The innovation journey of new-to-tourism entrepreneurs

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Research under the framework of the project (2012-2014):

“Methodology, criteria and implementation of the cluster theory in consolidated tourism areas: innovation, competitiveness and territorial synergies”.

Founded by the Spanish National R&D&I Plan 2008-2011. Main researcher: Professor Fernando Vera Rebollo, University of Alicante.

Research Initiated with Professor Allan M. Williams from Surrey University, United Kingdom.
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Research objectives

1. Explore the role of entrepreneurs as innovators in tourism

>> The nature of the innovative entrepreneur. Entrepreneurs provide the essential link between invention and innovation (Burgelman & Sayles, 1986 in Hall & Williams, 2008).

>> The entrepreneurial process of those individuals who discover and exploit new business opportunities by establishing new companies.
1 Research objectives (cont.)

2 Examine the characteristics of tourism entrepreneurs

   >> What motivates them to invest in tourism? What knowledge and experience do they bring?

3 Understand the innovation process through the entrepreneurs’ journey initiated from idea generation to effective implementation

   >> Barriers encountered, how these are overcome
2 Methodology

1 The sample

>> Young entrepreneurs with innovative tourism projects participating during 2012 and 2013 in a public Programme (Emprendetur) which provides subsidized loans in Spain.

2 The Emprendetur Programme

>> Young entrepreneurs, the collective with the greatest potential to introduce innovation in the tourism sector.

>> Funding to business ideas developed by entrepreneurs under 40 years-old or companies with less than 2 years trajectory with an average age of the partners equal or under 40.
2 Methodology (cont.)

2 The Emprendetur Programme (cont.)

Loan characteristics

3.74 interest
Up to 100% with a maximum amount of 1.000.000€
2-year interest-only period
5-year repayment
No loan guarantee required

Fig. 1 Projects denied and granted by EMPRENDUTUR Young Entrepreneurs

1.487.198 € allocated in 2013

Own elaboration based on Emprendetur resolution
2 Methodology (cont.)

3 2- Step Methodology

**Preliminary Step >>** Entrepreneurs and new ventures identification from public announcement of accepted proposals. Data based elaboration.

**First Step >>** Creation of entrepreneurs’ (founders and co-founders) professional and educational profile using their own public information on LinkedIn.
# Methodology (cont.)

The influence of **learning**. Entrepreneurial attributes acquired by education. Entrepreneurship can be learned and be taught.


## Complementary skills and knowledge of the entrepreneurial team

**The value of learning from others**

<table>
<thead>
<tr>
<th>Name/Role</th>
<th>Position</th>
<th>Education</th>
<th>Field of Knowledge</th>
<th>Previous Work Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jesus Rodriguez Fernandez</td>
<td>Founder and CEO at Exotica</td>
<td>2002-2003 International Master in Tourism and Leisure - ESADE Business School</td>
<td>Tourism/Ecommerce/Leisure/Management/Revenue Analysis/Hotels/Online Marketing/Marketing Strategy/Hospitality/Tour Operators/Online Advertising/Business Strategy/SEM/Pricing/Online Travel/Web 2.0/Google Analytics/Digital Marketing/PPC/Internet Entrepreneur/Google Adwords/SEO/Airlines/Email Marketing/Affiliate</td>
<td>May 2013-present Founder and CEO (Exotica)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1998-2001 Diploma in Business and Tourism Activities - BESER Barcelona</td>
<td></td>
<td>2011-2013 Tour Operation Responsible (Privalia Travel*)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1992-1995 Diploma in Special Teaching - Leon University</td>
<td></td>
<td>2011-2011 Tour Operation Manager (Voyage Privé**)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2007-2011 Assistant General Manager (Karisma Tours)</td>
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<td></td>
<td></td>
<td></td>
<td>2004-2007 Front Office Manager (AC Hotels)</td>
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</tbody>
</table>
Methodology (cont.)

**Second Step >>** Semi-structure interviews conducted through Skype during July-September 2014. Response of 24 entrepreneurs representing 16 new companies.

