questions did not involve any specific examples of innovation. The respondents were expected to explain by themselves the significance of innovations in tourism business. Later, the analysis involved a search for key words, phrases, expressions to help identify opportunities for the development of innovations in the tourism sector of Lithuania.

It is important to point out that the interviews were semi-structured in nature, consequently, depending on the situation, in addition to the main questions presented above, additional questions were provided to clarify the information, to direct and control the conversation in the right direction to obtain more information required to achieve the aim of the research.

### *Selection of informants*

Seeking to achieve the aim of the study, i.e., to identify the scope of opportunities for innovation in tourism business, individuals working in the strategic management of tourism were surveyed. These respondents were selected in accordance with combined convenience and purposive sampling methods.

The respondents, easiest to get in touch with, were selected by a convenient sampling method. This method is favourable to both the researcher and the respondent as they feel more comfortable during the survey which is more likely to provide richer, more detailed information (Koerber, McMichael, 2008, p. 456).

Purposive selection involves the selection, in accordance with certain criteria, of individuals who are most competent to answer the questions on the issue and whose opinion will be the most valuable. The purposive selection criteria must always reflect the aim of the study (Coyne, 1997, p. 626), in this case, corporate or sales executives of enterprises providing innovative tourism services, i.e., in hotels belonging to international chains or individuals responsible for introduction and management of innovations.

### *Respondents*

In total, six interviews were conducted. The duration of an interview ranged from 25 to 45 minutes. The study surveyed representatives of tourism policy-making institutions and hotel business, who directly influence the process of innovation either in the country or the company:

- Chief Specialist of the Tourism Policy Division of the Ministry of Economy of the Republic of Lithuania;
- Deputy Director of the State Department of Tourism;
- Head of Lithuanian Hotel and Restaurant Association;

- Executive Director of the Lithuanian Resort Association;
- Head of the International Hotel Chain;
- Sales Manager of the International Hotel Chain.

### *Limitations of the study*

It is important to note that qualitative data analysis is characterised by subjectivity, i.e., although it is based on objective data, primary sources collected during the interview, the interpretations and insights are subjective, i.e., provided by the researchers. Thus, qualitative findings do not apply to the entirety, in this case, to all service companies. These findings should be assessed as potential trends in human resource management or links or guidelines to projected research on innovation impact on tourism business, especially on hotel industry.

## RESULTS

The research interviews with persons responsible for the introduction and management of innovations in tourism enterprises were transcribed literally. The qualitative content analysis was carried out in accordance with the data obtained. It is important to note that the interviews were transcribed without changing the authentic, natural language of the respondents so that information is not lost and the data would not be “removed“ from the context, thus ensuring their reliability and more accurate interpretation.

The respondent answers were searched for the keywords that help to structure the obtained data into several categories and sub-categories. As a result of this procedure, the features of the key aspects (innovations in general and their individual categories in enterprises under investigation) under analysis were distinguished. These categories and sub-categories are presented in the tables, alongside with the respondent statements.

Firstly, the article presents the overall analysis of the value of innovations, later it provides the interpretation of opportunities for innovations in tourism.

### *General characteristics of innovations and their initiation*

At the start of the survey, a complex question was given “What would you consider to be innovation in tourism business? What is the essence of innovation?“ The intention of this question was to reduce the tension of the respondent by telling him what is what, what is par-

ticularly relevant, what he is aware of, i.e., general facts about innovation in the tourism sector or enterprise.

Responses to this question revealed that innovations were understood very broadly by finding associations with novelties, business competition, new technologies, etc. However, all respondents emphasised the practical benefit of innovation, "Innovation is being too theoretically evaluated, after all, its practical benefit is important. So innovation is likely to occur in politics as well, isn't it? Something that is newly invented and is unique or little-known should be considered as an innovation" E6.

Thus, although the majority of respondents stressed the importance of innovation for tourism process or business, the results in the table below show that not all tourism professionals see the overall benefits of innovation or are able to identify the characteristics of the innovation (Table 2). It is important to note that the most accurate answers to this question were provided by respondents working as company or department directors who are also responsible for the development of tourism or tourism business. Therefore, it can be concluded that, as heads of the entire company, these respondents tend to be more aware of the overall value of innovation in the tourism industry.

The second question of the survey was targeted at assessing the initiation process of innovation. In fact, an initiative or an idea triggers the occurrence of innovation. Moreover, it takes a long period of time until they become implemented. How are innovations being initiated in the tourism process, what stage of innovation is the Lithuanian tourism sector in? The responses to this question allowed to identify the main trends. The first trend is visible in strategic state tourism development directions that are likely to initiate innovation. Unfortunately, so far little attention has been paid to this direction.

