# CHALLENGES OF THE SOCIAL INNOVATION IN TOURISM

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#### Abstract

Purpose – The purpose of this paper is to find out the significance of the social innovation in tourism according to the business concepts of the social economy which requires as much care and creativity in their generation as the social ideas. The goal of the social innovation has to be in terms of meeting social needs and achieving economic sustainability.

Methodology – The paper examines critical factors that influence on the role of the social innovation in organizational change in tourism firms and value creation of the tourist social innovation projects in rural areas. The purpose of this systematic literature review is to gather all research literature related to the application of social innovation in tourism in recent years, and to provide an overview of it, as well as evaluating the effectiveness of social innovation in addressing innovative business models in tourism.

Findings – The paper contributes to discussion about the increasingly important role of the social innovation in tourism. It is going for the service design processes that form creative projects from different fields of tourism and provide employment opportunities to young people and senior citizens alike. In addition, an integrated service system of interdisciplinary knowledge, multistakeholders and local resources fulfils various requirements of stakeholders to promote sustainable tourism.

Contribution – This paper aims to fulfil this gap by presenting the theoretical domain in which this topic fits in and evidencing those successful factors that should be considered when designing and implementing a social innovation in tourism which may help other firms or local communities in Croatia facing a similar process.

Keywords social innovation, tourism, technology

#### INTRODUCTION

Research on sustainable innovation in tourism gained significantly on importance in the past twenty years (Carlisle et al., 2013; Miller, Merrilees and Coghlan, 2015; Souto, 2015). Its purpose was to explore the meaning and impact of new technologies and practices which constitute an important factor in ensuring sustainable economic growth (Hultman and Säwe, 2016, Ivanovic et al., 2016; Kozak, 2014).

The economist Adizes (2004) marked the period prior to 1929 as a Go-Go (rapid growth). The result was a breakout of the American Stock Exchange and Keynesian legitimization interference from the Government in the economy. Similarly, a number of economists describe the period until 2008 as the rapid growth, largely caused by derivative securities, which led to the global financial and economic crisis (2008–2010). The consequences of low growth rates still effect the changes in the global

markets. This is reflected in different behaviours of all stakeholders, due to the new technological development which includes high robotics and smart technologies which increasingly impacts not only the job migration caused by globalization, but also the increase of job losses, as well as the ability of further development of tourist regions (Alkier et al., 2015; Frey and Osborne, 2013). This is the reason why the stakeholders in a tourist destination (e.g. town, region) need to discuss about the development of new business models, which include sustainability and circular economy, sharing economy and the rise of the fourth industrial revolution (Aryanasl et al., 2016; Roblek et al., 2016).

New business models need to be based on knowledge; in order to achieve further successful development; it is necessary to connect individuals, tourism organizations (both for-profit and NGO) networks or platforms which connect people, ideas, and resources. Such business models include the social innovation, social entrepreneurship and innovation entrepreneurship based on research and development, deregulation, increased funding with venture capital and contemporary derivatives as crowdfunding and international protection of intellectual property (Bertoncelj et al., 2016; Peterlin et al., 2015).

The business environmental changes and unsustainable and turbulent economic and social conditions presented the key issues during the formation of the following research question: What kind of business model is necessary in Tourism Industry in such a rapidly changing environment with the rapid growth of the economy? Especially if it wants to influence on the development of the destinations and the local area in its vicinity.

The answer to this question will be searched within a social innovation solution, which can be understood as "a novel solution to the social problem that is more effective, efficient, sustainable, or just than current solutions" (Stanford Business School, 2017). The value created accrues primarily to the society rather than to the private individuals (Stanford Business School, 2017). An important fact about the social innovation is that it pays attention to the ideas and solutions that create social value. Only the effective use of intellectual resources allows continuous improvements. Therefore, the behaviour of business systems at all levels of leadership, management and implementation of changes, which will take creative employees who are involved in the processes of strategic thinking and are able to compare values of creativity and innovation, clear any remaining employees. Human thus becomes the most important resource that must be managed effectively (Delgado et al., 2016).

