Fostering an Innovation Culture in Irish Tourism - A Summary Paper
## Fostering an Innovation Culture in Irish Tourism – A Summary Paper

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1. **Introduction and Context**

Tourism is a key indigenous industry within the Irish economy and accounts for **6% of total employment and approximately 3% of GNP**. Overseas tourism accounts for more than €4.5 billion in foreign exchange earnings while domestic tourism generates around €1.5 billion in revenue.

The short to medium term outlook for the industry is challenging – given the harsh economic climate both at home and abroad. Demand from both the domestic and overseas markets is likely to weaken over the short term and tourism enterprises are also under pressure from higher input costs and tightening credit lines. Despite this, tourism and the hospitality industry in general can continue to play an enormous part in Ireland’s economic growth and has the potential for further significant growth.

However, over and above the prevailing economic conditions, the Irish tourism industry is also dealing with a number of significant challenges. The industry is, by its nature, highly labour-intensive, productivity is low and the potential to extract further productivity gains is unclear. There are structural impediments to the development of the industry due to factors such as the wide diversity of enterprises in terms of size, type of business and location and the seasonal nature of the business. Consequently the industry is especially vulnerable to increases in factor input costs and the international competitiveness of the industry can be quickly eroded.

In recent years, innovation has emerged as a pressing theme for most agencies involved in supporting enterprise development. Indeed, the Tourism Development Programme presented in the National Development Plan 2007-2013 is positioned within the **Enterprise, Science and Innovation Priority**. At a broad level, this priority refers to an expectation that Irish business should become “renowned for the excellence of its research and at the forefront of generating and using new knowledge for economic and social progress, within an innovation driven culture” (p155). Also ‘Building Ireland’s Smart Economy – A Framework for Sustainable Economic Renewal (Dec 2008)’ sets a medium term objective to “establish Ireland as The Innovation Island – by developing the continent’s best research, innovation and commercialisation ecosystem”, and tourism is particularly referred to as one industry which can achieve this.

In a further reinforcement of this theme, Fáilte Ireland’s **Tourism Product Development Strategy 2007-2013** referred to interventions that would encourage “ongoing applied research, support innovation and entrepreneurship in tourism SMEs, and embed a culture of innovation in the tourism industry” (p63).

Whilst the case for an innovation-led approach to product and industry development is a compelling one, the precise nature of any supportive intervention needs to be further explored and refined. It is possible for example that legitimate interventions in the tourism industry could be designed around innovation in terms of product, business process, visitor experience, technology, marketing, networking, learning, back-office, or front-line customer service.

It is likely also in a labour intensive industry such as tourism that innovation in
business practice might be derived over time through an incremental series of behavioural or process adaptations as opposed to a step-change shift in technology or technology applications driven by a large R&D spend.

Following a review of innovation in Irish tourism, a series of workshops were conducted within Fáilte Ireland and with tourism entrepreneurs to learn from their experiences of innovation, to identify obstacles that they encountered and to ascertain what kind of practical supports could facilitate innovation in tourism.

Among the particular elements addressed in the review and the workshops were:

(1) The nature of innovation in a business sector dominated by SMEs and the potential for the application of greater innovation. In the case of tourism, are there barriers to innovation that limit the further development of the industry?

(2) If such barriers exist, do they arise because of the particular structure of the industry, or for other reasons?

(3) What are the respective roles of government, the tourism agencies and industry (trade) bodies in promoting and maintaining a culture of innovation in tourism?

Section 1.2 outlines current tourism performance and the economic environment in which it is operating.

1.2 Irish Tourism

Tourism Performance
At an international level tourism has grown steadily in recent years, however, international arrivals to Europe grew marginally. Ireland experienced steady growth in the early part of the century and has increased its share of international arrivals in Europe.

While overseas tourism to Ireland has grown steadily, the market mix and the type of tourist visiting the country has changed in recent years. The British market, the largest source of Ireland’s overseas visitors, plateaued while Mainland Europe grew strongly, primarily from new sources markets in Eastern Europe.

In the 20th century, the core market for Irish tourism was based around the car touring market which spread the benefits accruing from overseas tourism around the country and across the industry. In more recent years, due primarily to the emergence of low cost airlines, the short, urban break has driven the growth in tourism numbers, particularly from the British market.

The success of the Irish economy in the 1990s and the early 2000s also contributed to the success of the tourism industry with significant growth in the domestic holiday market. However, growth from the domestic market to some extent mitigated the negative impact of the stagnation of the British market and the trend towards urban short breaks.

There are approximately 18,000 enterprises which depend on tourism in Ireland. Apart from accommodation providers, the sector is also made up of visitor
attractions and providers of niche products such as walking, cycling, golf, equestrian activities and angling. In rural areas, in particular, tourism is an important source of revenue for restaurants, pubs and other ancillary services.

Significant investment has been directed at the tourism sector, both from private and public sources. Private investment has been focused largely on the hotel sector – the number of hotel rooms has increased by two thirds over the last ten years. Public funds have been invested to support and improve the Irish tourism product on an infrastructural level, for example, to develop looped walks and cycling routes, jetties and moorings, angling stands and access paths to areas of environmental and scenic interest.

