

# Research on driving forces of service innovations in tourism enterprises--a case study on a tourism group in east China

Yanli Bao\*, and Hefeng Hua

Wuxi City College of Vocational Technology, Wuxi, China

**Abstract.** This article uses case study of a very famous tourism enterprise in China to explore what motivates tourism enterprises to implement service innovations. On the base of literature review, through semi-structured interviews, on-site observation and secondhand data, driving forces of service innovation in Chinese tourism enterprises are concluded by data analysis. Major internal driving forces include development vision, enterprise leaders, and organizational culture. Major external driving forces include changing demand of Chinese residents, demand of the local government to enhance municipal influence, competitive pressure of surrounding attractions. These internal and external forces motivate Chinese tourism enterprises to carry out service innovations continuously to satisfy tourists' demands.

**Keywords:** Tourism enterprises, Service innovation, Driving forces, Wuxi Lingshan Cultural Tourism Co., Ltd.

## 1 Introduction

In recent years, a growing consensus recognizes that service innovation is a key driver for a country's social-economy [1]. In China, with the continuous improvement of people's living standards and the increase of disposable income, tourism industry has developed rapidly. China has entered the "innovation" era. More and more tourism enterprises are trying to achieve development through service innovation. Leaders of tourism enterprises have to make sense, plan, and interpret outcomes accurately of implementing service innovations [2]. It is urgent and just at its time to research on service innovation of tourism industry in China.

Previous studies have indicated service innovation is an important competitive strength and a key competitiveness factor [3]. In tourism industry, many studies show service innovation can improve customer satisfaction and loyalty [4], improve sales volume and financial performance [5], and create market barriers for competitors [6].

However, some scholars have found that innovation does not help the promotion of enterprise performance [7]. Moreover, tourism innovation has its own particularity and

---

\* Corresponding author: [sarah1826@126.com](mailto:sarah1826@126.com)

complexity, which brings great challenges to researchers. “Tourism innovation” should take into account the particularity of the production and sales of tourism products, namely, simultaneity of production and consumption, participation of consumers, invisibility of service, and integration of various services [8]. Hjalager pointed out that due to the comprehensiveness and relevance of tourism industry, innovation is often the result of joint efforts of all stakeholders [9]. Therefore, it is difficult to study the service innovation of tourism enterprises.

This paper analyzes the driving forces of service innovation in Chinese tourism enterprises. For the doubtful idea, this study hopes to test whether or not service innovation has a positive effect on performance through China’s tourism industry. By comparing with the existing research results, this paper will contribute to the theory of service science.

## **2. Literature review**

### **2.1 Service innovation**

Service innovation mainly refers to the application of new ideas and technologies in the service process to improve and change the existing service processes and service products, improve the existing service quality and service efficiency, expand the service scope, update the service content, increase the new service items, create new value for customers, and finally improve competitiveness of enterprises. The process of service innovation includes conceptual stage, development stage and protection stage [10]. Gallouj and Weinstein classified service innovation into six types, namely, radical innovation, improving innovation, incremental innovation, specialized innovation, reorganization innovation and formal innovation [11]. Hertog puts forward the famous “a four-dimension model of service innovation”, and pointed out the four dimensions of innovative activities of service enterprises, namely, new technology, new service concept, new delivery system and new customer interface[12].

### **2.2 Driving forces of service innovation**

The driving forces of service innovation are the factors that influence and encourage innovations. Some scholars believe that the internal driving force of tourism enterprise innovation mainly comes from entrepreneurs [13]. While market demand, technology and industry cluster are the main external driving forces. Among them, customer demand is the most important [14].

The driving force model of service innovation proposed by Sundbo and Gallouj (1998) is most famous [15]. The model identifies internal and external dynamic elements on the boundary of an enterprise, the former including strategy and management, staff, R & D, and the latter being divided into actors and tracks. The actors include suppliers, competitors, customers and public management departments; the tracks include technical, professional, social, managerial, and system tracks. Scholars generally regard the internal forces as more important driving force for innovations [16]. But Chinese scholars point out that external factors such as technology, customer demand, market competition and government policy are the key driving forces of service innovation [17]. For China’s tourism enterprises, policies and customer needs are more powerful. Laws and regulations especially for Chinese tourism industry issued in recent years have played a key role in speeding up the development of tourism enterprises.

Existing research results are mainly made in the western developed countries, because in these areas, scholars have more interest in tourism industry. There are still some research gaps in the depth and breadth of research on tourism enterprises between Chinese and foreign academics. In recent years, China's tourism enterprises are developing quickly, and their business scope is expanding. Thus, there will be much to be researched on the innovative development of Chinese tourism enterprises.

### 3 Methodology

This paper aims to explore driving forces of tourism service innovation which belongs to exploratory research [18], so the case study method is the most suitable research strategy [19]. Case study is an effective way to explore the innovations in tourism industry of different countries through direct observations and thorough interviews with the related members [20].