Tourist organizations are an open system which is affected by the external environment with emphasis on the global nature and constantly changing requirements of customers, suppliers and market conditions (natural conditions, the legislation, customs, taxes, and religion) (Cooper, 2008; Dominici and Roblek, 2016; Hatch, 2012). The value of external environment is featured as the ability to solve problems and needs of their customers and stakeholders. The external effects of the organizations are evident in organizational effectiveness, and relevance of the activities in the field of development of individuals and groups within the organization and the organization's contribution to the society (Luhmann, 1986).

Tourist organizations need to develop a business-support infrastructure, as a result of the initiating partnerships, which allows them access to information, advice and education (Connell et al., 2017). In this model information is changing and in such a rapidly changing environment information are not so much important anymore. It is necessary to realize that today, due to the globalization changes, the company is exposed to more rapid changes in society and nature, which have the greatest impact on product development, operations, and ultimately to the success of the organizations (Luhmann, 1995).

These changes caused the growth of importance of reaction in interaction between the organization and its environment in which the entity operates (headquarters, operational processes), as well as the markets on which it sells and as well as the destination itself. This means that the massive classical information passes into custom-made information known to user or target groups of users with high value added. Such information grows to specialist advice and continuous monitoring of users, while education is increasingly necessary in the fields of encouraging organizations for social innovation including the cooperation with stakeholder development networks.

Based on the analysis of the literature, in this paper, the authors will present the development of a model of adaptation processes of innovation, which takes into account both social and technological changes. According to the previously mentioned, and while taking into account the complexity of the changes in the external environment, the importance of environmental conditions of the tourist destination will be taken into consideration.

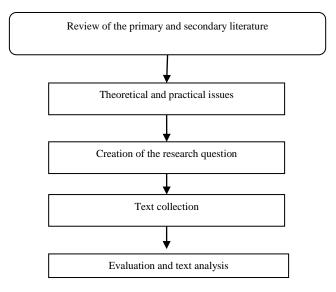
## 1. RESEARCH METHODOLOGY

The purpose of this paper is to determine what was done in practice so far when we talk about social innovation in tourism, and its impact on the changes and adoption in organizations and on destination development.

According the theory and business cases analysis, this paper provides a conceptual research model which will include the most important processes that have the greatest impact on the decision for the possibility of adoption of social innovation practice by tourism businesses.

In order to achieve the study aims, the research is based on a comprehensive review of journal articles, conference papers, books, and edited volumes. To provide a comprehensive bibliography of the academic literature on social innovation, the following available online journal databases were searched: EBSCOhost, ProQuest, ScienceDirect, Web of Science, Scopus, and Google Scholar. The research process is presented in the following figure.

Figure 1: Research model



Source: Author's analysis

As visible in the previous figure, the acquired large amount of data was transformed through qualitative text analysis and converted into understandable explanation of the research phenomenon (Dimovski et al., 2008).

### 2. COMPLEXITY OF THE SOCIAL INNOVATION IN SOCIAL ECONOMY

The global financial crisis between 2007 and 2009 and later in 2010 European sovereign debt crisis showed how short-term profitability mind-sets and related strategies, policies, and actions of politicians, organizations and individuals led to the economic crisis and recession (Dominici et al., 2016; Verick and Islam, 2010). Research provided by Boons et al. (2013) about the sustainable innovation business models and economic performance brought the conclusions that most organizations at that time were operated on business models which were identified as unsustainable. The result of the economic crisis and use of the non-sustainable business models resulted in social exclusion, economic inequality factor and environmental pollution. The question is: with which factors can governance, community and organizations provide social and economic regeneration (e.g. solution how to replace jobs that are disappearing due to technological development, sustainable economic growth) in this transformational time when the world is in the phase of transforming to the social economy based on sustainable consumption governance and non-profit businesses (Blauwhof, 2012; Buch-Hansen, 2014; Murtaza, 2011). Social innovation presents one of the new routes for encouragement of a progress and social cohesion in a postindustrial society of the 21st century; they are focused on the creation of new work places and new business models which are focused on the stakeholders' integration (Herrera, 2016). This approach is suitable for an incorporation in the tourism industry business models because it is going for an inter-sectoral approach which is universally applicable (Mody and Day, 2014).