The strength of the Irish economy and the associated high levels of employment had other impacts on the industry. The B&B sector has been in decline, due in some part to the lack of new entrants, as this sector was traditionally based on women working in the home. Well paid employment opportunities outside the home attracted women away from this traditional source of income, particularly in rural areas. At the same time, in other parts of the hospitality industry, the level of participation by international workers grew substantially.

**Economic environment**

As mentioned previously, Ireland has experienced a period of unprecedented economic growth. While economic growth provided wealth and previously unseen levels of employment, it also drove the price of holidaying here up and in recent years, visitors’ satisfaction levels with value for money in Ireland have been in decline.

The global economic shocks of recent times, coupled with the bursting of the property bubble, seriously damaged the Irish economy and had a negative impact on the Irish tourist industry. All of Ireland’s overseas source markets have experienced economic downturns and this will inevitably lead to a dampening in tourism demand. In addition, our own domestic woes are likely to stifle demand for domestic breaks.

2. **Innovation in Tourism**

2.1 **What is Innovation?**

Innovation can be defined as “anything new (to the innovator) put to use”. This definition implies a creation/development component and a commercialisation component (execution). The marriage of these two components is what makes innovation happen. A slightly broader definition was developed by Roger La Salle as “change which adds value”. The implication here is that innovation can emerge through small, incremental changes rather than big “breakthrough” products or technology.

The diagram below, (source: Prof. Breffni Tomlin, UCD) shows how much innovation is based on improvements or additions to existing products (as much as 52%). Very few innovations result in products which are truly new to the world. This diagram could equally be applied to business processes.
Products which are new to the world can often take many years to come into common usage, tend to be high risk, high cost and to depend on other innovations to make them viable. For example, although the internet was originally developed in the early 1970s, it was innovation in the development of affordable personal computers and high speed telecommunications which made it such a phenomenon from the 1990’s onwards.

**Innovation can be categorised in three broad strands:**

*Product Innovation:* this relates to the development of new products and can be high risk, involving heavy investment in resources, both financial and human, for example, the Eden Project in Cornwall.

*Product Improvement:* This is less risky and may need less financial investment; it involves improving systems and products, for example, the development of the Brú na Bóinne Visitor Centre.

*Process Improvement:* This type of innovation usually involves little or no risk and it is about changing the way we do business, for example, integrated ticketing offered through the Dublin Pass, which is a ‘passport’ to Dublin offering free entry to 27 attractions, fast track entry to attractions, free airport transfers, map, guidebooks and discounted offers for an all inclusive price.

**2.2 Tourism and Innovation**

Many of the theories regarding innovation are based in industrial and technological contexts. They relate to tangible products and hard business and operating processes and tend to be geared towards large enterprises and mass manufacturers.

Innovation in tourism however, demands its own special treatment as it is primarily a service industry with particular characteristics. It is highly fragmented, diverse,
seasonal, intangible and comprised primarily of SMEs.

According to Trott (1998) innovation is social as ‘not a single action but a total process of interrelated sub processes. It is not just the conception of a new idea, nor the invention of a new device, nor the development of a new market’. What some classify as innovation, others may dismiss as imitation or adaptation of existing knowledge or ideas. True innovation in tourism businesses is nebulous and often inspired by external forces such as changing customer needs, demographics, technology, government policy, environmental conditions or social imperatives. It can take the form of product, process, management, logistics or institutional innovations (Hjalager, 1996) and may be disruptive or an incremental process (Schaper and Volery, 2007).

2.3 Why Tourism needs to innovate

There are many reasons why tourism needs to innovate. Globalisation, fragmentation and ever decreasing product life cycles have created major challenges for mature tourism destinations such as Ireland. Emerging tourism destinations have a novelty value and in many cases, have lower input costs as a result of being located in less developed economies. Continuous improvement is required to counteract innovation by competitors in terms of product quality, and visitor satisfaction. It is also key to maintaining and growing average visitor spend and regional distribution. With so many destinations to choose from and rapidly changing consumer tastes, it is important to constantly adapt the product offering and to find new markets.

The tourism industry is one of the least productive sectors in the economies of most developed countries. Low productivity sectors such as tourism tend to find it difficult to attract investment and highly qualified staff. There is a good reason for the lack of productivity in tourism as it is, by its nature, highly labour intensive. This is particularly true of Ireland’s tourism industry, as the friendliness of our people is a key attraction for potential visitors. Our visitors tend to seek destinations and activities while on holiday here which provide opportunities for interaction with people. This reliance on the person-to-person interface between the host and the visitor will mean that innovations that are taking place in some sectors of the economy, and indeed in some processes in the tourism industry, such as on-line or self check-in at airports, will not be acceptable to the visitor in other aspects of the tourism industry, such as hotels.

New ways of increasing labour productivity, including reducing material and process costs can improve competitive advantage in an environment of falling demand. Increased regulation, for example, in the area of environmental impact can be potentially detrimental to competitive advantage due to the costs that compliance with such regulation can mean for individual businesses. However, ways of reducing energy and water consumption and tackling waste can offset many of the costs relating to such regulation. Improved environmental processes can offer competitive advantage both in terms of cost reduction and also in the creation of further marketing opportunities, for example, for businesses who wish to appeal to the ‘ecotourist’. Increased regulation can also offer product development and marketing opportunities (see case study on Sheep’s Head).
Assessing the current innovation landscape in tourism and the requirements for driving innovation

Innovation in tourism has tended to be quite passive. Generally external factors (such as web technology) imposed changes on the industry. The lack of proactive innovation in tourism may be due to the nature of the industry.

