

# Innovative Behavior of Destination Marketing Organizations

Florian Zach

*National Laboratory for Tourism and eCommerce School of Tourism and Hospitality Management Temple University*

Daniel R. Fesenmaier

*National Laboratory for Tourism and eCommerce School of Tourism and Hospitality Management Temple University*

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## **Innovative Behavior of Destination Marketing Organizations**

Florian Zach  
National Laboratory for Tourism and eCommerce  
School of Tourism and Hospitality Management  
Temple University, USA

and

Daniel R. Fesenmaier  
National Laboratory for Tourism and eCommerce  
School of Tourism and Hospitality Management  
Temple University, USA

### **ABSTRACT**

*The role of destination marketing organizations changed considerably over the past few decades. Today, these organizations are not only marketers of a certain area, but are also required to constantly develop new tourism offerings to keep pace with fast changing consumer demands and a volatile economic environment. The purpose of this study was to identify if American destination marketing organizations collaborate with other organizations to develop new services and to identify drivers of collaboration for innovation. Furthermore, the authors evaluated the impact of organizational settings for innovation and partnerships development on organizations' partnership-for-innovation behavior. It was found that top management support for partnerships as well as a long-term perspective towards partnerships is the foundation of partnerships that can lead to innovation. Several other organization settings (e.g. top management support for innovation) increase the likelihood of establishing such partnerships.*

**Keywords:** *innovation, destination marketing organization, competitive advantage.*

### **INTRODUCTION**

Increasing complexity of consumer markets, information technologies and the downturn of the economy are just some of the challenges that destination marketing organizations (DMOs). These changes force DMOs to develop new and to improve current tourism products and services to attract new visitors and to maintain a high level of repeat visitors. Hence, engaging into innovation is a critical activity for tourism businesses, in particular for DMOs (Hjalager, 2010). Recent research on tourism development emphasizes the importance of DMO innovation to develop competitive destinations (Gretzel, Fesenmaier, Formica, & O'Leary, 2006).

Past tourism research elaborated on collaboration at tourism destinations from several different aspects: destination governance (Beritelli, Bieger, & Laesser, 2007), creating sustainable destinations (Dredge, 2006) marketing alliances (Wang & Xiang, 2007) and the development of new services (Wang & Fesenmaier, 2006). Scholars argue that the integration of partners is critical for the successful development of tourism services, whereby partners located at the periphery of a DMOs network can provide the most valuable information for new ideas (Zach & Fesenmaier, 2008). However, while it is generally acknowledged that collaboration at destinations is critical to provide and develop tourism services, research yet has to identify the drivers that lead to innovation oriented collaboration between DMOs and their partners. The goal of this paper is to address this gap to understand organizational settings, for innovation and collaboration, to develop and test a model of partner integration for the purpose of innovation

development at DMOs. In order to achieve this goal this study draws on literature from innovation, inter-organizational relationships and supply chain management.

## **LITERATURE**

The traditional role of DMOs is to promote tourism destination to attract new and to retain past destination visitors as well as to provide basic services such as assisting visitors once they arrive at the destination (Gunn, 1988). While this aspect of DMO activities is still valid today, it represents a rather static view that changed considerable over the past few decades as innovation and inter-organizational collaboration became necessary for the successful development of competitive destinations. First, today's DMOs constantly need to reinvent themselves to provide new and improved tourism services to better market their destination (Gretzel, et al., 2006). Critical for the successful development of innovations are organizational settings that support innovative firm behavior as well as a structured process that enables organizations to develop innovations in a timely and elaborate manner (de Brentani, 1991; Kimberly & Evanisko, 1981; Storey & Easingwood, 1999). Hence, the development of innovations, for destination visitors, local tourism businesses and also the optimization of DMO processes are central for the development of a competitive tourism destination (Volo, 2005; Weiermair, 2005).

The second change DMOs undergo in their management practices is the increased collaboration with partners to better cater to destination visitors (Zach and Fesenmaier, 2008). Organizations utilize their partners to share risks (Kumar and Nti, 1998), get access to resources (Powell, 1990) and to overcome inefficiencies of the market (Das & Teng, 1998). Stuart (2000) argues that innovation is influenced by factors that are not under control of the organization, requiring collaboration with others to develop innovations. Research, furthermore, indicates that inter-firm collaborations help firms absorb new technologies (Powell, Koput, & Smith-Doerr, 1996), withstand environmental shocks (Ahuja, 2000), contribute to firms' competitive advantage through learning from others (Sanderson, 2004), and improve survival prospects through higher levels of innovation (Stuart, 2000). Studies by (McGinnis, 2000) and (Gulati, 1998) suggest that top management support and organizational strategies towards inter-organizational relationships are central to the collaboration with partners.