According to the European Commission (2013), social innovation is defined "as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations".

Previous research in sustainably managed tourism and hospitality industry brought conclusions that sustainable development has a potential to provide employment opportunities, infrastructure and financial gains to marginalized rural communities (Alkier et al., 2015; Butler and Hinch, 2007; Sloan et al., 2014; Zeppel, 2006).

In this paper, the authors will present new approaches towards social innovation in establishing a tourist social economy oriented business model as a response to socioeconomic and technological changes in present time.

Social entrepreneurship in tourism industry comprises social enterprise, social innovation, social venturing, venture philanthropy and social business (Hall, 2014; Germak and Robinson, 2014; Štrukelj and Šuligoj, 2014). Social innovation focuses its attention on the ideas, processes and solutions of innovation with the aim of creating social value – as well as the processes through which they are generated, not just on individuals and organizations (van der Have and Rubalcaba, 2015). They represent an important factor for the live hoods in urban (e.g. Barcelona, Berlin) and rural areas, but neither is adequate when it comes to understanding and creating social change. A social innovation is a better vehicle (Stanford University, 2017).

## 2.1. Challenges of the Social Innovation in Tourism Industry

Tourism as a complex phenomenon has an important role in social and economic development. The progress of tourism in a certain destination includes a multi stakeholder for which it presents a source of economic and social progress and a cause of negative effects at a social, environmental and economic level (Carlisle et al., 2012). This is the reason why the tourism industry should be paid attention in order to ensure sustainable growth, which is represented by the establishment of the innovative environment, which ensures tourism entrepreneurial projects that do not present value added only for the tourist, but also for all the local stakeholders (Gabriel and Laeis, 2016; Pranicevic and Peterlin, 2015).

The following table indicates the positioning of social innovation in tourism within customers (tourists), local community, government, profit organizations, non-profit sector and in the spaces between them.

Table 1: Value added for stakeholders

Stakeholders	Value propositions	Working models based on outdated processes	Post-industrial business model solutions
Tourist	Cognition of locals life background, Leisure	Nature landscape, Travel experiences, Hospitality	Low carbon, Tourism and Hospitality,
Community	Bridging social divides, Equal life standards, Quality of infrastructure	Tourism industry, Community interactions, Public transportation, Traditional education, Traditional culture	Senior citizens reemployment, Life after retirement, Healthy community, Characteristic education system, Culture inheritance
Profit Organizations	Social capital, Lower taxes for creation of new work places, Profit	Cost revenue	Human capital, Corporate social responsibility, Long- term profit
Non-profit sector	Social capital, Revenues from public sources, Revenues from sales of goods and services, Donations	Knowledge transfer	Internet platforms, Social entrepreneurship, Social enterprises
Government	Compliance (taxes), higher rate of employment, GDP growth	Political system, economic politics	Economic development, Tax revenue, Natural land scape protection

Source: author's adaptation according to Peng, K. L. and Lin, P. M. (2016). Social entrepreneurs: Innovating rural tourism through the activism of service science, International Journal of Contemporary Hospitality Management, Vol. 28, No. 6, pp. 1225-1244.

As visible in the previous table, for the stakeholders in the local community, it is influential that new post-industrial business models are implemented in the community, which are built on social entrepreneurship, internet technologies, environmental protection, sustainable tax policies, intellectual capital, charity, education, etc. Only through this, all the stakeholders will be satisfied with the development of the environment and its total offer of which value added depends.