The tourism product is not like an industrial product, it is made up of a series or “bundle” of experiences which are unique to each consumer. From the moment the visitor leaves home until they return, they have experiences travelling to the destination, their accommodation, where and what they eat, etc. Hall and Williams (2008) in ‘Tourism and Innovation’ highlight how innovation in services can be the way in which they are ‘bundled’ and novel ways of linking service components to create value for the consumer.’ The tourism experience is an intangible, and requires the active participation of the consumer. Furthermore, it is highly perishable, for example, hotel rooms or airline seats on a given day cannot be stored to be retrieved when required. Also, the tourism industry is very complex, ranging from large hotels which may be part of global consortia to one-person operations. Each element makes a contribution to the uniqueness of the Irish tourism product. In addition, tourism is very sensitive to external factors as it is woven into the societal fabric of a destination. It is impacted by any economic, infrastructural or societal changes which may occur.
The intangibility of the tourism product and its sensitivity to external factors makes tourism innovation a very complex question. Programmes such as “Family Fun” or “Get Out There” are innovative projects which form part of the picture.

**Family Fun Project**
This is a collaborative project between Fáilte Ireland and local tourism providers in a number of traditional family resort areas to specifically target the family market to these hubs. Established two years ago in the pilot South East area of Tramore, Dunmore East and The Hook the initiative has now been extended to North Wexford, Ballybunion, Youghal and Bundoran. The project highlights these areas’ status as family friendly destinations and emphasise everything there is to see and do for all the family.

The objective is to grow year round business by providing a holiday for the family that measures up in every way. Participating family fun tourism businesses have committed to providing a particularly warm welcome and friendly service to families with children, and to do all they can to make their time in the area as enjoyable and memorable as possible and includes wealth of activities and attractions, both outdoors and indoors, which are available for all the family.

All holiday concerns participating in the initiative will display a ‘Family Friendly’ symbol and customer charter prominently in their premises.

**Get Out There! Project**
In 2007, Fáilte Ireland launched a pilot adventure holidays initiative in the areas of Bantry & Killarney. The aim of the project is to work with local tourism operators to realise the full potential of the area and make it famous for adventure holidays. The guiding principle behind this initiative is that all participating tourism operators and their employees make it a priority to deliver an outstanding adventure holiday experience, and understand the importance of a positive attitude and an imaginative approach to exceeding expectations. This presents a great opportunity to develop the area, increase visitor numbers and grow revenue for all.

The project is to be rolled out to other areas in the broader Western Seaboard, ultimately to advance the quality of the adventure holiday experience that is delivered in the nominated hubs.

More adventure hubs are to be developed in:
- Dingle
- Connemara
- Westport
- Achill
- Sligo

Research which was conducted in 2007 determined a hub to be an area ranging from 35-45 kilometres in diameter, which would have a wide variety of activities available and the appropriate supporting infrastructure. Developing an area with diverse activities, adventure friendly accommodation and supporting infrastructure has been identified, by Fáilte Ireland, as a priority in order to meet the needs and wants of adventure tourists.
The complexity of the tourism industry and the fact that it is a service industry means that innovation needs to be defined and tackled somewhat differently to innovation within a manufacturing or technological base. Fáilte Ireland’s research into the nature of innovation in tourism clearly established that innovation within Irish tourism is diverse.

While tourism innovation takes place at enterprise level, it is either supported or hindered by a myriad of external factors and agencies. Successful tourism innovation is dependent, not only on the capabilities of the entrepreneur but on the roles, policies and influences of external agencies as well as changing consumer tastes and expectations. In Irish tourism, these external agencies can be broadly categorised as follows:

| Government (Dept of Arts, Sport & Tourism, Dept of Environment etc) | Tourism / Development Agencies (Fáilte Ireland, Tourism Ireland etc) |
| Academic Institutions (UCD, WIT, DIT, etc) | Industry (providers, marketing groups, trade bodies etc.) |
| Support Agencies (Enterprise Ireland, County Enterprise Boards, LEADER, Shannon Development, etc.) | Other (Semi) State Agencies (Coillte, Marine Institute, CFB, Comhairle, etc) |

_Fig 2. (Source: Developing an Innovation Culture in Tourism)_

This could be described as Ireland’s Tourism Innovation System. How the players within this system integrate influences how enterprises operate, and the extent to which they have the opportunity to innovate. Fáilte Ireland’s role within the system is a catalyst and facilitator, bringing other players together, fostering relationships across the system and bringing tourism interests to the fore among agencies not directly involved in tourism in order to create the environment which stimulates innovation in tourism enterprises.

Funding of innovation through government agencies can be problematical. Due to corporate governance requirements, there is an expectation that state funds should be spent with a minimum of risk yet the nature of innovation is that it is based on
risk. Fáilte Ireland is responsible for investing exchequer funds in tourism through capital grant programmes, enterprise supports, leisure tourism, business tourism and festivals. It is vital to ensure that this investment is directed to the most appropriate supports for the industry.