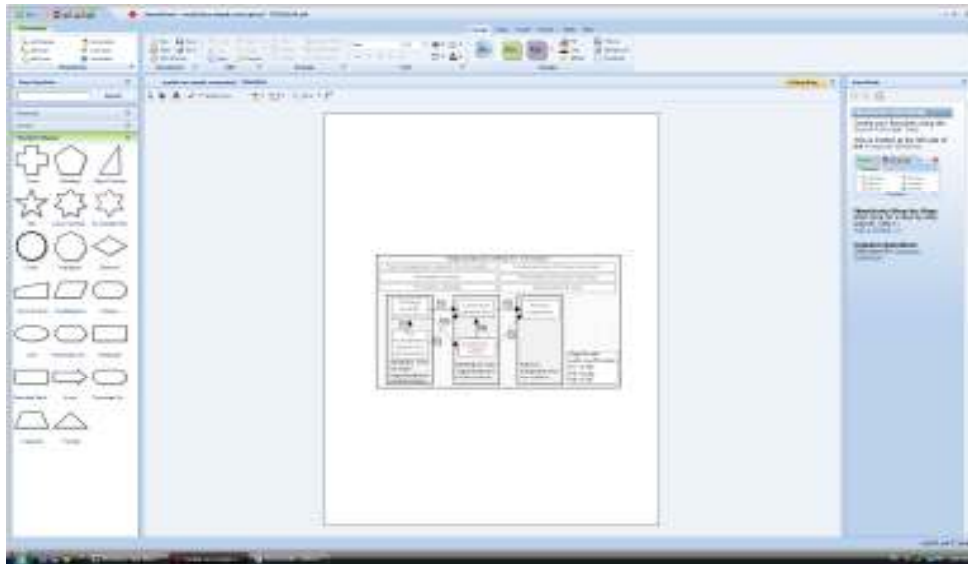
Drawing on past research in the areas of innovation and inter-organizational relationships it is argued that DMOs are more likely to integrate partners into their innovation activities the more DMO strategies support innovation and collaboration (see Figure 1 for the constructs and proposed hypotheses). This includes leadership support (Damanpour, 1991), an organizational culture that fosters innovation behavior (Leavy, 2005), a strategic use of innovation for organizational growth (Hage, 1999), a formalized innovation process (Edgett, 1994) as well as an understanding of the external environment to respond accordingly (Grant, 1991). Furthermore, larger organizations are in an easier position to invest and utilize innovation (Tether, 2002). It is argued in this study that DMOs that strongly support innovation are better in accommodating partners into their innovation processes.

## **METHODOLOGY**

The target population for this study was all American DMOs. The researchers used an initial list of about 500 DMOs from a major trade association and then collected further addresses via the Internet and by contacting state associations, totaling in 2,031 DMOs. For the purpose of this study tourism offices located with local or regional governments as well as with

chambers of commerce were included. To assure participation and to validate and gather addresses from DMO directors about one third of the DMOs were called prior to survey distribution.

Due to limited research on collaboration with partners for the purpose of new service development most of the partnership related measures were adapted from studies on supply chain management (Chen & Paulraj, 2004; McGinnis, 2000). Research on new service development,



