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<a>CHAPTER 4: LEADERSHIP, STRATEGY, AND INNOVATION IN TOURISM AND HOSPITALITY

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<b>Abstract

This study examines the configurational paths that lead to high and low innovation among tourism entrepreneurs. It investigates the interplay between leadership, community-centered strategies, place identity, and self-efficacy in shaping entrepreneurial innovation. By adopting a fuzzy-set qualitative comparative analysis (fsQCA) approach, this study identifies the different combinations of these factors that are associated with high and low levels of innovation. The findings reveal that there is no single, universally applicable formula for fostering innovation among tourism entrepreneurs. Instead, multiple configurations of leadership, community-centered strategies, place identity, and self-efficacy can lead to high levels of innovation. These findings have important implications for both entrepreneurs and policymakers seeking to promote innovation in the tourism industry.

Keywords: Tourism entrepreneurship; Innovation; Leadership; Community-centered strategies; Place identity.

<b>Introduction

The tourism industry is a dynamic and competitive sector that demands constant innovation and adaptation to meet the evolving needs and preferences of travelers. Entrepreneurs play a crucial role in driving this innovation by introducing new products, services, and experiences that enhance the overall tourism offering. While innovation is a key driver of success for tourism entrepreneurs, their ability to innovate is significantly enhanced by factors such as strong leadership skills, a deep connection to the local community, a firm sense of place identity, and unwavering self-efficacy.

Recent research in top-tier tourism journals has highlighted the importance of leadership in fostering innovation within the tourism industry. Studies have shown that transformational leadership behaviors, such as articulating a compelling vision and empowering employees, are significantly associated with organizational innovation in

tourism firms (Patiar & Wang, 2016). Additionally, research has explored the concept of ambidextrous leadership, which refers to the ability of leaders to balance both exploitative and explorative innovation strategies (Gerlach et al., 2020).

Furthermore, the unique characteristics of the tourism industry, such as the experiential nature of tourism services and the close relationship between tourism and the local community, have led to a growing interest in the role of place identity and community attachment in entrepreneurial innovation (Dias et al., 2023a). Studies have shown that entrepreneurs who are deeply connected to their community and have a strong sense of place identity are more likely to develop innovative tourism offerings that reflect the distinct characteristics and values of a destination (Hallak et al., 2015).

Despite the growing body of research on innovation in tourism, there is still a lack of understanding regarding the specific configurations of factors that lead to high levels of innovation among tourism entrepreneurs. Most studies have focused on examining the individual effects of various factors, such as leadership, place identity, and self-efficacy, on innovation. However, the complex and interconnected nature of these factors suggests that a more holistic approach is needed to understand how they interact and combine to drive innovation.

This study aims to address this research gap by examining the configurational paths that lead to high and low innovation among tourism entrepreneurs. Specifically, the study investigates the interplay between leadership, community-centered strategies, place identity, and self-efficacy in shaping entrepreneurial innovation. By adopting a fsQCA approach, this study seeks to identify the different combinations of these factors that are associated with high and low levels of innovation.

This study reveals that innovation among tourism entrepreneurs can be achieved through multiple pathways. High self-efficacy, whether combined with low leadership or high place identity, can drive innovation. This suggests that entrepreneurs confident in their abilities can innovate even without strong leadership, and a strong sense of place identity further enhances this effect. Additionally, a combination of high leadership and community-centered strategies, even with low place identity, can also foster innovation, highlighting the importance of community engagement. Conversely, low self-efficacy, lack of community-centered strategies, and weak place identity are associated with low

innovation. No single factor is necessary for innovation, suggesting that diverse approaches can lead to success in this context.

<b>Theoretical Framework

Tourism entrepreneurs face a unique balancing act in their pursuit of innovation. They must simultaneously cultivate a deep understanding of their local community and its distinct identity while also possessing the leadership acumen and self-efficacy to drive change and introduce novel offerings (Dias et al., 2023a). As such, entrepreneurs must develop a balancing act that requires a diverse skill set that encompasses both interpersonal and intrapersonal competencies (Ingram et al., 2019).

