Determinants of innovation development in the tourism industry undergoing the market transition.

Case of spas in south-east Poland.

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Abbreviations

CEE – Central Eastern Europe
EU – European Union
FDI – Foreign direct investment
GDP – Gross Domestic Product
ICT – Information and communication technology
SMEs – Small and medium enterprises
R&D – Research and development
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Abstract

Innovations in tourism represents a relatively under-researched theme. It is particularly the case of tourism industry functioning in the context of significant economic changes. This project focused on the analysis of types of innovations introduced by the spas in south-east Poland and on the factors facilitating and hindering development of innovations in the case of examined spas. It also incorporated the ongoing process of market transition in which examined spas operate. As a result, the spas were used as an example in order to analyze determinants of innovations in the tourism industry in the context of market transition. The empirical research was based on the analysis of qualitative, in-depth, semi-structured interviews conducted with managers of selected spas using the method of a thematic analysis. The main findings proved that the economic transition brought several factors affecting innovations, such as the growth of competition. The research identified also several other factors affecting development of innovations which emerge from internal characteristics of the spas as well as from the environment which spas operate in.

Keywords: innovations, facilitators and barriers to innovations, spas, market transition, Poland.
Introduction

Introduction to the research context:

Nowadays, spas of central and eastern Europe (CEE) are undergoing economic transition in order to fit the free market conditions through increasing competitiveness (Peter-Bombik, 2012). Regarding the most recent background of spas in CEE, we need to acknowledge the period of state ownership and management that lasted until around 1990. Since then, spas are undergoing transition. It involves, among others, privatization as well as changes to financing, products and legislation (Kotikova & Schwartzhoffova, 2013). The functioning of spas is also affected by the growth of health- and environmental awareness as well as ageing of population as it affects tourist needs (Peter-Bombik, 2012). As a result of those changes, the contemporary reality requires spas to apply market-driven approach to management (Malecka & Marcinkowski, 2007a). It is reflected in declining dependency on the public health care system that requires attracting more of self-paying customers. In order to be successful, spas must be innovative on various levels including product development and organizational change in order to suit demands of potential visitors (Malecka & Marcinkowski, 2007a; Hjalager, 2012). In the case of tourism industry, the success of innovation is highly dependent on demand as a product must meet needs of the market (Hjalager, 2012).

Based on the above description, we can state the research problem for this thesis. From the scientific perspective, we can claim that the aspect of factors affecting innovations of spas undergoing market transition is significantly under-researched. It is known that spas need to be innovative to survive on the market. On the other hand, it remains unclear which factors determine innovations in spas undergoing market transition. It also remains unclear how changes brought by the market transition itself affect innovations. As a result, the focus of empirical research is on finding out which innovations are developed by spas and to find out which factors facilitate and hinder innovations in spas undergoing market transition.

The aim and research questions:

Following the above introduction to the context of the study, we can formulate following research aim: To analyze how the Polish spa industry adjusts to the economic transition through innovations.
At this point, following research questions relating to the research aim are formulated:

- What kind of innovations are introduced by spas?
- Which processes and factors facilitate innovations in spas?
- Which processes and factors hinder innovations in spas?

Justification of the research:

The researcher became interested in this research due to originating from the region under study where spa tourism is an important form of tourism. At the same time, the spa tourism in the region is facing major changes what requires it to be restructured in order to fit new market conditions through innovations. As a result, the above mentioned research questions were developed as they attempt to find out how market changes are addressed through innovations and which factors facilitate and hinder innovations in the context of market transition.

To explain the research, it can be said that it will attempt to study innovations in the tourism industry as a way to fit market conditions. The study will be conducted using the example of spas in south-east Poland. The choice of the example of spas in south-east Poland can be justified by the fact of ongoing market transition of those spas, what was mentioned in the introduction to the context of study. As a result, the example of spas in south-east Poland will illustrate introduction of innovations by the tourism industry functioning in the market transition context. The research will primarily focus on facilitators and barriers to innovations, which also are related to the context of market transition.

From the theoretical perspective, the study can be justified by the importance of innovations in general, as well as in the case of services and tourism. The topic of innovations in tourism is legitimate as the sector is undergoing constant change and functions in the constantly evolving environment. As a result, in order to remain competitive and adapt to changing circumstances, the tourism industry needs to be innovative (Mayer, 2009). On the other hand, tourism is often seen as being less innovative than manufacturing sector what can be a result of several characteristics of the tourism sector which will be discussed in the literature review.

Regarding the role of innovations in the context of market transition, especially in the case of tourism industry, it is largely unexplored area by previous researches. As a result, it legitimizes the study of the tourism industry operating in the context of market transition.
Regarding the market transition, in general, it can be said that it forces firms to develop innovations in order to adapt to new market conditions and to remain competitive. The economic transition, in its own, aims at reducing political influence on the economy as well as changing economic structure and improving efficiency through privatization of state-owned companies (Balcerowicz, 1998; Szmitka, 2013).

From the more practical perspective, relating more directly to the spas in south-east Poland, the research can be justified by the necessity of spas to fit in the free-market conditions. As a result of the study, we will have better idea about types of innovations introduced by spas. It will also show some other aspects related to the economic transition, such as barriers and facilitators to spas innovations. As the process of economic transition of spas in south-eastern Poland is recent and ongoing, we can identify relatively limited scope of the high quality academic publications. As a result, there is a need for more publications that will be applicable in the most recent context.

As a justification of the research, we can also mention the fact of south-east Poland being a region that is economically lagging behind other parts of Poland. As a result, outcomes of the research may have potential of improving the general competitiveness and economic performance of the region.

Disposition of the thesis

The thesis will begin from analysis of literature appropriate and relevant to the research context in order to develop the theoretical framework. Based on the theoretical framework, the project will progress towards selection of a sufficient research methodology and a research method. In this case, the thematic analysis of the in-depth interviews will be conducted with high-level managers of the selected spas. Following the empirical research and analysis that will result in delivery of the research outcomes, the discussion of outcomes in relation to the theoretical framework will take place. The theoretical framework will be based on the literature relating to aspects of innovation typology, innovation policies, cooperation, market transition, and factors affecting innovations on the company level. In terms of findings, it can be said that the most innovations introduced by spas are product and process innovations. Regarding major facilitator of innovations, we can mention the growth of competition on the market. On the other hand, innovations tend to be inhibited by dysfunctional regulations and lack of cooperation between spas and other institutions.
Literature Review

Introduction

The purpose of this chapter is to provide a review of the literature relating to the research. First of all, it will examine the concept of innovation in general as well as in tourism, paying particular attention to specific characteristics of the tourism sector which distinguishes it from other sectors and, have significant influence on the character of innovations in tourism. Later, the chapter will provide the review of a literature on barriers and facilitators of innovations related to innovation policies, general regulations and regional innovation systems. The chapter will also address the literature related to spa tourism as well as market transition and privatization within the context of study. At the end, the chapter will attempt to address gaps and limitations of the literature.

The concept of an innovation

Before moving towards definition of innovation and discussion of it, it is useful to shortly describe the characteristics of tourism which make it different from other sectors. First of all, tourism is distinctive from other industries as it has no clear borders – it rather functions based on the interconnections between different actors across various industries which deliver a final tourism product to the end customer. Tourism product is made of various elements, often produced and delivered by different suppliers (Aldebert et al., 2011).

In the case of a tourist product consumption, we can argue that it is contrary to traditional industries in a sense that traditional industries process resources to create a product that will be delivered to the customer while in the case of tourism, the customer must travel to the resources which are spatially fixed at one particular geographic area (Aldebert et al., 2011). At this point, we can also mention the fact that tourism product is intangible and perishable, what means that consumption and production takes place simultaneously and the product cannot be stored for consumption delayed in time (Mayer, 2009).

What is relevant to innovations in tourism is that the tourism sector is made of heterogeneous agents with different learning processes, organizational structure and competencies. This heterogeneity can be an issue as companies need to find other companies with capabilities which, when combined, will deliver a coherent tourism product (Aldebert et al., 2011).
To begin defining and discussion of innovations, we can first claim that innovations are important for improving competitiveness of companies, regions or other units through improvement of efficiency or development of new markets. Regarding innovation studies, we can claim that until relatively recently they focused on a manufacturing rather than services (Hjalager, 2010). Historically, services were seen as secondary to the manufacturing sector in terms of innovations as the service sector was perceived as a consumer of innovations rather than producer (Toivonen & Tuominen, 2009). The conceptualization of an innovation can take various forms. According to Camison & Monfort-Mir (2012) innovation is “the renewal and enlargement of the range of products and services and the associated markets; establishment of new methods of production, supply and distribution; the introduction of changes in management, work organization and the working conditions of the workforce”. Similarly, Schumpeter who is considered classic researcher of innovations, identified forms of innovations such as: ‘the introduction of a new good or new quality of a good; the introduction of a new method of production, including a new way of handling a commodity commercially; the opening of a new market; the conquest of a new source of new supply of raw material or intermediate input and the establishment of a new organization’ (Schumpeter, 1934, p.66).