„It is not a process which is implemented in a planned manner<...>on the whole, it is a stage of awakening "E1.

"All of support instruments until 2013 have been oriented to innovations indeed. They enabled new services, new products and new infrastructure to appear. Perhaps the commencement of innovations can be linked mostly with the EU support to Lithuania" E3.

The second factor initiating innovation, as pointed out by the respondents, is the head of the enterprise. The hotel business representatives when talking about introduction of innovations distinguished the attitudes of executives and their significant role in introducing innovations. "In fact, innovation at the hotel is initiated by the manager, because our team has daily meetings and we share news, we decide if we want to take part in various ongoing activi-

ties or not” E4. The third factor involves the demanding customers, meeting the needs of whose is the most important evaluation result of the process. The respondents attributed great significance to this factor by emphasising the customers’ attitudes towards new technologies, corporate social responsibility, green movement, etc. “The clients, such as IBM, Microsoft, well known pharmaceutical companies, etc., themselves prefer us, since we are a service provider who’s actions they support. Therefore, they choose such a service provider and participate in the savings’ programme “. E4

Categories and sub-categories of responses are presented in Table 2.

**Table 2. Value /characteristics and initiation of innovations**

Category	Sub-category	Statements
Characteristics of innovations	Any type of innovations	“novelties“ E1 “ this does not affect us” E2 “Innovation may be valued as just any tool that helps to attract tourist flows“ E3
	New Technologies	“the process of using the newest and most innovative materials” E3
	Tools developing competitive advantage	„Competition uses pressure and if you want to stay in business “you have to engage in surveillance and this “competitive advantage“ is going on here and now“ E4
	Unique or little-known	“what is newly invented and unique or little-known should be considered an innovation“ E6
Initiation of innovations	National strategic development directions	“The Ministry of Culture has bustled emphasizing innovations “ E1
	Support	“Innovation initiation can be attributed mainly to the EU support“ E3
	Consumer requirements	“and the clients themselves“E4
	Business executives and employees	“hotel innovations are initiated by the Head“ E4 “these are more individual initiatives“ E1

The following driving forces of innovation initiation can be distinguished: directly oriented state policy, the EU support, consumer links with innovations, a clear ambition to develop the tourism business and personal interest on behalf of the staff and the executive manager.

### *Product / Service Innovations*

In assessing the achievements of the tourism market apparently it is not enough to evaluate the innovations generally, but their complex impact should be taken into account. Thus, the study provides a de-

tailed description of the above mentioned categories of innovations (Hjalager, 2010, p. 2).

Taking into account the fact that over the last 5 years supplementary tourism services have been promoted in Lithuania apart from the existing main services such as accommodation, catering, accessibility, entertainment, etc., there are great opportunities to apply innovations in this area. (Jatuliavičienė et al, 2012, p. 376). “What product/service innovations are being introduced/promoted to be introduced at the national level?”

The respondent opinions on this issue did not divide. All the respondents suggested applying innovations to the development of major tourism products, i.e., conference, health, cultural, natural and recreational tourism.

“Over the period from 2007 to 2013 measures were oriented to the development of four main products - business, conferences, health and active tourism. Those were the main priorities. Those priorities remain in the following period, since there is a need to ensure the continuation of those measures“ E3.

However, the respondents also distinguish the weaknesses common to the tourism sector, such as seasonality, customer right protection, etc., linking them with innovative solutions. To summarise, it can be noted that the product/service innovation in business development is a very important factor and is already highly regarded by tourism professionals.

“A hotel product is very tangible <...> however, our biggest challenge is to reduce seasonality. And the measures to achieve it are health promotion and wellness, medical tourism, etc., i.e. complementing the accommodation with additional services such as conference tourism.” E1

“We have a conference centre and I do not think that this is a new service”. E5.

Summarising the results it should be emphasised that reasonable strategic decisions of the state play a crucial role in development of product and service innovations. The main strategic planning document of Lithuania, i.e., the “National Tourism Development Programme“ promotes opportunities for the development of various tourism products and services. Taking into account that over the period of 2010 – 2013, the most promoted tourism services involved those that reduce the seasonality of tourism and increase the range of services, develop five key tourism products, the business approach is directly in line with the supported services and products (NTPP, 2007, p. 8).