On one hand, tourism entrepreneurs need to be deeply embedded in their local community, understanding its values, traditions, and aspirations (Dias et al., 2022). This connection to the community not only provides a source of inspiration for innovative ideas but also ensures that these ideas are relevant and meaningful to the local context (Hallak et al., 2015). On the other hand, tourism entrepreneurs need to be effective leaders, capable of inspiring and motivating their teams, articulating a compelling vision, and navigating the complexities of the business environment (Patiar & Wang, 2016).

Furthermore, tourism entrepreneurs need to possess a high degree of self-efficacy, which is the belief in one's ability to successfully execute the tasks required to achieve specific goals (Bandura, 1977), which is crucial for overcoming the inevitable challenges and setbacks that arise in the entrepreneurial journey and for maintaining the perseverance needed to bring innovative ideas to fruition (Zhao et al., 2005).

This requirement for a diverse skill set aligns with Lazear's (2006) "jack-of-all-trades" theory, which posits that entrepreneurs often need to be proficient in a variety of areas, from marketing and finance to operations and human resources. In the context of tourism, this theory suggests that successful entrepreneurs are those who can balance their deep connection to the local community with their leadership skills and self-efficacy, effectively becoming "jacks-of-all-trades" in the tourism industry.

<c>The Effect of Leadership in Innovation

Recent research in top-tier tourism journals has increasingly emphasized the pivotal role of leadership in fostering innovation within the tourism industry. Researchers found that

transformational leadership behaviors, such as articulating a compelling vision and empowering employees, are significantly associated with organizational innovation in tourism firms (Patiar & Wang, 2016). Moreover, Gerlach et al. (2020) explored the concept of ambidextrous leadership, which refers to the ability of leaders to balance both exploitative (refining existing products/services) and explorative (creating new offerings) innovation strategies. They found that leaders who can navigate this tension effectively are more likely to drive sustained innovation and competitive advantage.

Mittal and Dhar (2016) also found that green transformational leadership practices were positively associated with green organizational identity, which in turn fostered the development of green creativity within the organization. The findings of Schuckert et al. (2018) underscore the importance of leadership in fostering innovation in the tourism industry. They found that cultivating a leadership style that is both transformational and authentic, organizations can enhance employees' psychological resources and empower them to generate and implement innovative ideas that can improve service quality and customer satisfaction. As such, we posit that leadership is associated to innovation by suggesting that specific leadership behaviors create an environment conducive to innovation.

> Proposition 1: Transformational leadership is positively associated with innovation outcomes.

<c>Entrepreneurial Specificities Within the Tourism Industry

Entrepreneurship in tourism is unique due to the experiential nature of the services it provides. In tourism, the line between production and consumption is often blurred, as the tourist is actively involved in the creation of their experience (Richards, 2011). This active participation of the consumer means that the entrepreneur's relationship with the place and the local community significantly influence the resources available to the entrepreneur, the cultural context of the experience, and the quality and authenticity of the tourism experience (Dias et al., 2023a). Place identity and community attachment are essential factors that shape entrepreneurial innovation in tourism (Hallak et al., 2015; Dias et al. 2021).

Place identity, the cognitive and emotional bond individuals form with a specific location, plays a crucial role in shaping entrepreneurial innovation in tourism (Hallak, 2024). A strong sense of place identity can inspire entrepreneurs to develop unique

tourism products and services that reflect the distinct characteristics and values of a destination (Subramaniam et al., 2020).

Moreover, community attachment, the emotional connection individuals feel towards their community, is another vital factor influencing entrepreneurial innovation in tourism (Adongo et al. 2017). Entrepreneurs who are deeply attached to their community are more likely to prioritize sustainable practices and engage in initiatives that benefit the residents (Eusébio et al., 2018).