**Figure 1. Research Model with Significant Path Coefficients**

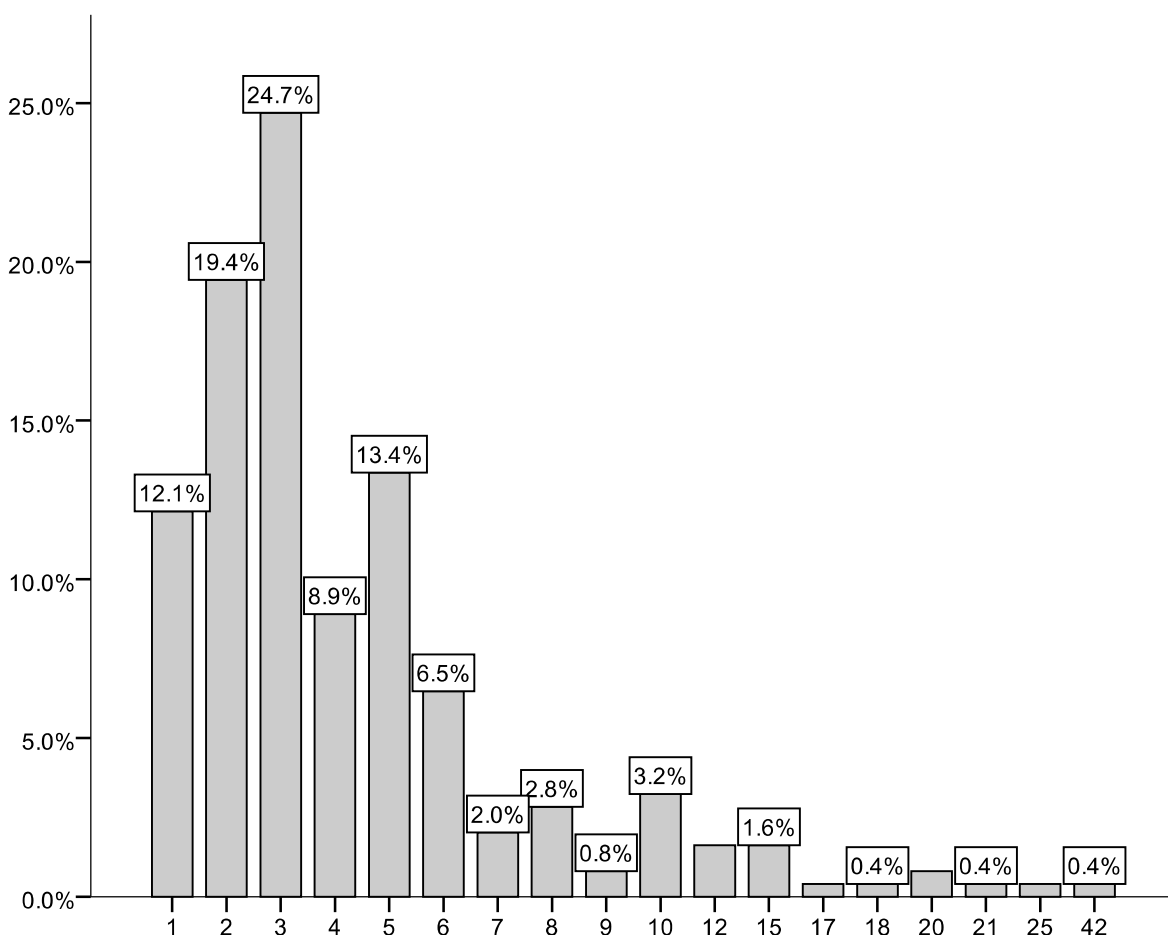
spearheaded by Ulrike de Brentani (e.g. de Brentani, 1991; de Brentani & Kleinschmidt, 2004) provided measures on organizational behavior for new service development. To qualify for the study respondents needed to have implemented one innovation in the past three years, with innovation being defined as services that require competencies, different from the current operation, to facilitate an adjusted service concept (Menor, Tatikonda, & Sampson, 2002). Respondents were asked to provide information on the overall organizational setting for innovation as well as for the strategic views on and the setting of inter-organizational relationships. Last, information on the integration of partners into innovation processes was collected. The items of the constructs were measured on a 7-point Likert scale with 1=Strongly Disagree and 7=Strongly Agree. Structural equation modeling was identified as the most appropriate statistical tool to evaluate the hypothesized linkages between the constructs. Multiple group analysis was also used to identify the impact of the organizational properties on the core model (i.e. the effect of partnership related aspects on new service development). A pilot study with 30 DMOs was conducted in May 2009. Minor changes were incorporated and the final survey was distributed as an online survey in June 2009 with a weekly reminder in the following five weeks.