For innovation to flourish, a culture which encourages creativity and risk taking must exist. Fáilte Ireland’s analysis indicates that innovation cannot be fostered through the publication of a report, the establishment of a stand alone “innovation centre” or an innovation department within Fáilte Ireland or another organisation. Two major factors drive against the establishment of such institutions:

- Generally, stand alone innovations centres are a function of industrial innovation and exist to independently develop and test new product in a safe, low risk environment. However, as discussed previously, the tourism product is intangible and service based and to a large degree is tied to its geographical location. It cannot be tested in the same way as an industrial product.

- Innovation takes place at enterprise level. It is not the role of the State or its agencies to innovate but to facilitate innovation. The establishment of an innovation centre or, indeed, an innovation unit devolves the responsibility for innovation away from the entrepreneur, and indeed all the players in the system, to a third party. This can be detrimental to the creation of an innovation culture in which all players are open to the support and facilitation of new ideas.

Given the current challenges facing the tourism industry in the short to medium term, it is critical that all the enterprises within tourism make every effort to find a niche within the market place. Innovation is not something which can only be left to larger enterprises, it must be undertaken by the industry overall.

In order for the innovation system in Irish Tourism to work effectively, three drivers must operate simultaneously as illustrated below:

**Requirements for Driving Innovation in Tourism**
**Direction**

There is a role to be played by government and its agencies to provide direction to enterprises. The development of strategy and public policy can create an environment which fosters innovation. Agencies with a tourism remit have responsibility to advocate on behalf of industry members. This can be in terms of reviewing regulation and/or bureaucracy which can stifle the development of new ideas or new ways of doing business.

It is not a role purely for the arms of government directly related to tourism but also the wider government for example for agencies with responsibility for fiscal and environmental policy. To this end, tourism agencies must advocate a pro-tourism position among other agencies within the State, eg, OPW whose primary role is preservation and conservation.

The voice of the consumer, their needs and future needs and desires are also vital in providing direction for enterprises seeking to successfully innovate.

**Motivation**

The population of innovators tends to be small. They tend to be highly motivated and ambitious and have the confidence, capability and persistence to push their ideas to fruition. While they are risk takers, successful innovators take calculated risks and have the vision and determination to see their ideas through.

Some of the key drivers of innovation include the following: competent and committed management along with strong business values and vision, supplier and staff information management, awareness of barriers, and the need to survive.

Enterprises need to be motivated to innovate rather than tread water. There needs to be a hunger and ambition to improve their business and work more efficiently. Innovation may be required just to sustain the business. It is important to communicate to businesses that taking the time and making the effort to innovate will improve margins and help enterprises through the challenging times.

Hall and Williams (2008) outline the following as the key drivers of innovation:

- Competition
- Economic performance
- Demand
- Technology
- Firm-level strategy and resources
- Individual entrepreneurship

Enterprises should try to identify champions of innovation within their company/organization. These are the individuals who have the appropriate characteristics and motivation to successfully form a ‘community of innovation’ network. Forming such a community will potentially trigger more innovations. Innovation depends on the individual and collective expertise of employees, and is characterized by an iterative process of people working together building on each other’s creative ideas. Revolutionary innovations result from the creative combination of ideas, people and objects rather than flashes of brilliance by lone
inventors. The generation of new ideas that activates innovation is facilitated by diversity and breadth of experience. Communities, it is therefore argued, are one of the supporting organizational forms for innovation. Communities are the places for developing new practices, new services and new products. These people don’t necessarily work together every day, but they meet because they find value in their interactions. ‘Communities of Innovation’ develop their shared practice by interacting around problems, solutions, and insights and building a common store of knowledge. Having dedicated ‘innovation champions’ is pivotal to innovation success and must be supported in their efforts and integrated into the mainstream of organisational activity.

**Barriers to Motivation**

*Shortage of resource*
Given that the majority of Irish tourism enterprises are SMEs, owner/managers often have a variety of roles within the business and day to day operations take up all their time and energy. Business pressures afford the SME owner/manager little opportunity to stand back, analyse their own business and identify areas for improvement. Business pressures can force decisions to be made for just the short term and investments made to maintain the business rather than to grow it; however this may be counter-productive in the long run.

*The focus of the industry is narrow and inside out*
While many SMEs have in-depth knowledge and expertise in terms of their current business and customers, their focus tends to be in the immediate rather than the longer term. There can be a lack of understanding of the need to look to the future and the changing consumer and a lack of insight into what is happening in other markets. Benchmarking tends to take place at a local level rather than on an international level and insight tends to be about existing customers rather than potential customers.

*Lack of capability/experience of tourism innovation*
Many SME owners/managers have little formal business training and in many cases, are unaware of what is available in terms of training and advice or don’t know how to access such support. In addition, internal focus on the business can lead to a lack of awareness of emerging consumer tastes and trends and can leave the business at a competitive disadvantage. Lack of business training and experience of innovation within the industry can undermine the confidence needed to tackle change.