#### 3.1 Research sample

We choose Wuxi Lingshan Cultural Tourism Group (hereinafter referred to as Lingshan) for the case study. Lingshan is located in Wuxi, Jiangsu province of China. It is a state-owned cultural tourism group which runs theme parks, hotels, catering, arts and crafts, and other diversified businesses. After more than twenty years of innovative development, it has achieved great success which succeeds in ranking among the top brands of Chinese cultural tourism and becomes a famous cultural scenic spot.

Its service innovation has been recognized by Chinese tourism and academic circle. It is also a microcosm of China's tourism innovation over the past 20 years. The experience and model of its service innovation are worth learning. It is also valuable for developing the theory of service innovation of tourism enterprises.

Since 2006, the research team has been watching closely on Lingshan, and has experienced its major innovation events. Many interviews were conducted among ordinary employees, customers, product suppliers, distributors, and business owners around Lingshan. In addition, it has a wealth of information on service innovation which has been disclosed to the public through formal channels, such as annual report and news on its websites.

#### 3.2 Data collection and analysis

The data sourcing and collecting of the case follow the research recommendations of Eisenhardt (1989) and Yin (2003). This study uses a variety of data, including semi-structured interviews, on-site observation and secondhand data. Secondhand data include published articles, materials obtained from enterprises, and public information on government websites, corporate websites or corporate publicity materials.

Firstly, the interview outline is composed of open questions. The initial interviewees include major leaders and the executors of innovative activities, such as key leaders, senior managers, department managers and so on. The interviews were done in one year. The average interview time of each was about 1.5 hours. At least 3 researchers participated in each interview, forming a triangle team of researchers so as to ensure the validity of the interview. In order to improve the credibility, a complete chain of evidence, and deeper surveys were conducted with on-site observation. Secondly, after collecting the data, two participants of the research group analyzed the data together. Unclear or inconsistent questions were submitted to the research group. Finally, by communicating with the

relevant persons, the authors finally reached a consensus to ensure reliability and validity of the data.

## **4 Research findings**

### **4.1 Major internal driving forces**

#### *4.2.1 Development vision*

Lingshan is an ambitious enterprise with a big vision. In the early days, it stick to the Buddhist thought “help the public to get rid of worries and render them happiness” as its motivation. With the unique innovative thinking, Lingshan created cultural carriers of Buddhism for Chinese people. Lingshan is always developing itself towards bigger vision by integrating traditional culture into the innovation of Chinese temporary cultural treasure and heritage for the future. Thus, it has proposed the strategy to change itself from a famous Chinese cultural tourism industry group to a first class cultural and creative planning service provider, offering other tourism companies integrated services of designing tourist attractions and activities.

#### *4.1.2 Enterprise Leaders*

Enterprise leaders are the key internal driving forces of tourism enterprises’ innovation. Their sense of mission, spirit of innovation, innovative abilities, attitude towards failure are very important to the development of enterprises.

In this case, leaders of Lingshan always take “creating classics” as their own responsibility, and they constantly strengthen innovative ideas, establish innovative incentive mechanism, and form an innovative corporate culture inside Lingshan. Chairman of Lingshan puts forward the concept that scenic spots not only should create joy and participation chances for visitors, but also create emotional incentives for them. Under its leaders’ guidance, Lingshan has persisted in continuous innovations for more than 20 years.

#### *4.1.3 Organizational culture.*

In Lingshan group, there is an atmosphere of “difficulty-seeking, changing-thinking and innovating”. The culture of Lingshan can be condensed into “creativity, innovation and creation”. Staffs of Lingshan are always encouraged to bring in new ideas with rewards in the form of prize and praise in public.

### **4.2 Major external driving forces**

#### *4.2.1 Changing demand of Chinese residents*

Among all the external driving forces of tourism service innovation, tourists’ demand is the most important one. In the past 20 years, Lingshan has persisted in the market-oriented policy, making in-depth study of the changing demand of Chinese residents and showing respect to the tourists. Since its opening in 1997, it has received 60 million visitors because it is always trying its best to meet the demands of customers.

#### *4.2.2 Demand of the local government to enhance municipal influence*

The Wuxi municipal government believed that Lingshan Grand Buddha is not just a tourism project, but also the strategic measure for development of the city. In addition to the ticket income, Lingshan makes a positive interaction with other related industries, such as real estate and finance, and it participates in the global Buddhist Convention and Exhibition, becoming an important global Buddhist tourism center, which makes Wuxi well-known in the world.

#### *4.2.3 Competitive pressure of surrounding attractions*

Continuous innovations of other tourism enterprises in Wuxi have produced a sustained driving force for Lingshan. The tourism industry in Wuxi is showing an atmosphere of innovation, and the competition here is tougher than any other places in China. Driven by local peers, Lingshan is not willing to lag behind, so it always keeps on service innovations.

## **5 Discussion and conclusion**

Firstly, in China's tourism enterprises, especially large-sized state-owned ones, the most powerful driving force for innovation comes from the government's policies. From scratch, the support of the government has been the most powerful driving force and the most solid guarantee for Lingshan's innovations. Because they believe the investment will yield huge returns. In fact, Lingshan has brought in tens of billions of dollars for related industries and good reputations for Wuxi.