## **RESULTS AND DISCUSSION**

A total of 1,969 surveys were successfully delivered and generated 247 valid responses (response rate of 14.6%). Descriptive analysis identified that most respondents were smaller organizations with either one to two or three to four full time employees (42.5% and 21.5%, respectively). Respondents were also small in terms of annual budget: 21.9% had \$100,001 to 250,000 and 21.1% had \$250,001 to \$500,000. Most respondents were directors from convention and visitor bureaus (70.0%). The second highest group was tourism offices from chambers of

commerce (17.0%) that often referred to themselves as DMOs. Nearly half of the respondents represent a county, followed by 24.3% that are city DMOs. Hence, survey respondents are similar to previous studies conducted on the DMO level (e.g. Zach, Xiang, & Fesenmaier, 2007).

Furthermore, it was identified that American DMOs introduced 1,218 new services in the past three years. About one tenth of DMOs (12.1%) introduced one new service while about one fifth (19.4%) introduced two. More than half of DMOs (53.4%) reported that they introduced between three and six services in the past three years, which is about one to two services a year. Many of the new services were initiated by the DMO and then developed with a partner (37.5%); furthermore, 34.4 % of the new services were developed solely by the DMO. Finally, about one third of the new services developed were initiated by a partner. This suggests that partners are critical for the development as about 65% of the new services were developed with a partner. In terms of partners involved in the new service development process, it was found that most of them are accommodation businesses (18.2%), followed by marketing associations (15.4%), government agencies (14.2%) and chambers of commerce (9.3%). Less surprisingly most of the new services were developed for visitors (41.7%) or serve both visitors and destination businesses (38.2%), only few DMOs (4.4%) introduced new services to increase the efficiency and effectiveness of their organization.



**Figure 2. Frequency Chart of Number of Innovations Introduced in the Past 3 Years**

The reliability of the measurement model was tested and confirmed with AVE for all constructs but communication to be higher than 0.5 and higher than the correlation of the respective construct with any other construct in the model (Fornell & Larcker, 1981). Structural equation modeling of the hypothesized revealed that the proposed model had a low model fit (AGFI=0.796; GFI=0.826; RMR=0.177, RMSEA=0.048). As communication did not show enough discriminatory validity the therefore identified lack of support for any of the hypotheses related to this construct, we developed an alternative model excluding the communication construct. This alternative model provided a better model fit (AGFI=0.934; GFI=0.921; RMR=0.094, RMSEA=0.042) (Bollen, 1989). The path estimates for the remaining hypotheses were significant at  $p < 0.001$  and were 0.797 for H1, 0.624 for H2 and 0.827 for H6.

Multiple group analysis was conducted by creating two groups for each of the organizational innovation constructs. The constructs were split at the mean plus minus half a standard deviation to create two groups with contrasting sets of respondents (i.e. high support vs. high opposition of the respective construct). Significant differences between groups existed only the following constructs: top management support, innovation strategy, understanding of the environment and number of full time employees (proxy for size). For each of these groups path coefficients were higher for the group that supported innovation than for those respondents that did not.

### CONCLUSION

An implicit goal of this study was to explore the extent of innovation and collaboration for innovation among American DMOs. It was found that innovation is important for DMOs and that partners play a critical role in the development of new services. Another objective of this study was to identify and examine the drivers that lead to the integration of partners into DMO innovation activities. It was found that partner involvement in the innovation process is driven by a series of organizational decisions and strategies towards innovation and partnerships. Importantly, organizational differences in innovation strategies affect the strength of these relationships. These findings suggest that organizational setting for innovation augment the value of partnership involvement for DMO innovation. Furthermore, organizational leadership is important to support both inter-organizational relationships as well as new services. The results furthermore suggest that partnerships are critical for the development of new tourism services. In particular, DMOs clearly are the leaders when it comes to collaboration, suggesting that DMOs are at the center of destination development, requiring DMOs to actively search for partners and integrate them into the DMO partner network. The introduction of more than one new service a year suggests that DMOs are eager to add to the service offerings of their destination and to assist their stakeholders, reinventing services for both their visitors and their stakeholders.

While this study sheds light on the importance of inter-organizational collaboration for the purpose of innovation it does not evaluate the characteristics of innovation. Hence, further research needs to evaluate if the collaboration with partners leads to innovation that is new to the focal firm, fits market requirements and an overall fit with the overall strategy of the focal organization. Last, this study is limited to American DMOs only, suggesting an investigation of DMOs in other countries.

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