*Lack of accessible, insightful information on consumer trends*
In order to innovate, enterprises need to be aware not just of their current market and competitors but also of the changing needs of consumers. Insight is necessary to adapt products and marketing to the changing consumer and to identify emerging consumers. Achieving such insight can be done on a number of levels, at enterprise level, at competitor level and at agency level.

While substantial information is available on the consumers of the Irish tourism product, information is limited on changing consumer needs and future trends. Research also indicates that many SMEs feel that the information is not tailored to their needs. While such information does exist, the challenge is to communicate to the industry in ways which are meaningful to them.
Lack of networking/collaboration
People, as customers or operators, are at the core of innovation in tourism. Therefore, networks are critical and the social and cultural environment has to be supportive of innovative ideas and opportunities if they are to be realised. Traditionally many tourism SMEs have been reluctant to share information with similar establishments in their areas. While much progress has been made to increase collaboration and networking among tourism enterprises through vehicles such as the Tourism Learning Networks and co-operative marketing, there can still be resistance among such businesses to work with what they perceive as their competitors. In many cases, SMEs tend to look to larger tourism enterprises in their area to bear the risk of innovation rather than sharing such risks across the enterprises in the locality.

This lack of networking and collaboration between enterprises can stifle innovation as they do not get the opportunity to see how other businesses operate. Innovation in business often arises through networks rather than individuals. To ensure new perspectives, it is often desirable that networking and collaboration go beyond the obvious internal participants and embrace others, such as customers, suppliers and higher education institutions.

Innovation in tourism will often occur in the overlap with other industries, such as agriculture, fishing and culture. However the tourism businesses themselves must take responsibility for establishing and developing co-operation and networks on the basis of geography, business areas and with other industries. In Norway the Government requires that innovative tourism projects that receive public grants via Innovation Norway must be collaborative and/or network projects.

A key message is that innovation does not necessarily require significant capital investment, for example staff roles can be analysed to determine what efficiencies can be gained. New staff in particular can bring ideas on efficiencies or new ways of doing things and this can be a way of introducing innovation into the workplace.

Key to the innovation process for SMEs is that it should be incremental – there should be constant testing of the idea at each stage before further investment is made.

Facilitation and Support
For innovation to contribute to the development of any sector it is necessary to identify ideas which will work and not waste resources on those that won’t. It is then necessary to provide the means for those ideas to be executed.

For innovation to be successful and to ensure that the risks associated with innovation are minimised, there are several areas where enterprise managers can be assisted to bring their ideas to market:

- Market testing/piloting of ideas
- Business planning
- Project management
- Technology
- Training
- Marketing
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- Advocacy
- Funding
- Change Management.

Investment is important, not just in terms of direct funding but in the development of infrastructure to support new businesses and ideas. Assistance is available from a variety of agencies and bodies such as Fáilte Ireland, Enterprise Ireland, etc. Agencies have a tendency to be risk averse with regard to funding for innovation and tend to favour incremental innovation rather than more radical options. This is due to the fact that agencies are accountable for their use of public funds. There is also a lack of expert support in certain areas, for example, concept development/piloting, change management and planning of innovation.

To support enterprises, the state agencies, Fáilte Ireland and Tourism Ireland should:
- Actively communicate and update the industry on all supports offered.
- Communicate supports available from other sources and agencies - local authorities, county enterprise boards, LEADER, Enterprise Ireland, etc.
- Not be overly bureaucratic and rigid in how they provide support.
- Streamline criteria and procedures in the provision of grant aid.
- Provide a range of levels of grant aid, depending on the size of the enterprise.
- Give suitable advance notice of funding availability.
- Guide enterprises in completion of applications for funding.
- Give feedback on funding applications.
- Provide a timely response to applicants on the success or otherwise of their application.
- Be transparent and clear on the decision process.
- Provide guidelines for the drawdown of any grant assistance in advance.
- Be proactive in supporting and championing tourism enterprises in new ventures.

4. The Way Forward

The previous section outlined the requirements of a functioning innovation system and the blockages which currently exist. For an innovation system to work, the following is required

- **Clear goal definition and a need for strong alignment of actions to goals:** This is primarily a role for government, agencies and industry leaders. In preparing the economy for recovery it is recommended that increased policy attention be paid to measures to enhance productivity and innovation. Times of economic downturn can often nourish the entrepreneurial spirit and this can be stimulated by economic measures designed to boost the economy generally. Measures such as tax breaks can greatly assist start-ups or adaptations.
- **Good communications and access to information:** It is vital that all the industry not only participates in the development of strategy but also understands and buys into it. Relevant information and market intelligence is crucial to successful innovation.
- **Adequate resources:** Demand has fallen and many businesses are under pressure with shrinking cash flow and tightening credit lines. The level of
financial resource available for innovation will be limited and value for money will be a key criterion in the provision of funding and therefore funding agencies may become more conservative. Thus it is all the more important that espousal of innovation is embedded in all the supports that Fáilte Ireland provides, rather than any stand alone department or funding scheme.

- On an enterprise level, SME’s that are struggling to sustain their businesses may find it difficult to allocate the time and resources to innovate. The challenge is to assist enterprises to examine their businesses as part of their operational activities and to realise that innovation is vital to maintaining a sustainable business.