The interplay between place identity and community attachment can create a powerful synergy that drives entrepreneurial innovation in tourism (Dias et al., 2023b). When entrepreneurs have a strong sense of place identity and are deeply attached to their community, they are more likely to develop innovative tourism offerings that celebrate the unique cultural heritage and natural resources of the destination (Deery et al., 2012). Accordingly:

> Proposition 2: Strong place identity fosters a conducive environment for innovation.
>
> Proposition 3: Entrepreneurial strategies that prioritize community engagement and social impact contribute to innovation.

<c>Entrepreneurial Self-Efficacy

Entrepreneurial self-efficacy, the belief in one's ability to successfully perform entrepreneurial tasks (Hallak et al., 2015), is a critical factor in fostering innovation within the tourism industry. Entrepreneurs with high self-efficacy are more likely to identify and pursue new opportunities, adapt to changing market conditions, and inspire their employees to contribute to the growth and success of their businesses (Sousa et al., 2023).

Entrepreneurs with high self-efficacy are more likely to identify and pursue new opportunities, take calculated risks, and persevere in the face of challenges (Dias et al., 2022). leading to the development of novel tourism products, services, and experiences that cater to evolving consumer preferences and market trends (Ghaderi et al., 2021). Moreover, entrepreneurial self-efficacy can enhance the resilience of tourism businesses in the face of external shocks and disruptions (Ferreira et al., 2022). Entrepreneurs with strong self-efficacy are better equipped to adapt to changing circumstances, overcome

setbacks, and innovate their business models to ensure survival and growth (Luong & Lee, 2023). This is particularly relevant in the tourism industry, which is often vulnerable to economic fluctuations, natural disasters, and other unforeseen events.

Furthermore, entrepreneurial self-efficacy can play a crucial role in attracting and retaining talent within the tourism industry (Ferreira et al., 2022). Employees are more likely to be motivated and engaged when they work for leaders who exude confidence and demonstrate a strong belief in their ability to succeed (Prayag & Dassanayake, 2023). This can create a positive work environment that fosters creativity, collaboration, and innovation, ultimately leading to improved business performance and customer satisfaction. As such, this relationship stems from the heightened propensity of self-efficacious individuals to engage in proactive behaviors, such as identifying opportunities, taking calculated risks, and persisting in the face of challenges, all of which are crucial for driving innovation.

> Proposition 4: Entrepreneurial self-efficacy is positively associated with innovation outcomes.

<b>Method

A structured survey was chosen for its efficiency in gathering data from many respondents and ensuring consistent responses. To minimize measurement errors and enhance respondent comprehension, a pre-test was conducted before distributing the final questionnaire, aligning with best practices recommended by Podsakoff et al. (2012). The questionnaire was further refined through feedback from three academics and two practitioners, who identified potential issues and areas for improvement, providing additional support of the validity and reliability of the survey instrument.

The current research focuses on tourism entrepreneurs operating businesses in Portugal. Participants were selected based on two criteria: (1) business operations within the tourism sector (e.g., restaurants/cafés, accommodations, tour operators), consistent with the categorization used by Dias et al. (2021); (2) independent ownership of the business.

The measures were taken from existing literature and measured through a 7-point Likert type scale, ranging from 1 (totally disagree) to 7 (totally agree). To estimate the respondents' level of leadership, transformational leadership was used because it stands out as a more suitable measurement for leadership in entrepreneurship studies compared

to traditional leadership styles. Transformational leaders inspire and motivate their teams through a shared vision, intellectual stimulation, and individualized consideration (Bass & Riggio, 2006). This fosters a climate of innovation and risk-taking, crucial for entrepreneurial ventures (Ling et al. 2008). The measure of transformational leadership included twelve items was adopted from Avoilo and Bass (2002).