**Table 3. Product and service innovation development opportunities**

Category	Sub-category	Statements
Product/service innovations	Strategic national tourism products	“ development of four main products - business, conference, health and recreation“ E3
	Products reducing the seasonality	“health and wellness, medical tourism and so on“ E1 Druskininkai is a good example, there is no longer seasonality there“ E1
	Innovative technological solutions, i.e., ensuring the safety of the client	“to maximize protection of the banking card data“ E5

Product and service innovations in Lithuania is a process based on the strategic planning to promote tourism products that reduce seasonality, i.e., conference tourism as well as medical and wellness tourism. However, alongside with these processes, products developed under private initiatives are also visible, e.g., Druskininkai destination, as a successful result of not only development but also of brand management. Meanwhile, the opportunities for innovation in the development of various tourist services are not fully exploited yet and require more attention.

#### *Process innovations*

The changes introduced in business process management systems, Green Tourism initiatives, new requirements for services have a crucial impact on the ongoing tourism processes. (Kang et al., 2012, p. 567). “What type of process innovations is being introduced in the Lithuanian tourism market and are they supervised by your organisation?” This question was used to determine what processes in the area of tourism are associated with innovations that require new ideas and innovative solutions.

All representatives of tourism businesses mentioned a number of activities related to process innovations in tourism.

“We do! An association which has brought a totally new hotel classification system to Lithuania: Hotelstars Union (HSU).” E1.

“Lately our biggest change was when we started participating in the Green Engage programme. It is an eco programme which pays significant attention to food scrap utilization, the reduction of energy consumption, etc. At the same time, the hotel was renovated and electricity supply systems have been replaced, refurbished heating system and changes made by paying attention to environmental carbon emissions.<...> in 2012 we achieved the result: we reduced expenditure for electricity, water and heating by 50%. We invested a lot, but, in essence, long term cost recovery is unquestionable“ E4.

Experts of strategic planning in tourism while evaluating process innovations distinguish standardisation processes as the main tools,

undoubtedly, associated with the direct manifestation of their functions. “Quality management standards in the field of medical tourism could be attributed to such innovations” E3

In summary, it should be emphasised that process innovations are closely linked to the activities of strategic planning specialists, i.e., the development of standards and service requirements as well as business commitments, namely, application of regulations in seeking for a competitive advantage.

**Table 4. Opportunities for process innovation development**

Category	Sub-category	Statements
Process innovations	Classification of services	“we brought a new hotel classification system HSV to Lithuania“ E1
	Environmental or green programmes	“we started to take part in the Green Engage programme“ E4

The service classification process involves a wide range of innovations so that tourist services provided in Lithuania fully meet the expectations of tourists from Europe and the world. HSU classification requirements, validated in Lithuania in 2013, should provide a broader variety of accommodation providers and more opportunities for their guests. Environmental programmes in business are also getting increasingly popular among socially responsible companies or in those companies which focused on cooperation with international companies that support environmental initiatives. (Bohdanowicz, 2006, p. 667). However, these initiatives are expensive for service providers and are not always visible for service consumers.

#### *Value Chain Innovations*

Tourism is mostly services business, so its value chains are usually very vibrant. (Tajeddin et al., 2012, p. 1120) What kind of value chain innovations are being introduced the Lithuanian tourism sector?

The importance of value chain innovations was exclusively positively assessed by the hotel representatives. The following specific aspects should be mentioned in tourism business activities: “Several aspects should be mentioned in the tourism business activities: the importance of outsourcing is growing“ E1.

“As for Food and Beverage Department, all frozen products have been cancelled, and everything is purchased on that day; we don’t buy anything from the largest producers; we practically work with small farms after checking how sheep, pigs or cattle are grown, etc. Slow cooking/baking system is used to produce our food when thermal

processing is up to 75°C, but the production takes 2-3 days in order to preserve all the best nutrients and properties“ E4.

“Renovation started in the rooms using the newest innovative technology products. Let’s say, for the surfaces of bathrooms we use solid surface materials, which are applied in surgery to prevent the accumulation of microbes, etc. <...>This also simplifies maintenance. There are the lighting management menus in the rooms which enable to select the light suitable for reading, calming light, etc. In this way savings are made, but also attention is paid to client wishes.“E4.

Visa and MasterCard data protection is becoming more and more imperative; therefore, we apply very strict security requirements in order to maximize the bank card data protection and to minimise the possibility to copy. We are far advanced, we are trying to ensure that it would not happen in our hotel and this requires technological solutions as it costs money“ E5.