- Business start-ups in a time of economic crisis can often be successful as they have no inherited overheads and can grow as their business grows. In addition a shortage of resources often inspires people to find creative solutions to challenges as they arise. They are more flexible and can be more cost effective (see case study on Causey Farm).

### Causey Farm, County Meath

Causey Farm is a good example of a business which has grown as their business grows. In 1998, the project started by putting together a programme of activities which were cheap to provide and which could be charged for – the motivation was to generate additional income for the farm.

Causey Farm is a working farm, run by Matt Murtagh and his family, so it was not feasible to give children free rein on the property. As a result activities were based in the local community hall and children brought to the farm for a tour. All activities take less than half hour in order to keep the children engaged. In 1999 activities moved to the farm when toilets were installed. In 2000 a summer camp was established for local children and in 2001 the “Be Irish for a Day” programme was introduced for overseas visitors. This involved set dancing, bodhrán lessons, baking bread, etc. A bus was run from Dublin – however it did not take off and the second year was no better. In 2003 an organised a pick-up from Kells was arranged and they got a lucky break when 800 US teenagers used the programme. In the same year, Matt’s wife took over as accountant and put a structure on the business. As the level of activity increased another farm was purchased allowing the second farm to be run exclusively as a farm while the first operated as a farm with activity programmes.

In 2004, a Halloween Event was devised and 2,000 plus attended. The programme included a witch school, broomstick ride, etc. and at 8.00 pm an adult event took place.

In 2007, two new events were introduced. A Fairy Weekend was organised in May with pixie disco, maypoles, wand-making, etc. and a Christmas Event brought 30,000 plus visitors. In the same year they also developed some team building events and a package was developed with Headfort Arms Hotel. Another development for wet days was a refurbished shed for set dancing.

All money spent to date on the business has come from the business. Causey Farm is a classic case of building a business incrementally.
To conclude, it is the responsibility of the entrepreneur to innovate with appropriate supports from the State and its agencies. The supports which Fáilte Ireland provides are outlined under the three headings – Direction, Motivation, and Facilitation

**Direction**
It is essential that motivation, inspiration and facilitation operate within a supportive national framework – a national tourism innovation system. This can be provided by ensuring that tourism interests are well represented at national level and that the tourism voice is heard with regard to issues which impact the product. In addition, the importance of tourism as a key driver within the Irish economy needs to be highlighted at governmental level.

**Motivation**
The key to motivating enterprises to innovate is education about the benefits of innovation, primarily in terms of the bottom line. In many of our case studies, for example at Ballyknocken Guesthouse and Cookery School, the rationale behind innovation was to ensure the profitability of the business. Clear, actionable innovation processes should be communicated to SME’s in order to provide a platform to help them innovate. The benefits of innovation should be demonstrated to government, representative bodies and industry or potential industry players through economic impact assessments.

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**Ballyknocken House and Cookery School**

*The family business is over 40 years old and was originally a B&B with an important walking product. However the market was in decline and so Catherine Fulvio, the second generation owner, trained as a chef and upgraded the property to a 4-star guesthouse. Being from a hotel industry background she felt that a guesthouse would have more opportunity to avail of the services of the Irish Hotels Federation.*

*After a year in operation Catherine realised that an additional revenue stream was needed and developed the cookery school which opened in 2004. The cookery school is state of the art, with large seating and hands on capacity. This received a Cordon d’Or Award in 2007. Catherine develops new courses on an ongoing basis in response to customer demand. Example of courses include: “Gourmet Cooking on a Budget”, “Children’s Chocolate Workshop” and “Kitchen Essentials”. The cookery school now drives 20% of revenue and helped make Ballyknocken a successful business.*

Motivation is not enough to stimulate innovation within the tourism industry. Providing examples of successful innovation to tourism enterprises generates inspiration on ways to innovate. Such inspiration can be conveyed through a variety of means, by disseminating relevant case studies of innovators and celebrating successful innovation within different sectors of the industry. For example this could be achieved by offering media profiling for best practice businesses such as on the ‘The Apprentice’ television programme, in Fáilte Ireland’s Tourism Matters or...
showcasing them at regional roadshows. An 'Innovation Dinner' for innovators, Fáilte Ireland staff and academics would help to capture lessons learnt, obstacles encountered and supports needed.

Giving product providers the opportunity to benchmark themselves against similar enterprises in terms of innovation and providing consumer insight and predicting future consumer trends establishes a base for innovation. At an enterprise level, giving staff an opportunity to air ideas based on job experience and learning from new entrants to a business, perhaps from outside the sector, can also stimulate new ideas on adapting products or business processes to maximise efficiency (see case study on Westport Woods Hotel). Fáilte Ireland must provide a platform to capture these ideas and support operational environments which are conducive to thinking in this way, to trying new things and to taking some risks.

Hall and Williams (2008) recognize that innovation is the process of applying new forms of knowledge. It is more than information because it involves elements of interpretation. They highlight the need to recognize that knowledge resides in individual workers, or groups of workers. Effective companies, or so called ‘learning organisations’ seek to capture and share this information within the company. One of the greatest challenges facing any organization is the management of knowledge transfers. A ‘learning organisation’ is one skilled at creating, acquiring and transferring knowledge, and at modifying its behaviour based on knowledge and insights. New knowledge creation can occur as a result of insight or inspiration from within the organisation; or it can be provoked by external influences through expanding and/or relaxing organisation boundaries. In other words a learning organisation is one that has ‘learnt to learn’.