The four items employed to assess place identity in this study were adapted from the original work of Williams and Vaske (2003) with the four-item adaptation to tourism entrepreneurship of Wen et al. (2022). The measure of self-efficacy comprised four items and was adopted from Zhao et al. (2005). Community centered strategy measure included seven items and was adapted from Besser and Miller (2001). The dependent variable, innovation was taken from Hughes and Morgan (2007). To ensure accessibility for the Portuguese participants, the questionnaire was translated from the original English version to Portuguese and then subjected to a reverse translation process to confirm the accuracy and consistency of the translated measures.

Due to the inherent difficulties in obtaining responses from tourism entrepreneurs, who often face demanding schedules and time constraints, participant recruitment was facilitated through targeted outreach at tourism-focused seminars and conferences. Following recruitment at these events, interested individuals were provided with detailed information about the study, and those who agreed to participate completed the questionnaires in person. A final sample of 163 respondents that fulfilled the criteria was obtained. 63% of the respondents were male, 27% had more than 50 years old, 33, were between 30 and 50 years old, and the rest had lees than 29 years. 54% said they were locals (of this percentage, 20% never lived anywhere else, and the others lived more than five years on other locations).

<b>Results and Discussion

The fuzzy set qualitative comparative analysis (fsQCA) is a research method rooted in Boolean algebra, providing a nuanced understanding of the complex causal relationships between multiple antecedent conditions and a specific outcome. This approach differs from traditional linear regression models, focusing on the configurational analysis of causality and embracing the idea of equifinality (Ragin, 2009). It acknowledges that a particular outcome may be achieved through multiple, distinct pathways or combinations of conditions.

In this study, calibration was employed to determine the degree to which respondents could be classified as members of specific sets, which varied based on their responses to the analyzed variables. Specifically, five key factors were examined: innovation as the outcome variable, and leadership, community-centered strategies, place identity, and self-efficacy as potential antecedent conditions.

Following the fsQCA methodology, a two-step analysis was conducted. First, a sufficiency analysis was performed to identify the specific combinations of these variables that were associated with a high level of innovation. Subsequently, a necessity analysis was carried out to determine which of these variables were essential prerequisites for entrepreneurial activity to occur.

To facilitate this analysis, all variables were calibrated to assign a membership score or degree of belonging to the defined sets (outcome and antecedent conditions). This calibration process involved transforming the raw data into fuzzy sets, where values of 1 indicated a strong association with the set (membership score ≥ 0.5), while values of 0 indicated a weak association (membership score < 0.5). Based on these calibrated values, a truth table was constructed, outlining all possible configurations of the variables and their corresponding membership scores. Table 4.1 shows the intermediate solution to result from the three combinations that sufficiently increased (or decreased) innovation.

Table 4.1

Configurations for High and Low Innovation

	High Innovation			Low Innovation		
	C1	C2	C3	C4	C5	C6
Leadership	○		●			○
CCS			●	○	○	
Place Id.		●	○		○	○
Self- efficacy	●	●		○		○
raw coverage	0.357	0.586	0.299	0.560	0.496	0.284
unique coverage	0.053	0.254	0.0713	0.162	0.099	0.027
consistency	0.794	0.852	0.823	0.826	0.80	0.887
solution coverage		0.728			0.685	

solution consistency	0.804	0.783

Legend ○ absence of the condition; ● presence of the condition.

Table 4.1 reveals three distinct configurations associated with high innovation. These findings offer valuable insights into the complex interplay of factors that influence innovation among tourism entrepreneurs. The results reveal that there is no single, universally applicable formula for fostering innovation. Instead, multiple configurations of leadership, community-centered strategies, place identity, and self-efficacy can lead to high levels of innovation. Configuration 1 (C1) is characterized by high self-efficacy in conjunction with low leadership. This is one interesting finding where high self-efficacy, even in the absence of strong leadership, can drive innovation. This suggests that entrepreneurs who possess a strong belief in their abilities and are confident in their capacity to overcome challenges can successfully innovate, even without the traditional support of a charismatic or visionary leadership. This finding aligns with previous research that has highlighted the importance of self-efficacy in entrepreneurial contexts (Cooper & Lucas, 2006; Hallak et al., 2015).