In summary, the research suggests that business representatives associate more opportunities for innovations with business solutions rather than strategic planners. Consequently, it can be claimed that the element of innovation leverage in the process of value chain innovations is applied to a much greater extent in business enterprises than strategic planning professionals can imagine. Undoubtedly, emphasis must be laid on the fact that opportunities for interpretation of product and service innovation vary depending on the nature of services provided and are closely linked to economic opportunities for business. (Tosun, C 2001, p. 301. Molina-Azorín et al, 2008, p. 520. Nelson et al, 1993, p. 301)

**Table 5. Opportunities for value chain innovations development**

Category	Sub-category	Statements
Value chain innovations	Various forms of services management	“outsourcing is becoming increasingly important“ E1
	Contracts with owners of local farms	“we do not buy anything from major manufacturers <...> basically we work with small farms” E4
	Saving by increasing the quality of new materials and on the basis of technologies	“renovation of rooms has started, to the use of the the newest, most innovative technological materials are in use ... thus, we are saving but according to customer desires“ E4
	Exclusive value of service on the basis of technologies	“we are well advanced, we try to prevent this from occurring in our hotel and for this we need technological solutions“ E5

Value chain innovations in Lithuania are associated with two directions of activities, i.e., diversity of services management as traditional

outsourcing services or fixed-term contracts with organic farmers as well as technological innovations that create new opportunities and exclusive value of service. However, a particularly significant factor in this innovation category is modernisation of technologies. New tools and technologies facilitate the creation of added value, instantly satisfying tourist expectations and opportunities.

### *Communications Innovation*

The analysis of both the external and internal business communication is associated with the changing society, the Internet, social networks, new technological possibilities, new management practice and a wide variety of other principles. (Jung et al. 2008, p. 633). What communication innovations are being applied by tourism organisations, or what communication innovations in the market are you aware of?

“Marketing is carried out in several languages in social networks. <...>A range of innovative solutions by Vilnius TIC are to be mentioned too, as well as Druskininkai with Smart – Druskininkai“E6.

“Selling hotel services by the Internet channels is more relevant. People more and more choose services independently and they are less and less dependent on tourism business, because <...>the user himself can choose with the help of on-line services. <...>For businesses the question of service provision is becoming more and more significant so that “I would be chosen”, but not my neighbour or a competitor, regardless of the term“ E5.

“The Internet... since everything is moving to the Internet space, with the Western World we are communicating virtually. <...> However, there is a need for a permanent channel in order to promote tourism through art, design, etc. “E1

“We have refused the traditional marketing tools and don’t participate in this process. Our own employees, heads of units, are busy and once a month take part in SocialMedia trainings during which we strategise ‘*what can we do*’, and unit heads later organise and implement activities related to their units in the social media“ E4

This issue was the most attractive to respondents. Everyone had an opinion about the right and wrong communication in tourism. However, the most commonly mentioned improvement measures of communication show that tourism services are increasingly subject to new tools like social networking, dissemination of information via the Internet and opportunities provided by smart phones do not reflect all the opportunities for innovations in the development of communications.

**Table 6. Opportunities for communication innovations development**

Category	Sub-category	Statements
Communication innovations	Internet opportunities	“online sales of hotel services is becoming more relevant to all“ E “Internet, because everything is transferred to on-line spaces“ E1
	Social networks	“a marketing project Like in social networks“ E6 “heads of departments later organise and implement activities related with the department in social networks“ E4
	Use of smart phones use	“for internal communication, all employees have smart phones ‘Blackberry““ E4

Both, the tourism policy in Lithuania and businesses are oriented at deployment of the Internet, social networks, smart phones as today’s innovations offering great opportunities. However, this is a very dynamic area, thus, the ability to understand the persistence of a modern customer, to spot him and the ability to grab his attention in providing services or developing a new destination are the challenges of the modern market and namely innovations provide them with unique opportunities.

#### *Management innovations*

Management of both, business and governmental organisation is a complex process where innovations can be applied to the management process as well. “What kind of management innovations is being introduced in the Lithuanian tourism market and your organisation?”

“On the national level, the best example could be the cooperation with the UN World Tourism Organisation, since recently several capacity building projects are being implemented together with this organisation. Their experts come here and carry out the trainings for tourism specialists“ E3. “Trainings using innovative solutions in order to teach how to become innovative are certainly not conducted. However, trainings on innovative solutions to TIC specialists are certainly being carried out. <...> Technologies help the work of TIC specialists themselves, since they enable not only to create a tourist map, but also to enable its printing or its use in publishing since until now it was a problem. If we speak about the training of employees, certainly we connect the trainings with innovations and it happens regularly. After all, there are no trainings how to create a brochure in the market, but the market is oriented to smart programmes, etc.“ E6.