In practice this means implementing the necessary mechanisms to support knowledge creation and transfer. It means making it possible for employees to make suggestions about innovations or about how to improve practices within the organization. An innovation organization will have a well designed system of knowledge management that encourages internal knowledge creation and transfer. Effective innovation requires more than just a favourable environment within the company. Innovation also requires effective external linkages to enhance learning and knowledge transfer.
Westport Woods Hotel

It was a business decision to go the ‘green route’ with the hotel. The ‘Going Green’ hotel environmental policy is designed to improve energy usage. The aim is to provide the most environmentally friendly atmosphere for employees, guests and business partners. Best practice is continuously developed in the management of energy, waste, water and recycling.

The ‘greening’ of the hotel started with the ‘Cleaner Greener Production Programme (CGPP)’, which was set up by the Irish Hospitality Institute and part funded by the EPA. The CGPP developed into the Green Hospitality Award (GHA) and the Westport Woods Hotel was one of the first hotels in Ireland to achieve the Gold standard in GHA. By September 2009, 81 hotels in Ireland have achieved the Green Hospitality Award with about the same number again registered with the GHA and working toward achieving the award. Participation in the programme has been economically advantageous. The Westport Woods Hotel has used it as an effective marketing tool providing PR benefits. The Hotel has featured on Eco Eye and Our House TV programmes. In addition, Coillte and Teagasc have used the hotel as a conference venue.

The hotel is also involved in the Optimus Best Practice programme, which addresses business processes and measurement of costs. It is beneficial as it provides the opportunity to involve staff, enabling them to understand costs. However more help is needed with real benchmarking/best practice. Key Performance Indicators are required for best practice and profit motivators e.g. information on marketing spend.

Some of the key initiatives introduced at the hotel include the following:
- A timer has been installed on the ice machine to benefit from night time electricity rates.
- The leisure centre is powered by the exercise bike power.
- Pool plant management (SEI booklet) has been implemented.
- The installation of lighting controls, such as motion sensors, has led to CO2 reduction. In addition, the hotel uses LED lights and CFL bulbs.
- In 2007, wood chip boiler was installed. A deal has been negotiated with Coillte to source chip from local suppliers (embodied energy – the more local you can go the better).
- The hotel sources its electricity from Airtricity (85% wind power).
- The hotel has commissioned GMIT to conduct wave energy research.
- The hotel is designed to include energy efficient features, e.g. south facing windows.
- A solar cabin has been constructed on the hotel grounds sponsored by LEADER.
- The hotel undertook a SEI bio project. The net cost was €91k and the project has generated annual savings €18.5k on heating and hot water meaning there will be payback on the project after five years.

The key to the success of the ‘green programme’ is training staff. Heads of Department meet once a week to discuss ideas and green issues as well as other matters. It is estimated that these meetings generate several hundred ideas each year from team work. The General Manager also spends time reading, learning and listening to people in an attempt to find new ways of innovating in a highly competitive environment.
Facilitation and Support
The most successful organisations are those that anticipate and adapt so as to turn change to their advantage. Innovation in the workplace is a critical part of the overall search for innovation at national level. Developing innovation and technology depends as much on improving the ability of workplaces to change and innovate as it does on research and development.

Enhancing the existing framework of networking with a focus on dissemination of good practice and know-how within and across the industry will contribute to the creation of a climate of innovation.

Support in the early stages of business development helps fill any gaps in the skill set. It is therefore important to provide and communicate what supports are offered such as strategies and certification, training programmes, workshops, seminars, mentoring services, e-business developments, succession planning, etc. Fáilte Ireland offers a huge number and wide variety of supports to the industry ranging from product strategies to training programmes, workshops and familiarisation trips to Optimus, a quality programme for supporting best practice in the industry. Enterprise Ireland, FAS and LEADER, amongst others also offer a wide variety of business supports. In some cases businesses may need a mentor to address different aspects of their business.
**BizCheck – Business Mentoring & Advisory Service**

Introduced in 2009, BizCheck - Fáilte Ireland’s Business Mentoring & Advisory Service provides one-to-one practical advice across a wide range of areas critical to business success.

Open to all tourism businesses the service introduced free BizCheck Clinics in the second half of the year to make it as easy as possible for businesses to access help and support.

Some examples of the work carried out include;

**Rathsallagh House Hotel, Wicklow**

Rathsallagh is a large country house with 29 rooms set on 570 acres. The BizCheck programme led to a reduction of 7% in food costs. Purchase sheets were introduced and processed were improved across all food ordering departments. The hotel consolidated its suppliers and negotiated better prices with them. Payment systems were also improved.

**Vagabond Tours, Wicklow**

Vagabond is small group multi-activity and cultural adventure tour organiser. The owner is in a position to grow the business and a mentor is assisting with the completion of financial projections with realistic assumptions based on historic trends in his business and future outlook. This will help the owner to decide on the direction of the business.

The owner is also working with a marketing mentor on new product development, segmentation, PR and networking opportunities. Distribution channels will be reassessed and sources of growth for the next two years are being examined.