Young entrepreneurs

Why becoming entrepreneurs
Motivation to invest in tourism

**Stages in the innovation journey addressed by research questions**

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2 Idea implementation</th>
<th>Stage 3 Present/Future of the innovation once in the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea space</td>
<td>- Origins of novel idea&lt;br&gt;- Key individuals involved&lt;br&gt;- Degree of newness&lt;br&gt;- Key moments in idea transformation into commercial opportunity&lt;br&gt;- Etc.</td>
<td>- Current innovation acceptance&lt;br&gt;- Possible readjustments&lt;br&gt;- Future innovations</td>
</tr>
</tbody>
</table>
3 Preliminary findings

1 Type of projects developed by the innovative entrepreneurs

<table>
<thead>
<tr>
<th>EMPREDETUR FUNDING LINES</th>
<th>NUMBER AND TYPE OF PROJECTS CREATED</th>
</tr>
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<tbody>
<tr>
<td>Energy and sustainability</td>
<td>1 Low Cost Parking in hotels</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>3 Marketing tools for restaurants</td>
</tr>
<tr>
<td></td>
<td>3 SEO, geolocation and content</td>
</tr>
<tr>
<td></td>
<td>3 On-line Travel Agencies</td>
</tr>
<tr>
<td>Transportation and associated services</td>
<td>1 Electric car rental in tourism</td>
</tr>
<tr>
<td>Business Management</td>
<td>1 Platform to improve the interaction</td>
</tr>
<tr>
<td>Materials and Buildings</td>
<td>1 Incubator to help companies with</td>
</tr>
<tr>
<td>Humanities, Society and Legal Sciences</td>
<td>1 Marketing tool and product</td>
</tr>
<tr>
<td>Accessibility</td>
<td>sciences for hotels</td>
</tr>
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1 Low Cost Parking in hotels
3 Marketing tools for restaurants
3 SEO, geolocation and content
3 On-line Travel Agencies
2 On-line help and educational courses
2 Social Networks in tourism
1 Mobile App for ski resorts
1 Electric car rental in tourism destinations
3 Preliminary finding (cont.)

2 Distinctive knowledge and experience of these “New-to-tourism” entrepreneurs

Fig. 2 Entrepreneurs Educational Background

Source: Own elaboration based on LinkedIn profiles. A total sample of 32 founders and co-founders.
3 Preliminary finding (cont.)

2 Distinctive knowledge and experience of these “New-to-tourism” entrepreneurs

Fig. 3 Entrepreneurs Educational Background. Higher education. Postgraduate studies

- Postgraduate in business management: 15
- Postgraduate in Entrepreneurship: 10
- Postgraduate connected to previous studies: 10
- Management information Systems: 1
- Digital marketing: 1
- Master Learning to Grow: 1
- Master in Tourism and Leisure: 1
- Humanitarian Aid: 1
- PhD: 1

Source: Own elaboration based on LinkedIn profiles
3 Preliminary finding (cont.)

2 Distinctive knowledge and experience of these “New-to-tourism” entrepreneurs (cont.)

Fig. 4 Relation of previous Professional experience with new company

- Previous non-tourism work experience related to the new company: 30
- Previous entrepreneurial experience (other ventures initiated outside the tourism sector): 9
- Previous tourism work experience related to the new company: 2

Source: Own elaboration based on LinkedIn profiles
Preliminary finding (cont.)

Heterogeneity of motivations to become entrepreneurs

**Person - situation**
- Personal/professional convergence with colleagues with the same motivation
- Dissatisfaction with current job
- By chance, unexpectedly
- Others

**Skills & Competences**

**Professional experience**
- Previous experience in technological projects development
- Previous entrepreneurial experience, etc.

**Education**
- Studying abroad in USA: influence of its entrepreneurial culture
- Stimulus of postgraduate studies

**Entrepreneurial personality**

**Personal traits/behaviors**
- Influence of family background
- Motivation for learning things
- Stimulating experience (dynamic, complex world, allows innovation)
- Take control of own life, decide own direction, freedom
- Entrepreneurs by nature, embedded in DNA, Etc.
### 3 Preliminary finding (cont.)