Secondly, although the service innovation of tourism enterprises is activated by the government, the success of innovations depends on the market demand. For tourism enterprises, service innovation should fulfill tourists' instinct needs [21]. If the new service fails to meet the tourists' demand, it will not be accepted by the tourists; and that will be a waste of time and money. The success of Lingshan lies in its new, attractive, and surprising services that meet the demand of tourists.

Thirdly, compared with the situation in developed countries, leaders of Chinese enterprises play a more critical role in service innovation[22]. Leaders promote knowledge exchange among members of the organization, and facilitate the dissemination of information and ideas within the organization. They also promote organizational learning and innovation by appreciating and rewarding collaborative activities, therefore improving innovative outcomes[23].

## **6 Research limitation**

The case study is conducted in Wuxi, which has a unique cultural and economic environment in China. The generalizability of our findings to China's tourism enterprises will need to be confirmed with additional studies in different places to take account of the differences in culture and economy. In the future, further researches about service innovations of different types of tourism enterprises in different regions are needed to be done.

This research is supported by Cyan Plan for Excellent Teacher Cultivation of Wuxi City College of Vocational Technology (0730501041).

## References

1. Camison C. and Monfort-Mir V. M. 2012 Measuring Innovation in Tourism from the Schumpeterian and the Dynamic Capabilities Perspectives. *Tourism Management* vol 33 p776-789
2. Drew Martin, Anders Gustafsson, Sunmee Cho 2016 Service Innovation, Renewal, and Adoption/Rejection in Dynamic Global Contexts. *Journal of Business Research* vol 69 p2397–2400
3. Hsieh, Y. H., and Y. H. Chou 2018 Modeling the impact of service innovation for small and medium enterprises: A system dynamics approach. *Simulation Modelling Practice & Theory* p82,84-102
4. M. Weng, J. Ha, Y. Wang, C. Tsai 2012 A Study of the relationship among service innovation, customer value and customer satisfaction: an empirical study of the hotel industry in Taiwan. *International Journal of Organizational Innovation* vol 44 p98–112
5. Hertog, P. D., Gollouj, F. and Segers, J.2011 Measuring Innovation in a “low-tech” Service Industry: the case of the Dutch Hospitality Industry. *Service Industries Journal* vol 31 p1429-1449
6. T.H. Aas, P.E. Pedersen 2011 The Impact of Service Innovation on Firm-level Financial Performance. *The Service Industries Journal* vol 31 p2071–2090
7. Caruana, A. , M. Ewing , and L. Pitt 2015 Service Reliability and the Market Orientation- Performance Link. Springer International Publishing
8. Weiermair K. 2004 Product Improvement or Innovation: What is the Key to Success in Tourism? OECD. *Innovation and Growth in Tourism*. Paris: OECD
9. Hjalager A. M.1997 Innovation Patterns in Sustainable Tourism-an Analytical Typology. *Tourism Management* vol 18 p 35-41
10. Sundbo, and Jon 1997 Management of Innovation in Services. *Service Industries Journal* vol 17 p432-455
11. Gallouj F., Weinstein O.1997 Innovation in Services. *Research Policy* vol 26 p537-556
12. Hertog P. D. 2000 Knowledge-intensive business services as co-producers of innovation, *international journal of innovation management* vol 4 p491-528
13. Santoro, G., et al. 2018 The Internet of Things: Building a knowledge management system for open innovation and knowledge management capacity. *Technological Forecasting and Social Change*,S0040162517302846
14. Hall, William. 2008 *Tourism and Innovation*. London: Routledge
15. Sundbo, J. , and F. Gallouj 1998 Innovation in services in seven European countries: the results of work packages 3-4 of the SI4S project. *Working Papers*
16. Hipp C, Grupp H. 2005 Innovation in the service sector: the demand for service-specific innovation measurement concepts and typologies. *Res Policy* vol34 p517–535
17. Wang Tian, Zhong Xianwen 2005 Research on Service Innovation Model Based on Dynamic Model. *Science and Technology Management* vol 26 p72-83
18. Eisenhardt, K.M.1989 Building Theories from Case Study Research. *Academy of Management Review* vol 14 p532-550
19. Rober K. Yin 2003 *Case Study Research: Design and Methods*(3rd ed). London:Sage Publications, Inc.

20. Amar Oukil, Nabil Channouf, & Asma Al-Zaidi 2016 Performance Evaluation of the Hotel Industry in an Emerging Tourism Destination: the Case of Oman. *Journal of Hospitality and Tourism Management* vol 29 p60-68
21. Yu Haibin 2007 Service Innovation of Tourism Enterprises Based on Tourist Value. *Special Economic Zone* vol 5 p193-194
22. Casimir, G., & Waldman, D. A. 2007 A cross cultural comparison of the importance of leadership traits for effective low-level and high-level leaders Australia and China. *International Journal of Cross Cultural Management* vol 7 p47–60
23. Muzamil Naqshbandi, Ibrahim Tabche 2018. The Interplay of Leadership, Absorptive Capacity, and Organizational Learning Culture in Open Innovation: Testing a Moderated Mediation Model. *Technological Forecasting & Social Change* vol 133 p156-167