“In our business we have a motivational programme for employees called STAY REAL, the core of which is that the employee has to do

something special to our guest and at the end of the month the best employee of the month is selected. Also, we take part in the retirement fund programme III stage, which is a novelty in itself where the employer adds extra 60% to the amount contributed to the retirement fund. There are very few firms which support such incentives, when their employees contribute 100 LTL, the employer adds extra 60 LTL. This activity started in 2014. There are break rooms with internet set up for the employees to have coffee, tea, etc. <...> We have got many trainings, we conduct medium term trainings as well as we have the chain requirements' trainings abroad. Even if there is only one new employee, we organise individual trainings“E4. “Human resource management is a particularly sensitive area and work with employees is a continuous process“E5.

Management innovations are closely related to the staff or employee training. All the respondents agreed that training applies innovative teaching methods, also possible “innovative thinking“ in the services sector in particular was also mentioned. These examples show a progress and dynamics in tourism business and places high demands on the service provider.

**Table 7. Opportunities for management innovations development**

Category	Sub-category	Statements
Management innovations	Training of employees	“UNWTO experts arrive and conduct training sessions for tourism professionals“. E3
	Motivation programme of employees	“the employee has to do something special for our guest“E4 “participation in third-stage pension fund“ E4
	Improvement of working conditions for employees	“employees are provided with equipped lounges with access to the internet“ E4

### *Institutional Innovations*

The question “What institutional innovations are being implemented by tourism organisations in the country and how are they being promoted?“ was attractive to the representatives of public service institutions only, as it is a comparatively rare innovation in international business.

“Perhaps, as a good example, one could demonstrate a health cluster. The town clusters, such as Anykščiai or Biržai, resemble more the functions of Tourism Council, while a Health Cluster idea, which rises from a solid strategy and notion that there is a need to unite and that the cluster is not only medicine, but also tourism, science and many other things. Perhaps, this example is the best“ E6. “So far, the town

clusters are on the level of the location where the town tourism sector service providers get together and simply unite their efforts, prepare joint tourism products; those are more of the type of marketing clusters.“ E3

This question was the most difficult for all respondents. Business representatives understood this question as a tool for free cooperation, without relating it with its legal obligations, while the representatives of the state and associations, first of all, named the institutional cluster form. However, three experts (of the four who mentioned clusters) associated cluster with the territorial dimension rather than the institutional cooperation or a legally based business cooperation form.

**Table 8. Opportunities for institutional innovations development**

Category	Sub-category	Statements
Institutional innovations	Creation of tourism clusters	“the health cluster should be pointed out“ E6 “urban clusters are more of local level“ E3

Institutional innovations in Lithuania are considered to be mergers - clusters, however, a misinterpretation of this chain is also noticeable in creating clusters of locations, the main purpose of which is to carry out joint marketing without any vision of broader opportunities. (Kučinskienė et al. 2013, p. 185). Nevertheless, this is a temporary process which should regulate itself in the future, depending on market needs and opportunities.

*The benefit of innovation. How can it be measured?*

The enterprise that first provides a service or product developed by new technologies to the market always gets a double benefit. It gains a competitive advantage by making a significant step in reducing its costs and is the first to make use of the inertia of a potential customer for new products until the product of an unfamiliar quality to him has been accepted.

In order to assess various factors that determine the attraction of investment in high-tech to be introduced in enterprises, the following issue was examined: “What benefit does the state gain from innovations introduced in the tourism sector and how can it be measured?”

“There were no indicators which could measure the development of innovations, i.e., how many innovations were introduced during 2007 – 2013, therefore, it is difficult to measure their benefit as well as to connect to innovations, but on the other side, generally speaking, innovations enable us to stay competitive, enable to attract more tourists, to receive more income from tourism, so we have measured

those indicators for this period and we can see that those measures have had positive impact“E3.

“The benefit of innovations is measured by the feedback of the stream of arriving tourists“E1.

“The best way to show it is through income and labour. To work smarter and not harder.<...>Therefore, the effect of innovations is the improved quality, the reduced costs of maintenance and the increased number of clients“E4.

“The number of tourists is not a sufficient indicator since the benefit of innovations is much wider“ E6.

**Table 9. Innovation impact assessment forms**

Category	Sub-category	Statements
Impact of introduced innovations	Competitiveness	“ innovations help us to remain competitive“ E3
	Direct impact, i.e., increase the flow of tourists	“ help to attract more tourists to get more income from tourism ” E3 “ we measure by feedback, by calculating the incoming flow of tourists ” E1
	Increase in profitability	“this is shown by the profit and productivity” E4
	Complex assessment	“a common unit of measurement in principle is not possible... the benefits of innovation are much broader” E6

The forms applied in assessing the innovation impact still can be considered an open question, which must be investigated in further research. The respondent opinions on the matter strictly divided. The first named aspect was that the assessment of innovation should be measured by a competitive advantage, that is, if the innovation is required to help win the competition. The second approach was very specific - innovation benefits must be assessed by its direct impact, i.e., the increase in profit or in the amount of consumers. The third approach was complex, i.e., the benefits of innovation must be assessed by a complex macro effect. Further research needs to examine in more detail how the benefits of innovation could be measured seeking business competitiveness and a positive complex impact.