Regarding the typology of innovations, we can use following classification: product innovations, process innovations, managerial innovations, management innovations and institutional innovations (Hjalager, 2010). In this case, a product innovation will relate to the tourism product that is usually based on a resource that, after commodification and appropriate marketing becomes a product, usually combined with some services that add value to the product. Process innovation is about increasing performance of already existing operations of the tourism industry. For example by the introduction of new technologies that will reduce labor- or energy costs. Management innovations are mostly concerned with handling of information as well as communication and cooperation between people and organizations. Management innovation can take form of, for example, the creation of incentive system for employees. In the case of institutional innovations, first of all we must acknowledge that an institution relates not only to the physical entity but also to the framework within which people interact. Institutional innovations usually aim at maintaining proper functioning of such frameworks within which people interact. It can involve for example introduction of a regulation system to control pollution such as the Blue Flag scheme (Hjalager, 1997).
The most literature on innovation relates to it from Schumpeterian perspective, mentioned above. We can claim that this approach is applicable to tourism as it views innovation as a novelty that is possible to be reproduced and that has an economic impact. On the other hand, Schumpeterian approach to innovation is based on the manufacturing sector that is different from the tourism sector (Camison&Monfort-Mir, 2012). In contrast to manufacturing, in the case of the service sector to which tourism belongs, innovations are rarely produced in R&D departments. Innovations in services, tend to emerge during the service provision, as a response to customer needs. In services, it is also difficult to distinguish between types of innovation, such as product or process innovations, as services tend to combine those characteristics of being a product and a process at the same time. In the case of manufacturing sector, innovations are also easier to detect while in the case of services, changes to the product or process are much less visible, especially to the end user (Toivonen&Tuominen, 2009).

Regarding theories on innovations which are specific to the service sector, we can mention one of the first developed by Barras (1986). It is based on the model of ‘reverse innovation cycle’. It says that in the service sector, innovation cycle is reverse to the one in manufacturing where process innovation comes before product innovation. In the service sector, products are introduced first to improve processes and quality of service, what can lead to development of a new product. The model shows also impact of innovations developed in manufacturing on innovations in services (Barras, 1986). It means that the service sector may use innovations, particularly technological one, developed in the manufacturing sector, in order to introduce different innovations within the service sector.

On the other hand, some theories approach innovations in both, manufacturing and services in the similar way, using generic theories. From this perspective, an innovation can be seen as planning and process of innovation development. In this case, innovation process is traced from the idea generation to the final implementation and commercialization of the innovation (Toivonen&Tuominen, 2009).

We can also acknowledge that innovations in services are unlikely to follow technological trajectories which are typical for the manufacturing sector. Sundbo (1997) argues that innovation process in services departs from the market transition. It also depends on the firm strategy setting some framework of innovation development or employee inspiration. It means
that innovations in the service sector are highly market driven and emerge as a response to the market changes that, on the company level, is driven by the strategy.

Innovation is also approached from the resource-based view that, in essence, studies how companies use their resources and capabilities to innovate – it usually requires evaluation of knowledge creation and absorption (Camison & Monfort-Mir, 2012).

Relating more directly to tourism, we can claim that tourism is characterized by relatively low innovativeness due to several factors, such as: demand for standardized products, high costs and risks of innovations, small size of tourism companies or slow adoption of new technologies (Mayer, 2009). On the other hand, low innovativeness of tourism may be a result of evaluative frameworks based on manufacturing innovations or intangibility of innovations in tourism (Hjalager, 2010).

Finally, we can also say that tourism innovations are shaped by mobility of consumers and general internationalization of mobility and connectivity. It is the case as the global connectivity is particularly important for accessing knowledge. As a result, we can claim that mobility of labor, managers, tourists and capital is an important factor facilitating innovations in the tourism sector (Williams & Shaw, 2011).

Regional innovation systems

This section will be devoted to discussion of regional innovation systems in general and in the case of tourism. The broader topic of a regional innovation system is relevant to this project for several reasons. First of all, it will help to understand the functioning of the tourism system that is composed of diverse stakeholders, also from outside of the tourism industry, who cooperate in order to deliver a coherent tourism product. It will also highlight how the regional innovation system functions and how it affects innovations. In the case of the effect of regional innovation system on innovations, the most important aspects that will be discussed include learning process, knowledge transfer and collaboration. We can justify validity of discussing regional innovation systems for this project as it has great potential of facilitating innovations through collaboration, learning and knowledge transfers within the system. On the other hand, the lack of participation in such system or similar collaborative scheme can have inhibiting effect on innovations.

According to Rodriguez et al. (2014), a regional innovation system can be defined as a bundle of local institutions which create, distribute and make useful knowledge within a region.
Regional innovation systems are believed to speed up innovativeness due to the localized learning process and transformation of knowledge in social interactions (D’Allura et al., 2012). It requires a cooperation between people, firms and institutions within the region. In order to be successful, such system requires close cooperation between production units and knowledge institutions (Weidenfeld, 2013). At the same time, it needs to be taken into account that to ensure an effective collaboration, organizations within the system should have common resources and culture in order to enable capacity to absorb knowledge (Williams & Shaw, 2011). In the case of tourism, we can say that it is much more linked to localities than in other industries. It is because tourism resources are place-specific what means that tourism firms based in different localities will have different characteristics due to offering different products based on different resources. As a result, innovations in tourism depend a lot on collaborative structures based on the social and spatial proximity (Hjalager, 2010).

Regional innovation systems have three dimensions: knowledge exploration, knowledge exploitation and organizational control. Knowledge exploitation relates to the selection of existing routines what means reusing of existing competences. Knowledge exploration is about creating new alternatives what requires economic welfare and knowledge creation. In this case location may play great role as the knowledge tends to be created locally, especially in the case of tacit knowledge. Organizational control relates to the influence on the local economy through for example taxation, infrastructure or incentives. It is also about development of organizational frameworks which can speed creation of knowledge (Lengyel&Leydesdorff, 2011).

The aspect of knowledge plays a key role in creation of innovation and, at the same time, it is the most important aspect of the regional innovation system. Collaboration between various stakeholders within the regional innovation system facilitates opportunities for processing knowledge about customers and competitors in order to gain a competitive advantage by delivering the most desired products as well as by addressing the behavior of competitors in appropriate way through knowledge of competitors strengths, weaknesses, strategies and capacities (Jimenez-Zarco et al., 2011). Cooperation and communication between stakeholders also can lead to development of tools capable of increasing innovations, primarily through the coordination of functions within the company as well as within the network (Jimenez-Zarco et al., 2011). At this point, it is also worthy to highlight the importance of ICT for functioning of networks and regional innovation systems. It is because
ICT can be seen as an infrastructure for communication without spatial barriers what can be an important source of information and knowledge diffusion (Jimenez-Zarco et al., 2011).

Regarding approaches to researches on regional innovation systems, we can acknowledge that from the geographic perspective, they focused mostly on patterns and connections within the system as well as analysis of functioning and construction of regional innovation systems. On the other hand, research of regional innovation systems from the geographic perspective, largely ignored the focus on outcomes of participation in regional innovation systems in terms of innovation output (Hjalager, 2010). Similarly, according to Lengyel & Leydesdorff (2011), regional innovation systems should be studied from the perspective of relations between and within elements of the system which can be broadly categorized into: technology, area and organization. Practically, it can be studied by looking at potential synergies in relations between educational institutions, the industry and a government. At the same time, it must be mentioned that studies of innovation systems are difficult due to lack of clear borders of such systems, especially in the case of tourism that can be characterized by the cross-sectional nature (Hjalager, 2010).

From the practical point of view, it may be difficult to determine existence, borders and impacts of regional innovation systems. On the other hand, in the case of spa tourism in Poland it may be potentially possible to identify such systems as spa resort towns tend to have plenty of spas with a potential to cooperate under some organizational framework. Still, it must be acknowledged that a regional innovation system is not only based on collaboration within the tourism industry but it also incorporates educational institutions, government and other local stakeholders.