Two interesting socio-economically oriented innovative projects were developed in rural areas in Gambia and Tanzania:

 Gambian project ASSET includes 80 members from tourist private middle, small and micro business, skill centres, community-based tourism, cultural and entertainment and fashion and textile retailing sectors. In this case, they wish to provide a collaborative marketing action between all stakeholders; Sokoine university programme was designed in Tanzania with the aim of transferring knowledge between universities, local firms, banks, government agencies and donor agencies. A collaborative framework was implemented on all stakeholders around a wildlife tourism product. The goal of the universities was to transfer innovation knowledge in this tourism product (Carlisle et al., 2013).

Social innovation solutions in tourism represent an important developmental factor, due to their influence on the transformation of the "customer oriented" perspective into the community oriented" which includes social capital of the community (Petrou and Daskalopoulou, 2013). It is about an important competitive challenge for regions and countries. To ensure environments that enable the development of prosperous businesses and start-up companies all stakeholders should focus on better care for the working environment and the rules of the game, and less on the process (Van Oort and Lambooy, 2014).

Social innovations in tourism industry are connected with diverse disciplines within the area (e.g. destination). This process of connecting different disciplines has emphasized three key dimensions to social innovation (Mosedale and Voll, 2017):

- innovations present new combinations of known factors;
- their practice involves cutting across organizational or disciplinary boundaries;
- they leave behind compelling new relationships between previously separated individuals and groups.

Evaluation of the effectiveness olutions (prototyp)

Oldentification of the new social needs

Figure 2: Social innovation processes in tourism

Source: author's adaptation according to van Cutsem, L. (2015). Social innovation. European tourism for all forum. http://www.oits-isto.org/oits/files/resources/514.pdf

If it goes in the context of social innovation for the processes (figure 2) in case of the social entrepreneurship and social company in tourism, it is going for the organizational forms that are oriented in the non-profit part of the tourism industry excluding both for-profit and public organizations. Both organizational forms cooperate in contributing knowledge as a social capital value and enable development of the new social innovation processes in the field of tourism (Sheldon, Pollock and Daniele, 2017). As it can be seen in figure 2, social innovation in tourism describes the process by which new needs are developed in order to deliver better social outcomes (van Cutsem, 2015).

As visible in figure 2, Social innovations start with the identification of social needs in the environment, followed by formation of a proposal and development of new solutions. Then follows the evaluation of the project, and after the positive evaluation, and finally scale up.

It is more important for tourism to focus on social innovations than on the social entrepreneurship because social innovations allow an analysis of the cultural relationship involved in the adoption of innovation (Pace, 2013). In the process of the adaptation of the innovation, consumers have the option to use new products in different ways that transform social practices associated with the product. In order to achieve this, consumers should be recognized as cultural agents who re-enact culture in the consumption process which can influence on the transforming practices associated with new products (Mosedale and Voll, 2017).

Social innovations became a part of the technological and/or organizational innovations after the year 2008 with the launch of a third industrial revolution. Technological breakthrough which enables the progress of (social) practices in tourism has changed the supply chain of tourist products. The online platforms have re-worked hospitality relationships and tourists get the opportunity to enact their agency and become cultural agents (Sigala, 2015).

Sustainable model of sharing economy has an important influence on launching social innovation in tourism combined with the internet technologies (Roblek et al., 2016). It is going for a social platform and mobile applications that allow things as sharing knowledge, products and services among consumers (C2C), business to customer (B2C) and business to business (B2B).