### 4 What made tourism an interesting sector to invest

1. Economic relevance of tourism in Spain
2. Tourism, a technology laggard sector with plenty of opportunities
3. Not an specific interest, it was only the idea with more chances of success

Niche- opportunities of specially laggard sub-sectors in technology adoption (restaurants, ski resorts...).

### 5 Where the idea came from and key individuals

#### Need/problem detected

1. As a tourism consumer
2. Due to professional experience
3. Co-production with people from the sector (potential customers, partners, other contacts)
4. While couring a business postgraduate

#### Entrepreneurial team vs Lone entrepreneurial hero

1. Professionals with complementary knowledge
2. Postgraduate students with academic aim
3. Previous university friends
3 Preliminary finding (cont.)

6 Critical moments in moving from idea to effective implementation

1. Idea validated by the potential customers’ interest
2. First customers acquire the product
3. Investors funding
4. Public resources allocation (credit)

7 Degree of newness of the innovation

1. Existing product/service but considerably improved
2. New- to- tourism sector
3. New in a tourism sub- sector (leisure, restaurants)
4. Something totally new

Incremental innovation

Radical innovation
### Preliminary finding (cont.)

### 8 Problems and solutions while implementation

<table>
<thead>
<tr>
<th>Problems faced</th>
<th>Solutions to minimise/overcome them</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Lack of financial resources</td>
<td>- Bootstrapping</td>
</tr>
<tr>
<td></td>
<td>- Business model to minimize structure costs (Business Model Canvas)</td>
</tr>
<tr>
<td></td>
<td>- Apply for public credit</td>
</tr>
<tr>
<td><strong>2</strong> Problems with technological developments</td>
<td>- Customer involvement in project reformulation</td>
</tr>
<tr>
<td></td>
<td>- Trial and error</td>
</tr>
<tr>
<td><strong>3</strong> Barriers of late-adopter subsectors to invest in technological innovations</td>
<td>- Free product distribution</td>
</tr>
<tr>
<td></td>
<td>- Product adaptation to easy-to-use formats and educate the sector</td>
</tr>
<tr>
<td></td>
<td>- Selling the product as non-innovative</td>
</tr>
<tr>
<td><strong>4</strong> Initial testing in the market reveals inefficiencies</td>
<td>- Model pivoting until satisfactory option: lean startup philosophy</td>
</tr>
<tr>
<td></td>
<td>- Customer involvement in project reformulation</td>
</tr>
<tr>
<td></td>
<td>- Deep project restructuring</td>
</tr>
</tbody>
</table>
Preliminary finding (cont.)

9 The future of the innovation

- Constant improvement of current innovation according to market needs and demands
- Innovation Diffusion
  - Add new services to improve the marketing capacity of the product (gamification, cross-selling, etc.)
  - Adaptation to future new technologies (Wearable technologies, Google glasses, etc.)
  - Expand the product to other tourism sub-sectors or markets
  - Strategic alliances with relevant leading companies (tourism and non-tourism) and National/Regional professional tourism associations.
4 Conclusions

Critical factors to survive the journey

Factors with a positive influence +

- Experience / Age
- Ability to convince others of opportunity value
- Quick response to project inadequacies
- Flexibility to pivot and adaptability
- Resilience

Factors with a negative influence -

- Resource scarcity
- Lack of time
- Entry barriers

Factors with a positive influence:

- Government funding and support
- Start-ups incubators/accelerators
- Private investors
- Entrepreneurial academic institutions

Factors with a negative influence:

- Lack of time
- Entry barriers

Business strategy

Factors with a positive influence:

- Ecosystem of entrepreneurial support

Factors with a negative influence:

- Resource scarcity

- Check a real need existence
- Product development only when validated by the market (Minimum Viable Product)
- Costumer involvement in projects (co-production)
- Strategic alliances with leading tourism companies
Thank you very much for your attention!

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