**Tourism innovation policies and regulations**

This section will discuss tourism innovation policies. It is important to mention it, as public policies have strong capabilities of facilitating or hindering innovations, especially in the case of Polish spas which largely function as state-owned or state-controlled enterprises what makes them more sensitive to decisions and policies made on the governmental level. The topic of innovation policies is also highly related to the previous section on the regional innovation systems. It is due to the role of the state institutions and regulations in functioning of a regional innovation system. Besides that, it can be claimed that innovations are influenced by the general regulatory framework which may facilitate innovations but may
also create barriers to innovations. As a result, innovation policies and general regulations can be regarded as factors influencing innovations development in spas and other companies.

First of all, to describe the role of a state, which is the main agent in the case of innovation policies, we can say that state develops innovation policy in order to determine aims and directions of development of innovative economy. The state is trying to define key sectors of the economy in order to focus innovation policy on them. As a result, tourism is often neglected by innovation policies as it tends to be of lesser economic importance than other sectors (UMWM, 2014).

In the case of general innovation policies, the main aim can be associated with facilitating of capturing of knowledge and assimilation of knowledge. For the innovation policy, it is also important to address knowledge flows within the region as the economic development and innovations development tend to be localized (Autant-Bernard et al., 2013). The primary aim of innovation policies can be achieved through the reduction of barriers to innovation and by the provision of some regulatory incentives, funding and collaborative structures which will support innovativeness (Rodriguez et al., 2014). It can be achieved through construction of the regional innovation system discussed in the previous section of this chapter.

Regarding the historical development of innovation policies, we can say that until 1990s innovation policies focused on the provision of infrastructure for R&D, financial support and technological transfers. On the other hand, those policies ignored absorption capacity as well as specific characteristics of a region which create demand for specific innovations. Recently, there is greater focus on regions, although, some characteristics of regions and their industries are still ignored (Todtling&Trippl, 2005).

From the practical perspective, a national innovation policy must be approved in parliament and requires certain amount of funds from the state budget to be assigned to it. During the construction of innovation policies, an emphasis is also put on the sufficient governance structures in order to ensure successful implementation and outcomes of the policy. Success of innovation policy depends also on the character of demand for innovations – sometimes local/regional levels of cooperation are insufficient in the case of more sophisticated innovations that require global cooperation. Another obstacle for the successful implementation of the innovation policy can be related to the lack of understanding between the public and private sector (Hjalager, 2014).
Innovation policies are difficult to construct as they are very complex to understand and influence knowledge flow and innovations. Sometimes a policy can be used as an intervention tool to build or improve links between the science and industry on a regional level – this is difficult as universities and the industry belongs to two different worlds with different focuses (Autant-Bernard et al., 2013). The aim of an innovation policy should also be to encourage firms from different sectors to collaborate - it can be done by promotion of linkages between industries. Policy should also deal with absorptive capacity of less developed regions where capacity to acquire knowledge may be low. Often it is difficult to identify what should be addressed by a policy as there is a lack of data and research on the issue that itself is very complex (Autant-Bernard et al., 2013). As a result, the important role of a state is also to produce statistics and other data which can be informative.

The educational policy is also an important factor affecting innovations development. It is because knowledge is the most important asset for innovations development. At the same time, education is highly influenced by state policies which can have direct influence on innovations. Policies regulate also patenting system, but it is more relevant to technological innovations as in the case of tourism or services, innovations tend to be less tangible but more visible to competitors what makes them more difficult to protect. Important factors contributing to innovations, which development is the role of government and policies, is development of infrastructure and communication, access to the EU programs, and improving attractiveness of the region to businesses in order to bring new investments, funding and knowledge. It can be done, for example, through improvements of the efficiency of functioning of a public administration or establishing advisory institutions for businesses based in a region (UMWM, 2014). Challenge of regional innovation policies is to increase participation of SMEs in the EU programs and to reduce the institutional barriers to innovations. Policies should also encourage arrivals of new employees and researchers and improve accessibility of the region as well as reduce a brain-drain often caused by emigration (Autant-Bernard et al., 2013).

On the other hand, effectiveness of innovation policies is often questioned due to insufficient outcomes (Hjalager, 2012). According to Uyarra et al. (2014), a public procurement strategy can be more effective in facilitating innovation development than innovation policy but also in providing more stable growth in the case of market failure. Public procurement relates to the strategy of the public sector which is purchasing certain products or services from the private sector – in the case of the Polish spas, it would relate to contracting of spa treatments.
by the public health service provider. Still, effectiveness of a public procurement in facilitating innovations depend on the functioning of public sector in terms of skills, collaboration and regulations (Uyarra et al., 2014). The strategy of public procurement can be considered less relevant in the case of tourism in general but in the context of spa tourism in Poland, we have to mention that spas operate on the border of tourism and health care system what makes the importance of public procurement a characteristic which distinguishes spa tourism from other types of tourism. As a result, we can expect spas to achieve an advantage over other accommodation or tourism companies through reduction of seasonality by the opportunity to host tourists funded by the health care provider all year round.

Market transition and privatization

The concepts of market transition and privatization are highly relevant to this study as both processes have or will have impact on functioning of spas in Poland. The aim of a transition was to transform Eastern European economies from state controlled into free-market economies based on private ownership and to enable those economies to participate in the global market through achievement of appropriate competitiveness. It also enabled business ownership by private people what was one of the most important outcomes of the transition from the business perspective. This process is difficult to evaluate as it has never took place before the transition of eastern European states. In general, we can say that major issue of the transition was an instability of the economy as it was totally different from the one in western states – for example, there were no private banks or financial institutions. As a result, earlier phases of the market transition focused on development of institutions which regulate the economy. The market transition also led to greater openness of states what resulted in greater retail opportunities. As a result, countries undergoing transition noticed significant increase of export (Kowalski, 2009).

The market transition and privatization are interconnected processes in the case of Eastern Europe as the privatization is an outcome of the market transition (Badulescu&Pacala, 2013). In eastern Europe after the collapse of communism, the aim of market transition was to transform economies from those based on traditional industries into knowledge based (what is still an ongoing process) and to increase the efficiency as well as to gain participation in western organizations such as the EU. Participating in organizations such as the EU can be particularly important for increasing innovativeness through greater mobility of people and knowledge, growth of competition and access to funding. Market transition also aimed at
reducing political influence on the economy and reducing public administration (Szmitka, 2013). On the other hand, the major issue was that systems designed during socialist period were unable to absorb global knowledge due to the lack of compatible structures (Lengyel&Leydesdorff, 2011).

Aspects of the market transition mentioned above prove the process of market transition to be relevant for this research. It is due to the potential of the market transition and its outcomes to influence innovations development. In the case of examined spas, we can expect them to benefit from the market transition through greater opportunities of funding for innovations or knowledge transfers as well as through the growth of competition that may facilitate innovations.

In the case of Poland, market transition led to the privatization of state-owned companies what resulted in positive and negative outcomes (Balcerowicz, 1998). From the perspective of state-owned companies to be privatized, the expected outcomes included: new investment, new methods of management, new technologies and products, new markets, growth of cooperation and networking (Szmitka, 2013). In 1990s, eastern European countries perceived neo-liberal model as being the most efficient and the most suitable for application in the eastern European context of market transition. It must be mentioned that in the case of eastern European transition, the neo-liberal model considered for introduction was more radical than in the most western European countries as it rather reflected Anglo-Saxon approach which aims at reduction of the state institutions to minimum (Evans, 2009).

Major outcome of the transition of eastern European region was a rapid growth of mobility associated with the previous isolation of the region, due to political reasons, as well as with the growth of emigration following the collapse of communistic system and opening to other regions (Clark & McArthur, 2014).

Negative consequence of the collapse of system in 1989 included significant increase of poverty, at least in the short to medium term perspective. In the case of Poland, proportion of population regarded as poor or ultra-poor increased from around 18% in 1989 to over 40% in 1992. During the same period, income declined across all eastern European countries undergoing market transition from 18% to 39%. As a result, the situation had significant impact on the decline of standards of living, especially if we take into account significant rise of prices due to introduction of the free-market economy (Cornia, 1994).
The transition brought also a rapid growth of foreign direct investments (FDIs) which are often regarded as being capable of bringing new knowledge which can facilitate innovations (Lengyel & Leydesdorff, 2011). There are mixed opinions about impacts of FDIs in eastern Europe. Some argue that FDIs bring capital that leads to modernization and growth of employment. On the other hand, FDIs may provide modernization of some selected sectors of the economy, in order to be able to benefit from the investment, while other sectors remain underdeveloped. This disparities also allow foreign companies to offer low wages to employees as employees do not have opportunity for accessing better employment in other sectors. FDIs are also accused of transferring earnings from a host country to their country of origin as well as for not providing sufficient linkages with domestic companies – it may have significant implications for innovations if knowledge is not spilled between companies (Curwin & Mahutga, 2014).