*Innovations = business & science & politics*

Seeking to understand the phase of the process of innovations and its weakest links, the study focused on another interesting aspect, i.e., How significant is the role of main actors - the state, business and science- played in the innovation process? The majority of experts provided the same answers. In summary, one of the answers was as follows:

“At least over the period of 2007 - 2013, the state’s role in promoting innovations was mainly associated with the provision of necessary financial resources, promotion of certain initiatives. The role of business role - it was related to the implementation of projects. And science has largely remained on the sidelines, of course, some of the measures, some of the actions and ideas are implemented on the basis of certain research, but closer cooperation with science was lacking“E3

This aspect was particularly relevant for researchers, as it justified the relevance of this study. On the other hand, the investigation showed that there are a lot of possibilities to carry out research in the field of tourism business.

## GENERALIZATIONS, CONCLUSIONS, RECOMMENDATIONS

In Lithuania, so far there is a lack of clear reasoned assessment of the impact of innovations, based on quantitative indicators from the economic, retrospective and perspective point of view. There is no long-term vision that is built on the expertise of other countries and on the national experience gained over the last twenty years, or based on the statistical information, enabling to project further reasonable long-term insights.

The opportunities provided by innovations are easily perceived by applying the categories suggested by A.M. Hjalager, as tested by the conducted research. However, targeting at a more productive activity by applying innovations one has to deploy effective driving forces enabling to enhance the Lithuanian innovation index and facilitating a stronger competitive advantage in tourism development.

When summarising the results given in the table, it is necessary to explain the basis for the calculation of innovation promotion points (marked +). The points were given if the respondent answering the question referred to the aspect on the left, e.g., As for innovation initiation process, only E4 respondent mentioned a customer as an element in promoting innovation, while the national strategic processes in promoting innovation process were mentioned by four of the six respondents.

Thus, in order to attain the aim of the study, based on research data, it is possible to highlight certain elements of the innovation promotion seen in the table. The strongest element in the promotion of innovation is considered to be new technology (referred to in almost every innovation group), while the development of responsible tourism, seeking to gain a competitive advantage, enhancing staff responsibility to innovations still need to been taken into account.

**Table 10. Innovation promoting ideas and elements based on the results**

Innovation promoting ideas and elements	E1	E2	E3	E4	E5	E6	Total:
Initiation of innovations:	-	-	-	-	-	-	-
• National strategic decisions	+	+	+			+	4
• External factors of business factors (e.g. seasonality)				+	+	+	3
• Internal business factors (e.g. manager)				+	+		2
• Consumer requirements				+			1
Product and service innovations:							
• Competition				+	+		2
• Business stabilisation measures (reducing the effects of seasonality)	+	+	+	+	+	+	6
• Innovative technological solutions				+	+		2
Process innovations:	-	-	-	-	-	-	-
• Quality service requirements	+			+	+		3
• Environmental or green programmes				+			1
Value chain innovations:	-	-	-	-	-	-	-
• Exclusive value of service	+			+	+		3
• Saving by means of new technologies				+	+		2
Communication innovations:	-	-	-	-	-	-	-
• Opportunities for direct communication with the client through social networks	+	+	+	+	+	+	6
• Opportunities for reaching large audience via the Internet	+	+				+	3
• New communication technologies (e.g. smart phones, etc.)				+	+	+	3
Management innovations:	-	-	-	-	-	-	-
• Employee motivation	+		+	+	+	+	5
• Employee responsibility				+	+		2
Institutional innovations: new business forms (pvz.: clusters)	+	+	+			+	4
The benefit of innovation	This question was asked for summarizing the evaluation of whether all aspects mentioned in the questionnaire were evaluated *						
Total:	8	5	5	14	12	8	

\* Responses are not presented in detail because the question summarizes the survey

The development of tourism business in Lithuania should increasingly focus on the interpretation of innovation benefits seeking to reach a uniform understanding of its value between business representatives

and policy-makers. There is a strong likelihood that failure to understand the real meaning of innovations can result in tourism business development under the name “innovative” without any involvement of any innovations.