Configuration 2 (C2) also features high self-efficacy but combines it with high place identity to achieve high innovation. It reveals that a combination of high self-efficacy and a strong sense of place identity can also foster innovation. This suggests that entrepreneurs who are deeply connected to their local community and have a strong sense of attachment to their place are more likely to develop innovative products and services that resonate with tourists as found by Dias et al. (2023b). This finding is also consistent with previous studies that have emphasized the role of place identity in shaping entrepreneurial behavior in tourism (Hallak et al., 2015).

In contrast, Configuration 3 (C3) demonstrates high leadership and high community-centered strategies (CCS), coupled with low place identity, leading to the same outcome. These results highlight the importance of community-centered strategies in driving innovation. Configuration 3 (C3) demonstrates that when entrepreneurs prioritize the needs and interests of their local community and actively engage in initiatives that benefit the community, they are more likely to innovate Dias et al. (2023b).

Conversely, the results also identify three configurations resulting in low innovation. Configuration 4 (C4), characterized by low self-efficacy and a lack of community-

centered strategies, suggests that entrepreneurs who lack confidence in their abilities and do not prioritize the needs of their community are less likely to innovate. This finding aligns with previous research that has emphasized the importance of self-efficacy and community engagement in fostering innovation (Zhao et al., 2005; Besser & Miller, 2001).

The configuration 5 (C5), which combines low community-centered strategies with low place identity, suggests that some entrepreneurs who are not deeply connected to their place and do not prioritize the needs of their community are less likely to innovate. This finding highlights the importance of place-based approaches to innovation and suggests that entrepreneurs who are rooted in their communities and have a strong sense of place identity are more likely to develop innovative products and services that are relevant and meaningful to their target markets.

Finally, Configuration 6 (C6), which combines low self-efficacy, low place identity, and low leadership, represents a configuration where multiple factors that are typically associated with innovation are absent. As such, a combination of low self-efficacy, weak community ties, and a lack of leadership can create a challenging environment for innovation.

An assessment of necessary conditions was also conducted. Within the fsQCA framework, result interpretation hinges on consistency thresholds. A condition is deemed necessary only if its consistency value surpasses 0.9 (Schneider & Wagemann, 2012). Table 4.2 illustrates the necessity relationships between the four conditions (leadership, community-centered strategies, place identity, and self-efficacy) and the outcome (innovation). None of these conditions meet the necessity criterion, suggesting that no single condition is an absolute prerequisite for achieving the observed outcome. In other words, multiple pathways, devoid of any specific condition, can still lead to a successful outcome. The absence of any necessary conditions for innovation suggests that there is no single factor that is indispensable for entrepreneurial success. This finding challenges the conventional wisdom that certain traits or characteristics are essential for innovation and suggests that a more nuanced and context-specific approach is needed to understand the drivers of innovation in tourism.

Table 4.2

Analysis of Necessary Conditions

	Consistency	Coverage
Leadership	0.744	0.702
~ Leadership	0.660	0.705
CCS	0.722	0.706
~CCS	0.677	0.693
Place Id.	0.739	0.674
~ Place Id.	0.615	0.686
Self-efficacy	0.750	0.758
~Self-efficacy	0.742	0.734

<b>Conclusions

This study makes several theoretical contributions to the literature on innovation in tourism. First, it extends the understanding of the role of leadership in fostering innovation by highlighting the importance of transformational leadership behaviors, such as articulating a compelling vision and empowering employees. Second, it contributes to the literature on entrepreneurial self-efficacy by demonstrating the positive relationship between self-efficacy and innovation in the tourism industry. Third, it adds to the growing body of research on place identity and community attachment by showing how these factors can influence entrepreneurial innovation in tourism. Fourth, this study contributes to the "jack-of-all-trades" theory by highlighting the diverse skill set required for successful entrepreneurship in tourism, emphasizing the need to balance community embeddedness with leadership acumen and self-efficacy. Finally, it contributes to the methodological literature by demonstrating the utility of fuzzy set qualitative comparative analysis in examining the complex causal relationships between multiple antecedent conditions and a specific outcome.