Regarding innovations in eastern Europe, we can say that eastern European countries were less innovative historically due to the isolation and lack of international knowledge flows as well as due to the lack of private sector investing in innovations. There are also differences in types of innovations as western countries tend to focus on new industries while eastern Europe tends to focus on innovations in traditional industries. In eastern Europe there is also much lower investment in innovations than in western Europe, even if we control for GDP (Krammer, 2009). The major player in facilitating R&D in eastern Europe is a government, in contrast to the western countries where R&D is more often facilitated by the business. Similarly as in the western countries, universities in eastern Europe also play role in facilitating innovations through linking of innovative infrastructure with businesses research and development efforts (Krammer, 2009).

**Determinants of innovation on a company level**

The purpose of this section is to briefly discuss barriers and facilitators of innovations which are less explicitly related to the discussion in previous sections of this chapter. It is also important to mention other aspects determining innovations which will also be incorporated to this project, especially those which can emerge on the internal company level.

First of all, on the company level, innovations are highly dependent on skills, competences and organizational structure that can either facilitate or hinder innovations, depending on its design and functioning (Story et al., 2014). In the case of examined spas, it can be potentially reflected in the characteristics of the employees regarding their ability to develop innovations.
as well as in the management of spas regarding attitude towards innovations and the provision of innovation development process. As a result, we can claim that the internal characteristics of spas may have facilitating or hindering effect of innovations, which to a large extent depend on the knowledge within spas.

Regarding the radical innovations development, it requires the ability to deal with a process of innovation development, without having a full understanding of decisions undertaken and their consequences (Story et al., 2014). It is because the process of innovation development is unpredictable due to the lack of knowledge on a potential outcome of the action. It also requires the ability to persuade internal and external actors, to accept certain innovation (Story et al., 2014). It relates to risk-avoidance culture and attachment of stakeholders to existing products and processes which may create a barrier to implementation of innovations. The social context and interactions may also facilitate or hinder innovations depending on the environment created by social interactions. Success of innovation depends also on the attitude of managers and their willingness to abandon old ways in favor of new ways as well as their style of management (Starbuck, 2014). At the same time, willingness of customers to accept innovative products is also necessary for implementation of innovations what may be difficult in the case of presence of the risk-avoidance culture (Sandberg & Aarikka-Stenroos, 2014; Najda-Janoszka & Kopera, 2014).

Apart of the aspects mentioned above, innovations on the company level depend largely on the availability of financing, freedom of creative thinking for employees as well as mind-set of employees what relates to the level of risk avoidance (Story et al., 2014).

At this point, we can also mention the ongoing debate on the relationship between determinants of innovation and type of innovation. It means that it is uncertain if every type of innovation is affected by the same barriers and facilitators in the same way (Sandberg & Aarikka-Stenroos, 2014). It must be mentioned that barriers and facilitators of innovations are dynamic, relative and may emerge and disappear depending on the current situation. It means that something can be a barrier to innovation for one company but not necessarily for another one (Sandberg & Aarikka-Stenroos, 2014).
Gaps and limitations of the literature

Despite existence of several studies on innovativeness in tourism or even directly in spa-tourism, there is little evidence on impacts of privatization or market transition on innovations in spa-tourism and other industries. Here, we must also mention peculiarity of spas in Poland that, to some extent, function as a part of the public sector on the border of tourism and health care. In this case, we can also mention the lack of studies on accommodation and hospitality as a part of the public sector as it is normally part of the private sector. There is also shortage of studies of spas as forms of collaborative networks. Here it might be useful to study collaboration between spas on the destination level. It is because spa-towns usually have a few spas which function under similar circumstances and in the similar context what can facilitate networking. Finally, we can say that despite identification of several analytical frameworks addressing a broad field related to innovations, there is small amount of frameworks which attempted to measure innovations in tourism, particularly from the company perspective.

Summary:

The chapter began from the addressing of literature on innovations what formed the point of departure for further literature analysis. It highlighted characteristics of the service and tourism industry which make it different from traditional industries. It also brought forward some of the most relevant innovation theories related to tourism and services as well as distinguished between specificity of innovations in traditional industries and in services. Finally, it shortly discussed the basic typology of innovations and the importance of innovations for competitiveness and development of firms and regions.

Later, the chapter moved towards discussion of innovation systems. It discussed the participation or lack of participation in regional innovation system and its effects on innovations. It also described functioning of innovation systems, paying particular attention to the aspects of knowledge generation and knowledge transfers within the system. Later, the chapter discussed innovation-related policies, what is also linked to functioning of innovation systems. Innovation policy has relatively high influence on innovations as it creates regulatory framework under which companies operate.

Another part of this chapter focused on the aspect of market transition. It discussed impacts of the market transition that include: change of the economic structure of countries,
privatization, opening to the outside world as well as deregulation of the market. On the other hand, the chapter mentioned also some of the negative impacts of the market transition such as growth of poverty, decline of GDP or decline of competitiveness of domestic firms. This part of the chapter related also effects of the market transition in the region to innovations.

The last part of this chapter discussed other determinants of innovations, paying particular attention to barriers and facilitators of innovations on the company level. It mentioned the importance of skills, competences and organizational structure of the company as well as the importance of creating internal environment within the company that will enable creative thinking of employees. It also mentioned potential issues associated with risk-avoidance culture which may be a significant inhibitor of innovation development. The last section of this chapter briefly discussed some of the limitations of the literature.
Context of the study

Geographical context:

Geographical framing is important as this empirical study will focus on the one particular region with several distinctive characteristics. From this perspective, we can say that the research will be conducted in the south-eastern part of Poland, historically and culturally known as Galicja. The region is covered by two counties – Malopolskie and Podkarpackie, out of 16 counties in Poland. Although Poland is considered rather lowland country, the region under study is mostly located in sub-mountainous and mountainous area of Carpathian mountain range.

Economic characteristics of the region:

In the case of south-east Poland, we can say that the most developed and the most attractive for investors is the city of Krakow due to well-developed educational sector which is supplying skilled labor to foreign investors. As a result, Krakow is one of the most popular destinations in Europe for the business process outsourcing investments providing significant employment in the city. On the other hand, we can doubt how sustainable this form of business model is as outsourcing services are highly mobile and cost-sensitive. The Malopolskie county has also several institutions supporting businesses such as clusters or other forms of collaborative networks but vast majority of them is based in Krakow. As a result, we can claim that Krakow is a central point of the region with other areas lagging significantly behind it in terms of the economic development (Godowska, 2012).

<table>
<thead>
<tr>
<th></th>
<th>Malopolskie county:</th>
<th>Poland:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>3,300,000</td>
<td>38,500,000</td>
</tr>
<tr>
<td>Urbanization</td>
<td>48.7%</td>
<td>60.4%</td>
</tr>
<tr>
<td>Average available monthly income per person</td>
<td>1227 PLN (=2700 SEK)</td>
<td>1299 PLN (=2880 SEK)</td>
</tr>
<tr>
<td>Employment rate</td>
<td>50%</td>
<td>56.3%</td>
</tr>
</tbody>
</table>

(Central Statistical Office of Poland, 2015)

Some of the above mentioned economic data reflect certain level of underdevelopment of the region in relation to the national average. What must be also mentioned, is that above data include relatively well-prospering city of Krakow located within the region. As a result, if we exclude the city of Krakow, what is difficult due to the lack of data, the level of underdevelopment of the region in relation to the national average would be even greater.
Despite of the lack of sufficient data on number of users of spas, in 2004 it was estimated that around 400,000 people were customers of spas in Poland, of whom, around 60,000 were foreign customers, mostly (93%) from Germany. In 2009, number of customers of spas raised to around 620,000 of whom around 70,000 were foreign tourists. Foreign tourists are attracted to Polish spas due to relatively low cost, in comparison with western Europe as well as due to highly skilled medical personnel (Kras, 2011).

Polish spa-resorts – background:

Regarding spas, we can say that the most of them are located in the mountains of southern Poland as well as by the coast in the north. The status of a spa resort is assigned by the law and the main requirement for assignation of the spa-resort status is natural value of the area. As a result, all spa-resorts in Poland are located in naturally valuable areas what makes them attractive not only for medical treatments but also for other types of tourists. In Poland there are 44 places with the official status of a spa-resort, of them, 14 are located in the south-east Poland which is a region under study for this project (Solan, 2012).