The tourism marketing process undergoes the strongest demand for innovativeness due to opportunities offered by modern communications, therefore, professional practices in this area, foreign experience and scientific research should be exclusively promoted.

The assessment of the innovation benefits needs to be researched in detail in order to develop methodology enabling to measure complex tourism services. Therefore, positive indicators of business development and entrepreneurship, the changing attitude towards the development of goods and services is the best tool to evaluate the benefits of innovation.

The association between business and the state in the innovation process is observed in Lithuania, which results in positive outcomes, yet, the involvement of science is still minimal. In the future, attempts should be made to gain more of scientific input into the development of tourism in Lithuania, as new increasingly changing market opportunities can be either an advantage for a slowly-developing tourism sector, or a reason to remain a small and unknown country.

## REFERENCES

Aldebert, B, Dang, RJ&Longhi, C2011, Innovation in the tourism industry: The case of Tourism@, *Tourism Management*, Volume 32, Issue 5, Pages 1204-1213, ISSN 0261-5177, 10.1016/j.tourman.2010.08.010. (<http://www.sciencedirect.com/science/article/pii/S0261517710001688>). Keywords: Tourism; Innovation; Sectoral system of production and innovation; Temporary cluster; Knowledge bases; ICT; Internet

Bryman, A. 2006, *Integrating quantitative and qualitative research: how is it done?* Qualitative Research SAGE Publications. London, Thousand Oaks, CA and New Delhi, vol. 6(1) 97–113. (<http://qrj.sagepub.com/cgi/content/abstract/6/1/97>). Keywords: qualitative research, quantitative research, mixed-methods research, multi-strategy research, typologies

Bohdanowicz, P 2006, Environmental awareness and initiatives in the Swedish and Polish hotel industries—survey results, *International Journal of Hospitality Management*, Volume 25, Issue 4, December 2006, Pages 662-682, ISSN 0278-4319, 10.1016/j.ijhm.2005.06.006. (<http://www.sciencedirect.com/science/article/pii/S0278431905000708>) Keywords: Hotels; Environmental awareness; Environmental initiatives; Survey; Poland; Sweden

Coyne, I. T. 1997. Sampling in qualitative research. Purposeful and theoretical sampling; merging or clear boundaries? *Journal of Advanced Nursing*, 26: 623–630. doi: 10.1046/j.1365-2648.1997.t01-25-00999.x <http://onlinelibrary.wiley.com/doi/10.1046/j.1365-2648.1997.t01-25-00999.x/abstract>. Keywords: sampling; qualitative; grounded theory

Hall, C, M & Williams, A,M 2008, *Tourism and innovation*. London: Routledge. p.263

Hankinton, G 2004, Relational network brands. *Journal of Vacation Marketing*, 10(2), p. 109–121

Hjalager, A.-M. 2005a, Innovation in tourism in a welfare state perspective. *Scandinavian Journal of Hospitality and Tourism*, 5(1), 46–54. Keywords: Social tourism; Innovation; Welfare; Regulations; History of tourism; Internationalisation

Hjalager, A.-M. 2005b, The marriage between welfare services and tourism – a driving force for innovation? *Journal of Quality Assurance in Hospitality & Tourism*, 6(3/4), 7–29. ([http://www.tandfonline.com/doi/abs/10.1300/J162v06n03\\_02#.UwuVystWHIU](http://www.tandfonline.com/doi/abs/10.1300/J162v06n03_02#.UwuVystWHIU)) Keywords: Discontinuity; Globalisation; Innovations; Tourism products; Trajectories; quality; Welfare state; Denmark

Hjalager A.-M 2010, A review of innovation research in tourism, *Tourism Management*, Volume 31, Issue 1, Pages 1-12, ISSN 0261-5177, 10.1016/j.tourman.2009.08.012. (<http://www.sciencedirect.com/science/article/pii/S0261517709001691>) Keywords: Innovation; Innovation systems; Knowledge; Clusters; Policy

Jatuliavičienė, G., Mačerinskienė, A. New concept of tourism product: matching supply aspects. 7th International Scientific Conference Business and management 2012: 7th International Scientific Conference, May 10-11, 2012, Vilnius, Lithuania. Vilnius: Technika, 2012. ISBN 9786094571169. p. 373-379.