The findings of this study offer several managerial implications for tourism entrepreneurs seeking to foster innovation within their organizations. First, entrepreneurs should focus on developing their self-efficacy through training programs, mentorship, and self-reflection. The results show they must enhance their belief in their abilities and become more proactive in identifying and pursuing new opportunities, leading to increased innovation. To do so, it is recommended that entrepreneurs prioritize the development of their self-efficacy to foster innovation, through various means, such as: (i) participating in workshops and courses designed to enhance entrepreneurial skills and knowledge can boost confidence and self-belief; (ii) seeking guidance and support from experienced entrepreneurs or industry professionals can

provide valuable insights and encouragement, strengthening self-efficacy; (iii) engaging in regular self-assessment and reflection can help entrepreneurs identify their strengths and weaknesses, fostering a more realistic and positive self-perception.

Second, entrepreneurs should actively engage with their local community and develop a strong sense of place identity. They can increase their participation in community events, collaborating with local businesses, and incorporating local culture and traditions into their tourism offerings. Third, entrepreneurs should prioritize the needs and interests of their local community by implementing community-centered strategies. They can develop their partnering with local organizations, supporting community initiatives, and ensuring that their business practices benefit the residents. Finally, while not a necessary condition for innovation, strong leadership can play a crucial role in fostering a culture of innovation within an organization. Entrepreneurs should invest in developing their leadership skills, particularly transformational leadership behaviors, to inspire and motivate their employees to contribute to the innovation process.

The findings of this study also have implications for policymakers seeking to promote innovation within the tourism industry. First, policymakers should invest in entrepreneurship education and training programs that focus on developing self-efficacy, place identity, and community-centered strategies among aspiring tourism entrepreneurs. Second, policymakers should encourage place-based innovation by supporting initiatives that leverage the unique cultural and natural resources of a destination. Third, policymakers should facilitate collaboration between tourism entrepreneurs, local communities, and other stakeholders to create a supportive ecosystem for innovation.

This study is not without limitations. First, the data was collected from tourism entrepreneurs in Portugal, which may limit the generalizability of the findings to other contexts. Future research could explore the applicability of these findings to other countries and regions. Second, the study relied on self-reported data, which may be subject to social desirability bias. Future research could employ multiple data sources, such as interviews and observations, to triangulate the findings and enhance the validity of the results. Third, the study focused on a specific set of variables related to innovation. Future research could expand the scope of the study to include other potential antecedents of innovation, such as organizational culture, market orientation,

and technological capabilities. Finally, the study employed a cross-sectional design, which limits the ability to draw causal inferences. Future research could adopt a longitudinal design to examine the dynamic relationships between the variables over time.

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<b>Appendix

Transformational leadership

Intellectual stimulation

I enable others to think about old problems in new ways.

I provide others with new ways of looking at puzzling things.

I get others to rethink ideas that they had never questioned before.

Idealized influence

I make others feel good to be around me.

Others have complete faith in me.

Others are proud to be associated with me.

Inspirational motivation

I express with a few simple words what we could and should do.

I provide appealing images about what we can do.

I help others find meaning in their work.

Individual consideration

I help others develop themselves.

I let others know how I think they are doing.

I give personal attention to others who seem rejected.

Place identity

This place means a lot to me

I am very attached to this place

I really love the place where I live

I really like the environment in this community

Community centered strategies

It is very important to work to strengthen and improve the local community

It is very important improving my image in the community

It is very important serving people missed by other businesses

It is very important cooperating with other local businesses

It is very important to be involved in community festivals and events

It is very important to assist in community projects

It is very important to support local programs

Self-efficacy

I am successful in identifying new business opportunities

I am successful in creating new products

I think creatively

I am successful in commercializing an idea or new development