Some of the spas in Poland were established in the 19th century. Regarding more recent history, we can claim that during the inter-wars period (years 1918-1939), the most Polish spas were privately owned, although some were state owned. In the post-war period, Polish spas became state-owned and available to people for free what reduced social exclusion in terms of financial access to spa treatments. Post-war state ownership of spas is largely associated with the change of political and economic model which adopted Soviet model based on a state-ownership and central planning. During this period spas were developing in terms of growth of arrivals, improvements to accommodation standards and medical treatments quality. It also led to the development of research in the field of spa-treatments, mostly from the medical perspective. During this period, spas were part of the health care system with the aim of providing preventive health care measures and medical treatments using local resources. Economic problems of spas in Poland began in 1980s due to the reduction of funding caused by the crisis of the economic and political system. Post-1990 period led to further reduction of state funding and necessity to look for other sources of financing. It required restructuring of spas and ownership changes. As a result, in the early phase, several spas were limiting their activities and closing some units. Despite ongoing economic transition and restructuring of spas, large share of funding still comes from the state.(Malecka&Marcinkowski, 2007b).
**Market transition – the case of Polish spa-resorts**

This is highly relevant to spas in Poland as they used to be, and largely still are, owned or controlled by the state as an integral part of the national health service system. On the other hand, there are pressures to privatize Polish spas due to shortage of funding (Dryglas, 2013). At the same time, we can mention a potential difficulty of privatization of spas associated with unsolved property rights. It relates to the fact that spas were nationalized after the Second World War. Nowadays, some of the former private owners of those spas can expect their properties to be returned. As a result, the potential investor may avoid such an investment due to the risk of loose of it to the former owners.

The expected outcomes of the privatization on the company level may include: reduction of the political influence on a company, growth of efficiency and greater competition. It may indicate that privatization will bring a new situation which will require certain level of innovativeness in order for spas to become competitive on the market. On the other hand, there is lack of evidence of the growth of innovativeness of privatized spas or, in general, lack of evidence of the successful operations after privatization. Little is also known about the impact of the market transition on functioning of regional innovation systems, although we can expect those impacts to be significant due to economic changes, caused by the market transition, to management and functioning of regional innovation systems.

In order to compare functioning of Polish and other European spas, we can mention that in the case of European spas that offer medical treatments and tourist services, around 80% are privately owned and only 10% are state-owned. In the case of Poland, only 4% of spa units are privately owned while the rest are state-owned or owned by trade unions or other organizations – private and state-owned (Kras, 2011). It means that despite of the market transition and changes to functioning, Polish spas are still undergoing market transition.

**Contemporary spa-resorts in Poland – regulatory framework:**

Spa treatments can take place in ‘spa treatment units’ which are localized in environmentally protected areas with the official status of a spa-resort. By definition, spa treatments should be based on natural resources available locally (for example mineral waters) as well as properties of a local climate. According to the law, customer of a spa, regarded as a patient, has charge-free access to medicines and health checks necessary for a successful spa treatment. The law defines also what a spa treatment unit is – it includes hospitals, sanatoria and various types of
health care centers, although, for this project rather sanatoria will be examined as they hold the tourism function. Regarding the length of treatment, it can vary between 6 and 28 days with standard treatment taking 21 days. In order to be able to access spa treatment, a patient is required to obtain a request from a medical doctor with an appropriate medical justification (Polish Ministry of Health, 2015).

Contemporary spa-resorts in Poland – innovations and development:

According to Dryglas (2013), Polish spas suffer from the law constrains and lack of stability of contracts for treatments ordered by the national health service provider. This also highlights the issue of a public procurement influence on innovations. In the case of Polish health care service provider, attention is paid largely to the price of a spa treatment what may reduce innovativeness of spas (Dryglas, 2013). Despite being highly regulated, spas are allowed to provide commercial and tourism services, such as accommodation or paid access to spa treatments, what indicates a progress in the market transition (Dryglas, 2013). According to Dryglas (2009), the key to innovations in spas is knowledge of customers, competition and market trends.

Similar view on spa tourism in eastern Poland was expressed by Sasinowski (2012), who claimed that the major obstacles to spa-tourism development may include the lack of investment caused by the lack of information about natural resources to potential investors as well as a rigid regulatory frameworks. According to the Polish Tourism Development Strategy for years 2008-2015, spa tourism is expected to be innovative in order to improve attractiveness of spa-resorts as well as to diversify the product offered in order to attract other than spa treatment customers (Borowiec&Dorocki, 2013).

Development of spa tourism and spa resorts is considered to be a significant issue in Poland. It is due to perception of spa tourism as being important source of income and employment in spa resorts that, often, do not have other significant alternative on which economic development can be based (Kras, 2011).

Summary:

Finally, the purpose of this chapter was to bring forward the context of study in order to familiarize the reader with the research context and make it easier to understand. It provided several information regarding the geographical, historical and economical context of the region under study and spa resorts. It explained the economic condition of the region. It also
highlighted the historical background of spas in Poland, paying particular attention to more
recent history of state-ownership as well as market transition and the contemporary regulatory
framework of functioning of spas. Finally, the chapter discussed the significance of spa
tourism in terms of economic value to regions as well as aspects of development and
innovations in spa tourism.
Methodology

Introduction:

The aim of this chapter is to address the methodological aspect of this project. It will provide theoretical discussion of a method which will be applied to this study. Later, it will discuss justification of the method for the research as well as explain practical aspects of it.

Thematic analysis – discussion of the method:

Thematic analysis is often used analytic method in various fields. It is also one of the basic qualitative methods as well as the foundation of all qualitative methods, which always involve grouping meanings into themes. In this sense, some argue that thematic analysis is not a method itself but rather a tool that is used across various qualitative methods. On the other hand, some argue that thematic analysis should be seen as a method (Braun & Clarke, 2006). As a result, thematic analysis can be defined as a method for identifying, analyzing and reporting patterns within data (Braun & Clarke, 2006).

From the philosophical perspective, a thematic analysis is seen to be compatible with essentialist and constructionist paradigms what makes it applicable across a range of approaches. It also offers a significant level of flexibility to a researcher. On the other hand, thematic analysis requires some guideline, although it should not restrict the research. It means that a researcher should make sure what and why is going to be researched and how is it going to be analyzed (Braun & Clarke, 2006). If thematic analysis is applied from the essentialist perspective, it will focus on reporting of experiences, meanings and realities of participants. On the other hand, from the constructionist perspective, it will examine how meanings are a result of discourses functioning in the society (Braun & Clarke, 2006).

In terms of the way data are handled in the case of a thematic analysis, we can say that data are divided into: all data collected (for example, a full interview transcript) and a set of data, that represents some relevant part of data taken from the all data set in order to use it later for analysis. What forms a data set is usually determined by the research interest and parts of all data that are relevant to the research (Braun & Clarke, 2006). As the name of a method implies, it is about looking for themes in analyzed data – themes will emerge from data but it requires active engagement of a researcher who is looking for patterns within data and selecting themes which are relevant to the research (Braun & Clarke, 2006). From the practical perspective, there is no one or pre-decided way of finding themes relevant for
research questions. Broadly speaking, apart from being relevant to research questions, a theme should be also something that was given significant attention by the research participants (Braun & Clarke, 2006). According to Ryan & Bernard (2003), we can say that we identified a theme when we can answer what is particular expression an example of. Theme can be also something that is re-occurring in data (Ryan & Bernard, 2003). After identifying relevant themes, a researcher can also cluster them in relation to pre-determined questions aiming to identify similar or different perceptions (Stetler et al., 2006).

It is also important for a researcher to decide on the level of analysis – it can be decided to describe thematically total amount of data or to focus on one particular theme. The first approach to analysis is regarded as more appropriate in the case of less researched areas (Braun & Clarke, 2006).

The flexibility of thematic analysis can be reflected in possibility to apply it to inductive as well as deductive studies. In the case of inductive approach, data are linked to themselves rather than to questions asked to participants and, as a result, cannot be linked to any existing theories. On the other hand, deductive approach is based on existing theories. In this case, a researcher should look for specific themes linked to theories (Braun & Clarke, 2006). As a result, we can say that themes can come either from data or from existing theories (Ryan & Bernard, 2003). We can also distinguish between the semantic and latent level of analysis. In the case of a semantic approach, only what was said by research participants is taken into account. In this case, data are organized in a way to show patterns of the content. Later, already organized data should be interpreted in relation to theories. On the other hand, analysis on the latent level goes beyond semantic level and analyzes also underlying ideas that were not necessarily pronounced by research participants (Braun & Clarke, 2006).