Commercial Internet Platform Airbnb and non-commercial platform Couchsurfing represent the best known cases for the C2C. The Couchsurfing creates its community where consumers appear (especially if we consider that Couchsurfing is a non-profitable service) as cultural agents (Mosedale and Voll, 2017). New digital technologies encourage the development of online networking as a new social practice (Mosedalle and Voll, 2017). Among the technological social investments that support new business models like the sharing economy it is necessary to mention the following:

- The Calabrian SmartDMO project: a tourism knowledge community platform (Research Italy, 2017): an online platform aimed at providing a new tourist offer, promoting it via the Internet and social media, enhancing it according to the visitor's needs and verifying its appeal, by monitoring and assessing the results achieved. It allows the innovative cooperation among tour operators, local residents and destination management organizations in Calabria. It is enabled for improving the offer, increasing recognition of the local tourist attractiveness as well as generating benefits for all stakeholders involved (community of professionals which can exchange information offline and online with potential tourists);
- Travelstarter platform (Travelstarter, 2017): a global crowdfunding platform that enables people to travel by supporting local tourism and meeting with the local people (C2C);
- Digital Tourism Think Thank (Digital Tourism Think Thank, 2017): is an initiative, which aims at providing thought leadership to the tourism industry (B2B) in digital marketing best practice. It is an analytical platform for the acquisition of new knowledge and it is intended to destinations marketing strategists.

In the second decade of the 21st century, the world is faced with the rapid penetration of digitalisation in human and business environment. New business models are formed constantly in the contemporary tourism industry, and all the participants are expected to know about new technological solutions. Bearing this in mind, in the following chapter the authors will provide some of the key facts why is it necessary to educate people about social innovation in the field of tourism.

#### 2.2. Necessity for the education about the social innovation in Tourism

The technological development has an important influence on the changing business environment within tourism and hospitality industry. The educational providers should be aware that the ability of developing and acquiring the basic concepts of learning about using information and communication technology and computer literacy, play an important role in the personal development and economic and social development of the society (Bisson et al., 2010).

Social innovation is a novel methodological approach which means "innovation in social relations" (Moulaert et al., 2015). By adopting such an approach, institutions offering programmes in tourism and hospitality should be equipped and aim to achieve the following:

- To support tourism and hospitality educators regarding the question how to position education about social innovation in social setting: cross learning and dialogue among researchers and field practitioners need to advance;
- To provide a robust conceptual framework for the on-going re-examination of social innovation within new digital business models (e.g. sharing economy) and social models (social economy);

 To inform about the importance of social innovation for networking between all stakeholders in the community and dynamics and opportunities associated with the tourism and hospitality industry.

#### CONCLUSION

The paper is focused on the explanation of the question; what kind of business model is necessary in Tourism Industry in such a rapidly changing environment with the rapid growth of the economy? Especially if it wants to influence on the development of the destinations and the local area in its vicinity.

The third industry revolution was caused by the technological breakthrough which enables the progress of (social) practices in tourism which has changed the supply chain of tourist products. The online platforms have re-worked hospitality relationships and tourists get the opportunity to enact their agency and become cultural agents (Sigala, 2015).

From the economic point of view, in the case of Social Innovations it is going for more outcome-oriented and related to the "ideas", "services" or new "systemic" transformations and associated social impacts (van der Have and Rubalcaba, 2016).

Technological development is added to the social innovation as connotation of new service solutions. As it has been seen from the theory and practice, in the case of the social innovations it is going both for technological and/or organizational innovations. The importance of social innovation is different and varies depending on the level of socioeconomic development of destinations. In more rural destinations they are more orientated in social solutions and missions. It can be concluded that social solutions in tourism are transferring the innovation knowledge and providing products, services and solutions to the needs of the tourists and community stakeholders.

Social innovation solutions in tourism represent an important developmental factor, due to their influence on the transformation of the "customer oriented" perspective into the community oriented" which includes social capital of the community (Petrou and Daskalopoulou, 2013). It is about an important competitive challenge for regions and countries. To ensure environments that enable the development of prosperous businesses and start-up companies all stakeholders should focus on better care for the working environment and the rules of the game, and less on the process (Van Oort and Lambooy, 2014).

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