Jung, J., Su, X., Baeza, M., Hong, S., 2008, The effect of organizational culture stemming from national culture towards quality management deployment. *The TQM Magazine* 20 (6), 622–635. Keywords: Cultural dimensions; Customer orientation; Innovativeness; Hospitality industry

Kang, KY, Stein, L, Heo, CY & Lee, S 2012, Consumers' willingness to pay for green initiatives of the hotel industry, *International Journal of Hospitality Management*, Volume 31, Issue 2, Pages 564-572, ISSN 0278-4319, 10.1016/j.ijhm.2011.08.001. (<http://www.sciencedirect.com/science/article/pii/S0278431911001368>) Keywords: Willingness to pay; Environmental concern; New Ecological Paradigm Scale; Hotel type; Hotel; Green practice

Koerber, A., McMichael, L. 2008. Qualitative Sampling Methods: A Primer for Technical Communicators. *Journal of Business and Technical Communication* October 2008 22: 454-473. <http://jbt.sagepub.com/content/22/4/454>.

Kučinskienė, Marija, Mačerinskienė, Aida. *Will Lithuania's Hotel Industry Grow?* Regional formation and development studies. ISSN 2029-9370 2013, no. 1(9). p. 180-192.

Lynch, P & Morrison, A 2007, The role of networks. In E. Michael (Ed.), *Microclusters and networks: The growth of tourism* (pp. 43–62). Oxford: Elsevier

Mayring, Ph. 2000. Qualitative Content Analysis [28 paragraphs]. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 1(2), Art. 20. <http://nbn-resolving.de/urn:nbn:de:0114-fqs0002204> Keywords: qualitative content analysis, content analysis, category, induction, intercoder-reliability

Melnikas, B, Jakubavičius, A & Strazdas, R 2000, *Inovacijų vadyba. Mokomoji knyga*. Vilnius: Technika, 194 p.

Molina-Azorín, JF, Claver-Cortés, E, Jorge Pereira-Moliner, J & Tari JJ 2009, Environmental practices and firm performance: an empirical analysis in the Spanish hotel industry, *Journal of Cleaner Production*, Volume 17, Issue 5, Pages 516-524, ISSN 0959-6526, 10.1016/j.jclepro.2008.09.001. (<http://www.sciencedirect.com/science/article/pii/S0959652608002345>) Keywords: Environmental management; Performance; Hotels

Nacionalinė Turizmo plėtros programa. 2010. Vilnius, Lithuania, Valstybės žinios, 2010-07-24, Nr. 88-4636. [http://www3.lrs.lt/pls/inter3/dokpaieska.susije\\_l?p\\_id=378544](http://www3.lrs.lt/pls/inter3/dokpaieska.susije_l?p_id=378544)

Nelson, JG, Butler, R & Wall, G 1993, *Tourism and Sustainable Development: Monitoring, planning, and managing*. Department of Geography Publication Series No. 37. University of Waterloo (Department of Geography, Waterloo N21 3G1, Canada) ISBN 0-921083-44-0, 1993, 306 pages (tables, references)

Nicolau J, L & Santa-María M, J, 2013, The effect of innovation on hotel market value, *International Journal of Hospitality Management*, Volume 32, Pages 71-79, ISSN 0278-4319, 10.1016/j.ijhm.2012.04.005. (<http://www.sciencedirect.com/science/article/pii/S0278431912000588>). Keywords: Innovation; Market value; Hotel industry

Oslo Manual 2005, *Proposed Guidelines for Collecting and Interpreting Technological Innovation Data*, OECD.

Strazdas, R, Jakubavičius, A & Gečas, K 2003, *Inovacijos. Finansavimas, rizikos kapitalas*. Vilnius: Lietuvos inovacijų centras, 49 p

Tajeddin, K., Trueman M., 2012 *Managing Swiss Hospitality: How cultural antecedents of innovation and customer-oriented value systems can influence performance in the hotel industry*. *International Journal of Hospitality Management* 31 (2012) 1119–1129

Tosun, C 2001, Challenges of sustainable tourism development in the developing world: the case of Turkey, *Tourism Management*,

Volume 22, Issue 3, Pages 289-303, ISSN 0261-5177, 10.1016/S0261-5177(00)00060-1. (<http://www.sciencedirect.com/science/article/pii/S0261517700000601>). Keywords: Sustainable development; Sustainable tourism development; Challenges; The developing world; Turkey

Zeng, S.X., Xie, X.M., Tam, C.M., 2010. Relationship between cooperation networks and innovation performance of SMEs. *Technovation* 30 (3), 181–194. Keywords: Innovation; Cooperation network; Innovation performance; SMEs

Victorino, L., Verma, R., Plaschka, G., Dev, C., 2005. Service innovation and customer choices in the hospitality industry. *Managing Service Quality* 15 (6), 555–576.

*Submitted: 30th January 2014*

*Final version: 07th March 2014*

*Accepted: 28th March, 2014*

*Refereed anonymously*