**The research method and its justification:**

Regarding the research questions and aim of the research, following method of data collection was employed: semi-structured in-depth interview with managers in certain spas which later were analyzed using thematic analysis.

As a justification of the choice of semi-structured in-depth interviews, we can claim the characteristic of the research that looked at actions and opinions of managers, operating in a certain context, on innovations. As a result, qualitative rather than quantitative method is more applicable to this study due to difficulty with quantitative measurement and analysis of
this type of data (Wilson, 2010). As another justification of the method we can use the fact that managers, in this case managers of spas, can be considered experts in their field. It is because they have relatively high work experience in this environment and context. As a result, it allows us to consider them to be an important source of information for the research (Wilson, 2010). Another reason justifying the use of semi-structured interviews and thematic analysis is the flexibility that is granted to the researcher (Wilson, 2010; Braun & Clarke, 2006). As a result, it was possible to modify questions or ask several follow up questions, depending on the context of conversation.

**Sampling strategy and conducting the research:**

Regarding the number of interviewees, it can be said that five managers participated in the research, although it was difficult to find out what amount of interviews is sufficient. At this point, it can be claimed that the number of interviews conducted depended on the level of information saturation as well as the number of managers willing to participate in the research (Wilson, 2010). It is also important to mention that the sample of managers participating in the research do not cover all types of spas in terms of their ownership. Only managers of state-owned spas and spas owned by other organizations, such as trade unions, participated in the research, while no spa which is owned by a private person participated in the research. It is due to difficulty of recruiting managers of private spas. On the other hand, it can also be mentioned that state-owned spas tend to be more interesting due to specific challenges related to market transition.

Regarding the recruitment of research participants, it took place with help of the Krynicka Tourism Organization which represents the local tourism organization functioning in the part of a region under study. The tourism organization, after being contacted by the researcher, helped to schedule meetings of the researcher and managers. The recruitment of interviewees took place also using direct phone calls. The process of recruitment of participants in the research took place between 15 February 2015 and 25 March 2015 in order for the researcher to be able to carry interviews between 18 March 2015 and 30 March 2015. Finally, it can be said that interviews took place in the selected spas. This solution was the most convenient for the research participants as they work in those spas, as well as for the researcher who is originating from the region and had opportunity to travel and be accommodated there.
Interview conduct:

Each interview started with the introduction of the researcher, the research and the aim of the interview as well as formal consent of the participant to the conditions of an interview. Later, actual interview started with general questions – regarding a spa or innovations as well as a company composition - in order to start and facilitate conversation and to establish some sense of comfort for both the researcher and a participant. During the interview, care was taken of: asking only questions related to the project, not asking leading questions, asking open questions to allow the participant to elaborate on it, avoiding judgmental comments, asking questions in a clear way and, if necessary, asking follow up questions. The interview was concluded when all aspects were covered. At this point, the interview was summarized by the researcher and the participant was thanked and asked if he/she has anything to add to what was said. Regarding the themes covered by interviews, we can mention: types of innovations, cooperation, regulations, economic transition and internal characteristics of spas. More detailed interview guideline is attached in the appendix.

The research participants - description

All of the spas participating in the research are located in the south-eastern part of Poland in two towns of Rabka and Krynica-Zdroj, both located within the Carpathian mountain range. Regarding the ownership structure, one spa unit is state-owned and not expected to be privatized, three are state-owned but expected to be privatized and one is owned by a trade union. Regarding the size of those spas in terms of the room capacity, it ranges from the ability to accommodate from around 70 people up to around 400 people in rooms providing diverse quality. It must be mentioned that apart from the accommodation, the spas offer also a range of spa- and medical spa treatments which can be considered as a basic and the most important product. In the case of all of the examined spas, non-commercial customers represent the majority ranging from around 60% to 80% of all customers.

Analytical framework:

At the beginning, this section will provide some short discussion of analytical frameworks applied to studies of innovations in the past. Later, it will provide summary of the theoretical background written for this thesis as well as explain more directly, how it is relevant for this research.
One of the most frequently used approaches to study innovations is the Schumpeterian approach (Camison & Monfort-Mir, 2012). On the other hand, it tends to focus on technological innovations which are more applicable to manufacturing than tourism.

According to Tohidi & Jabbari (2012), innovations on the company level can be also measured by simple survey which asks managers about the intensity of innovations using several indicators. For example, one question can ask about the number of new products introduced by the company over certain period.

We can also find some limited scope of innovation studies approaching spas in Poland. One of them attempted to measure innovations of spas using questionnaires aimed at local governments, in the areas where spas are located, as well as at tourists in spas (Rapacz et al., 2009). In this case, questionnaire for the local government asked questions relating to the attractiveness of a resort, level of innovativeness of firms and local government, and about innovation policies and entrepreneurship in the municipality area (Rapacz et al., 2009).

Another study of innovations in Polish spas tried to evaluate the innovative environment in spas by constructing questionnaires aimed at managers (Januszewska, 2009). In summary, the research found out that there is some innovative environment that is negatively affected by the lack of funds, not innovation oriented motivational system for employees or the lack of skills (Januszewska, 2009).

For this research project, the analytical framework is based on the analysis of types of innovations introduced by spas as well as processes and factors facilitating and hindering innovations. It also incorporates the fact of transition of spas towards free-market functioning.

First of all, based on the theories discussed in this project, we can say that heterogeneity of the tourism industry makes it more difficult to cooperate between businesses in order to deliver coherent product (Aldebert et al., 2011). As a result, the research tried to find out, how particular spas function in terms of cooperation with other businesses and how it affects innovations.

This project analyzed also aspects of learning, knowledge transfers and collaboration which were discussed in the literature review (D’Allura et al., 2012). As a result, the research attempted to identify existence of regional innovation system or some different framework of collaboration in which spas participate. Later, managers were asked to discuss their relations
with other participants of a network in relation to knowledge transfers which have potential of bringing innovations.

As it was mentioned by Sundbo (1997), the role in facilitating or hindering of innovations is played by company characteristics. It was implemented in the case of this project which attempted to discuss the impact of internal characteristics of spas on innovations. Those characteristics included: skills, competences and organizational structure as well as a social context, ability to persuade internal and external actors to accept innovation, attitude of managers, mind-set of employees, attachment to existing products and processes, support to innovativeness on the company and individual employee level or interactions with customers which can all determine the ability to innovate on a company level (Story et al., 2014).

As it was already mentioned, innovation policy relates to facilitating of knowledge flows and knowledge generation, development of collaborative frameworks between institutions and reduction of barriers to innovations (Autant-Bernard et al., 2013; Rodriguez et al., 2014). As a result, this project explored how policies affect innovations in spas. It includes impacts of innovation policies, tourism strategies, and other forms of regulations relating to, for example, education.

This project incorporated also the context of market transition that changed social, political and economic situation within the Eastern Europe (Evans, 2009). The aspect of market transition and its influence on innovations in spas was examined by discussing with managers effects of the market transition. It included, for example, greater openness to the outside world what could speed up knowledge flows and bring new ideas from abroad. Apart from the greater mobility of knowledge and people, market transition was examined in terms of the growth of competition and changes to the demand and supply in the case of tourism and its potential impacts on innovations in spas.

Although it is difficult to distinguish between types of innovations in the case of tourism and services in general, this project attempted to find out which innovations are introduced by spas according to opinions of managers (Toivonen&Tuominen, 2009). It helped to identify which types of innovations are introduced by spas and which factors led to emergence and introduction of those innovations, what relates to the process of innovation development.
Analysis strategy:

In the case of this research, rather essentialist approach was used. It is because the study focused on the reporting of opinions (meanings/experiences) of managers rather than impacts of the discourses in the society on those opinions. Thematic analysis can be also divided into analysis of all themes in data or focusing on one particular theme. In this case, the research analyzed all themes in the data as it is better in the case of less researched areas. It can be also mentioned that the data themselves focused, to some extent, on one particular aspect – in this case, on innovations in spas – as interviews were designed in that way. Regarding inductive versus deductive character of analysis, we can say that in this case, rather deductive approach was applied as the data were analyzed in relation to theories discussed in the literature chapter. On the other hand, some inductive analysis was required when a participant mentioned something related to the topic of study that is not covered with existing theories. In terms of the level of analysis, it can be also said that semantic rather than latent analysis was applied. It is because the research took into account only what was said by respondents rather than going beyond this level.