**Outdoors Ireland, Kerry**

Outdoors Ireland is an outdoor adventure and training company. In this case, the focus of the mentoring was around better utilisation of social media and advice on the website design. The business implemented email marketing and SMS messaging and is now using Twitter, blogs and Facebook on the website. The website itself has been redesigned and Search Engine Optimisation work has been completed.
It is also important to develop close ties between the workplace and the education sector and to have greater involvement and utilisation of the local institute of technology in researching, mentoring and development (see case study on Fáilte Ireland South East and Waterford Institute of Technology). Networking opportunities should be provided for the tourism industry to meet with local academics. Also the Institutes of Technology (IT) could have more engagement with the tourism sector if Failte Ireland regional boards invited the presidents of the local IT’s to discuss how to work together to support innovation in the industry. Placement role switching between academics and Failte Ireland staff and Failte Ireland staff or academics into tourism enterprises could also provide useful insights to business development. A culture of life long learning should be encouraged and post training support should be available.

**Fáilte Ireland South East and Waterford Institute of Technology**

An example of good involvement and utilisation of the local institute of technology in researching, mentoring and developing the tourism industry at a local level is provided by the working relationship which Fáilte Ireland South East has with researchers from the RIKON Group, School of Business, Waterford Institute of Technology Business School.

The Institute are actively involved in applied research for FI South East, in facilitating engagement with the industry, such as running workshops, and in post-mortem work such as documenting a best practice model on how to develop and manage tourism destinations.

They are currently researching how tourism hubs can be key drivers of competitiveness for Irish tourism and how they should be developed and managed. They are looking at Wexford and Waterford in terms of the development of city destination hubs and how the city must be developed in a holistic manner to meet consumer demand.

FI South East currently has a Masters Student from WIT looking at best practice in terms of collaborative innovation in the tourism hub of the Glen of Aherlow. They also intend to use a graduate student to assist in developing the Heritage and Culture Ireland East programme.

Other co-operative initiatives include a market research project to monitor visitor satisfaction levels with Kilkenny and an Interreg funded project on the development of the Comeragh Mountains as an outdoor activity park.

Where funding is available to support innovation and business development, consideration should be given to developing an innovation voucher system to buy in expertise e.g. local institutes of technology; consideration should also be given to providing more flexibility for funding projects particularly for supporting smaller scale projects than have been funded heretofore or to fast tracking programmes for projects with particular obvious potential.

Edquist (2006) in Hall and Williams (2008) also outline the number of State (or semi-State) activities that may be undertaken within innovation systems. They identify ten activity areas (see Table 1.1).
### Table 1.1: State activities in innovation systems

<table>
<thead>
<tr>
<th>Activity</th>
<th>Example</th>
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</thead>
<tbody>
<tr>
<td>1 Provision of research and development and the creation of new knowledge</td>
<td>State support for the creation of new knowledge primarily occurs in science and technology sectors such as engineering, health and medicine and the natural sciences. In tourism, market research may be supported by the state.</td>
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<tr>
<td>2 Competence building through the provision of education and training, creation of intellectual and human capital</td>
<td>Often primarily focused on the supply of labour for innovation, and R&amp;D activities, but may also be broadly focused on education, skills and training systems.</td>
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<td>3 Formation of new product markets</td>
<td>Governments are often involved in supporting marketing initiatives. Tourism is an economic activity in which marketing is supported by the state on a number of different scales.</td>
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<tr>
<td>4 Articulation of quality requirements</td>
<td>National and international standards may be developed with respect to quality. In tourism the relative quality of accommodation and attractions is often expressed through government supported accreditation systems or via national regulation.</td>
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<tr>
<td>5 Creating and changing organisations</td>
<td>Undertaken by programmes and policies designed to enhance entrepreneurship and intrapreneurship, R&amp;D organizations and policy agencies.</td>
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<tr>
<td>6 Networking</td>
<td>Support for the development of networks and clusters to encourage learning between different organizations.</td>
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<tr>
<td>7 Establishing and changing institutions</td>
<td>Creating and revising laws with respect to intellectual property rights, tax, R&amp;D investment, health and safety and the environment.</td>
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<tr>
<td>8 Incubating activities</td>
<td>Through provision of access to facilities and administrative support. For example, by conveying knowledge about incubation spaces, government activities and support, and matching firms with potential partners.</td>
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<tr>
<td>9 Financing of innovation processes and other activities</td>
<td>Financial support may be utilized to encourage commercialization of innovations and the adoption of ‘bright ideas’.</td>
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<tr>
<td>10 Consultancy services</td>
<td>Services may include advice on technology transfer, commercialisation, market information and legal advice.</td>
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</table>
Conclusion
The Irish tourism industry offers further potential for growth. Innovation in tourism does not have to be the eureka moment, rather in an industry comprised mainly of SME’s, innovation is more likely to be incremental. True innovation in tourism businesses is nebulous and often inspired by external forces.

However, to achieve this growth there must be ongoing dialogue between industry players. They must be motivated, educated and supported, as innovation occurs at enterprise and local level. Fáilte Ireland must therefore position itself to drive and facilitate innovation among tourism enterprises.