For this research, themes relevant for the research questions and those given particular attention by participants were selected for analysis. Themes were grouped according to the five categories mentioned in the interview guideline and later analyzed in relation to the theories discussed in the literature chapter. The themes were identified based on the coding of interview transcripts. The codes were based on attaching meanings to different parts of the transcribed interview. In summary, it can be said that the codes were assigned to transcribed interviews, later codes formed themes that later were grouped according to the categories mentioned in the interview guideline in order to establish patterns that were analyzed in relation to theories.

Finally, it can be said that the analysis tried to use other sources in order to make results more legitimate (Yin, 1989). To do so, apart from theories, other secondary data were used including the national innovation strategy, spa-resort websites, publications in media and statistical data.
Limitations:
As a major limitation of this research, we can consider time restrictions due to relatively short deadline of the project submission. As a result, the empirical research could examine only a few spas in a relatively small area, which are operating under specific circumstances which can have an impact on a generalizability of the study. Another limitation of the study relates to its focus on the determinants of innovations. In this case, the analysis included only determinants mentioned in the literature chapter and in the interview guideline, what forms a reasonable framework but perhaps is not an exhaustive list of potential determinants of innovations.

Ethical concerns:
Although the research in this case does not imply any significant risk or ethical concerns, we can discuss it from the ethical point of view. First of all, we can mention the importance of some fundamental approaches to the ethical research such as respecting the person participating in the research, who is the interviewee in this case. It is also important to obtain the consent of a participant to be interviewed and the consent for an interview to be recorded. As a result, the participants had to be provided with all necessary information regarding the research so that they could make informed decisions as well as to be assured of the research confidentiality and possibility to withdraw from the interview at any time, what did not happen (Rowley, 2004).

Finally, we can say that there was no significant risk to the researcher or the research participants at any time of the research or writing of the thesis.

Summary:
We can say that the research is relevant as both issues of innovations and market transition are recently affecting functioning of spas, the tourism industry as well as the whole economy of Poland. It is also relatively under-researched area what crates opportunity to develop the idea of innovations in tourism, using the example of spas undergoing market transition, what has potential to benefit tourism as a scientific field but also spas and the tourism sector within the region under study. It can be also said, that despite of the focus of an empirical research on the spas in Poland, the research can benefit tourism in general and as a scientific field by highlighting some common theories and aspects related to tourism in general and to innovations. We can also say that the researcher was able to conduct the research due to the
scientific background within tourism and tourism management as well as due to the lack of a language, cultural and geographic barrier between the researcher and the research participants.
Results

Introduction

The purpose of this chapter is to provide a description of results that later will be used in a separate chapter in order to conduct the discussion of results in relation to the theories brought forward in the literature review and other chapters of this project. The results described in this chapter were obtained through the empirical research discussed in the methodology. In this chapter, the results will be grouped according to a few themes that emerged during the analysis of interviews and are related to the topic of this project.

General characteristics of the spas

Regarding background of the examined spas, we can say that they have diverse history in terms of the date of being established, ownership and functioning. Some of the examined spas, such as the biggest spa in the region and whole of Poland - Uzdrowisko Krynica-Zegiestow – has a long history and tradition of providing medical treatments to upper-market customers, that goes back to the 19th century. On the other hand, some of the spas are smaller in size and established just a few decades ago. It is worth to mention that all spas share a history of functioning under former centrally-planned soviet economic model when they were in a more or less direct way state-controlled. During this period, spas were attracting the general population or members of particular trade unions. At that point, spas did not have to pay attention to economic performance as it was unimportant due to characteristics of the economic system in Poland. It was the case, as the economic system was not profit-driven and spas were considered as a common good rather than profit-making entities. Nowadays, some spas remain state-owned and some are owned by organizations, such as trade unions, or by municipalities, although, some spas are owned by a private person. All spas faced and are still facing a challenge of adjusting to contemporary free-market conditions what will be discussed in later sections.

Regarding the general information collected during the research about the examined spas, we can say that all of them attract diverse types of customers, although customers financed by the national health service provider are dominant. All managers participating in the interviews claimed that non-commercial customers represent more than 50% of all customers, in some cases more than 70%. Still, commercial customers, although in minority, are important to the spas.
Although customers financed by the national health care provider are the most prevalent and the most important for all spas, the views of the interviewees on this market segment tend to be less favorable than on commercial tourists. Some of the managers pointed at low profitability of non-commercial customers associated with a high cost of providing required amount of medical treatments in relation to a low level of financing provided by the national health care provider. This attitude towards non-commercial customers can be also associated with an uncertainty of future contracts and financing from the health care provider. On the other hand, despite of the above mentioned factors, an attitude towards non-commercial tourists tend to be good due to stability of current contracts with the health care provider, which is seen as a factor reducing competition and seasonality. This is especially valid, in the situation when the spas can decide by themselves if they want to establish contracts with the health care provider and how many non-commercial tourists they are willing to accept. On the other hand, the contract with the health care provider can be obtained through bid, which requires spas to fulfill certain criteria established by the health care provider. From the theoretical point of view, this situation, overall, reflects the strategy of public procurement which is based on the public sector purchasing goods or services from the private sector (Uyarra et al., 2014). In this case, the national health service provider is purchasing medical spa treatments from spas.

The basic and core product of all spas is the provision of an accommodation, and services associated with it, together with a range of treatments that can be classified as ‘a medical spa’ which distinguishes it from a typical spa treatments. The medical spa is a treatment that is proven to deliver particular health effects, while a typical spa can be any procedure as it is unregulated by the law. According to some of the interviewees, the wide range of medical spa treatments is a major advantage of spas over the rest of accommodation sector, usually unable to provide similar offer.

On the other hand, the most spa units deliver also other products such as renting rooms in the same way as hotels do which means that a tourist can stay as long as he/she wishes without participating in spa treatments. As a result, a spa can diversify its market to commercial tourism instead of relying on medical tourists only. At the same time, spas also offer spa- and medical spa treatments for customers who are not accommodated there. Some spas offer holidays for organized groups, for example, through contracts with bigger companies sending their employees for holidays to spas. Spas also tend to offer products for business tourists,
such as organization of conferences as well as non-tourism products such as selling of the locally sourced mineral waters or cosmetics based on the local natural resources.

**Characteristics of a spa as a company**

This section will focus on description of the opinions of interviewees regarding characteristics of the spas that they represent.

First of all, the majority of managers claimed that on the company level it is possible to notice that employees have a negative attitude towards changes introduced by a company. On the other hand, managers tend to view their employees as rather open to innovations, well-educated and skilled. As a result, we can notice a situation when employees are not willing to adjust to changing situation but, at the same time, they are open to novelties brought by innovations.

Spas also tend to motivate and encourage their employees to be creative and innovative as well as to increase their knowledge through trainings which are seen as bringing positive change in terms of a knowledge transfer.

Regarding the cooperation of spas with customers, in terms of learning from customers about their needs and opinions about products offered by a spa, some spas conduct customer surveys. On the other hand, some spas do not conduct any customer surveys, although they see potential benefits of such a research.

Relatively common view expressed by the interviewees was that spas are underinvested and lagging behind the contemporary tourism industry requirements, what is often seen as a result of changes during the transition period which was, to some extent, lost in terms of a company development. This situation is particularly visible in the case of one spa that is still state-owned. It is in a relatively bad market and financial condition due to a low profitability which is preventing rising of funds for investment as well as due to the significant period of a bad management. As a result, the spa is using cost-inefficient technologies, offers low standards of products and suffers from inappropriate skills of employees. The interviewee mentioned also dependency of the spa management on the current political situation. It is because the government has a decisive influence on the management of the spa. As a result, the spa was managed in inconsistent way as a government in Poland used to change frequently what led to frequent changes in management of the spa.
Customers of spas

Regarding opinions of the managers about customers, they claim that there are different types of customers. Some customers are seeking novelty in products offered by spas what can have a stimulating effect on innovations development. On the other hand, there exist another type of a customer who is looking for a product that is known to him/her. As a result, spas are trying to offer products that will suit both types of customers, who are becoming more demanding. It means that spas try to learn from customers about their expectations, what can have stimulating effect on innovations introduced in order to suit customer expectations.

Although spas do not attract significant amount of foreign customers, what was noticeable in the content of interviews that largely ignored the aspect of foreign tourists, one manager claimed that the low level of arrivals from abroad may be caused by a lack of trust in the Polish medical service.

Some of the managers explain dependency of spas on non-commercial customers funded by the health care service provider as a result of the relatively poor general society which is unable to afford to pay commercial prices for a commercial product as well as due to the low level of awareness of benefits of medical spa treatments.

The types of innovations and an innovation development

Regarding innovations which are introduced by spas, the interviewees point mostly at innovations related to medical spa treatments that are offered to both, commercial and non-commercial customers. These innovations mostly involve purchase of a new medical equipment that is enabling spas to introduce new types of treatments. This form of the innovation may relate to a process innovation and a product innovation as the introduction of a new equipment relates to methods of a product delivery while a new treatment can be regarded as a new product (Hjalager, 2010). According to the interviewees, most of the spas focus on the product innovations such as development of production of cosmetics or product packages that include an accommodation, treatments and added services such as excursions or culinary classes for children. Here, it must be mentioned that most of those innovations relate to products offered for the commercial customers. Some spas introduce also other innovations related to modernization of buildings or reconstruction of buildings which can lead to new opportunities regarding the use of such buildings. Such a new use of old buildings can include, for example, establishment of a cultural center. Modernization of buildings also leads to implementation of the new and more efficient ways of using an energy such as solar panels.
Spas introduce also innovations such as a commercial sale of products formerly available only to non-commercial customers – such as the hospital treatments, new IT and management systems, online sale of products, improvement of an attitude towards customers by employees or introduction of a shift work scheme for medical personnel. On the other hand, it has also been pointed out that innovations introduced by the spas are not unique and can be regarded as innovations only on the company or local level.

For the majority of interviewees, implementation of innovations is a result of benchmarking and imitation. On the other hand, several respondents claimed that innovations emerge also from employees of a spa, particularly from medical personnel, regarding the purchase of a new equipment, or are a result of a cooperation between employees. As a result, the interview participants claim that there exist a process of innovation development on the company level, although it is mostly informal and unorganized but encouraged by the company. It means also that managers and employees are aware of the importance of innovations, despite of the lack of a formal innovation development process.

Regarding the goal of development and introduction of innovations in spas, all managers participating in the interviews claimed that the rising level of competitiveness of a spa as well as improving its attractiveness are the most important. On the other hand, some managers mentioned also other goals that can be achieved through innovations such as the improvement of recognition of a certain spa on the market, attracting more of commercial customers, improvement of relations with customers or an increase of profitability. One interviewee pointed also out that a major cause of innovation development by spas is the lack of a safety and stability on the market.

A cooperation in the case of spas

Regarding the cooperation of spas with other businesses and institutions, it can be claimed that spas participate in different forms of cooperation with other spas, also in formally organized frameworks. This form of the cooperation focuses on an exchange of information and experiences as well as working on some issues affecting the whole sector of spas. There are also different forms of the cooperation of spas with other businesses, although this form of the cooperation tends to be bilateral rather than covering larger amount of units cooperating within an organized framework. Cooperation between spas and other businesses tends to be oriented towards achievement of common goals, such as organization of an event, excursions or promotional activities rather than towards the long-term relationship and exchange of
information and knowledge. These forms of cooperation involve also a retail, sale of spa products (for example through travel agent) or extension of a range of products offered by spas. Despite of the presence of some bilateral cooperation between spas and other businesses, the most interviewees claimed that this form of the cooperation is largely informal and very limited, also in the case of a cooperation with other businesses from the tourism industry. As a result, the managers mostly pointed at the lack of participation of spas in any clusters or networks as well as very limited transfer of a knowledge between spas and other businesses or institutions. It is also reflected in the lack of cooperation with universities and research institutions in terms of development of innovations, a research or knowledge transfer. On the other hand, some forms of a cooperation between spas and universities exist, although it mostly focuses on an organization of internships for students or on marketing-related aspects rather than directly on innovations and research. Some of the managers expressed also interest in development of the research-related cooperation with universities.

Despite of the perception of a lack of knowledge transfers through a cooperation with businesses and research institutions, some of the interviewees see some opportunity for a knowledge transfers, reflected in, for example, imitation through participation in international tourism trades. Regarding a cooperation, several managers mentioned a cooperation of spas with local governments, municipalities. On the other hand, this form of the cooperation was oriented mostly towards the organization of a promotion to attract tourists.

**Regulations and their impact on innovations**

All of the interviewees identified several barriers to innovations related to a law and a law-related aspects. One of frequently mentioned opinions was that regulations are bureaucratic, constantly changing and create several difficulties for the functioning of spas or business in general. The interviewees claimed also that regulations are unclear, especially when it comes to distribution of a financial support for development of businesses and innovations, as well as difficult to understand.

Regarding the regulations related to a financial support of innovations, the managers claim that the financial support, especially from the EU funds, is important and beneficial to spas but there are not enough funds assigned to development of innovations in the tourism sector. Several managers mentioned also an unequal access to the financial support of innovations caused by an ownership structure. It relates to the fact that state-owned firms often are excluded from the participation in such schemes which affects spas that are state-owned.
Regarding the ownership of spas, some of the managers expressed view that a law is preventing state-owned spas from privatization due to the inappropriate and unclear regulation of ownership rights. It means that under the contemporary regulatory framework, it is unclear how to solve issues regarding claims of the former owners of spas, which were nationalized after the Second World War. It means that people who owned spas before the Second World War, or their families, can demand their properties (or equivalent in the monetary terms) to be returned. As a result, this situation may prevent the spas from privatization as a potential investor may be unwilling to engage in such a risky investment which can be recovered by the former owner. The same may be a barrier to introduction of innovations due to the risk of loose of the investment in the case of recovery of the property by the former owner.

As a law in Poland regulates access to medical professions, several managers mentioned the fact that the regulations create a situation when the amount of medical doctors on the market is low which results in difficulty with recruiting appropriate medical personnel to spas.

Regarding more direct influence of the state innovation policy on spas, it can be said that it creates some opportunities for financing and can direct companies to become more innovative but its influence overall is rather limited (Rodriguez et al. 2014). It is due to insufficient motivating the companies to become more innovative as well as due to other regulations which often prevent development of innovative solutions that do not fulfil regulatory requirements. Some of the managers claim that regulations which are not supporting innovativeness are an outcome of a culture which is rather not innovative and has a negative attitude towards any changes.

Although it is not always negative, some of the interviewees mentioned that a law can restrict access to medical spa treatments by determining what types of treatments can be provided by spas to customers as well as by determining who can access certain treatments. One of the interviewees also pointed at insufficient level of promotion of Poland as a destination, which is the result of a lack of establishment of appropriate institutions responsible for marketing of Poland as a tourist destination.

The market transition and changes

The major change faced by spas due to the market transition was associated with privatization of some spas as well as difficulty with adjusting to the new free-market conditions that were unknown to spas that previously did not operate as commercial firms. In general, the market
transition enabled spas and other businesses to develop but it sometimes led to a decline of spas associated with the recovery of a nationalized property by former owners or sale of properties in order to survive on the market.

According to the most interviewees, the economic transition brought a lot changes which were mostly judged by the managers as having positive influence on functioning of spas as well as on innovations. One of the most important changes caused by the economic transition was an increase of competition on the market which had a positive impact on innovations. It is because spas, in order to survive on a competitive market, had to and still have to become innovative. As a result, it can be said that growth of a competition stimulates innovativeness. On the other hand, the interviewees mentioned also the fact of an underinvestment what prevents the spas from development of innovations, despite of the stimulating effect of a competition. Growth of a competition also led to improvements of quality and standards of products offered by spas and the tourism industry in general. It is also reflected in the improvement of a customer service which is associated with a change of attitude towards the customer who became vital for the functioning of spas. On the other hand, although the managers claimed that a competition in general increased, some did not notice growth of a competition from other spas within the region as well as in nearby countries (the examined region is a border region) such as Slovakia, Hungary or Ukraine.

Also related to customers of spas, the most managers noticed changes to types of customers visiting spas as well as to a general demand changes which, in their opinions, can have stimulating effect on innovativeness of spas which have to adjust their offer according to changing demand and customer tastes.

Some of the managers pointed at accession of Poland to the EU and changes associated with this event. As a result of joining the EU, the interviewees noticed growth of funding for innovations and investments, particularly in infrastructure development, such as the construction of sewage systems. The research participants mentioned also growth of mobility of people as a result of the market transition and accession to the EU which had both, positive and negative consequences. As a positive consequence, they mentioned the improvement of an access to potential employees (and their skills) from outside of the local area. Some mentioned also new opportunities for a knowledge transfer through the participation of students in international exchange programs. Growth of arrival of international tourists with greater expectations regarding standards of tourist products can also be a stimulating factor
for innovations in spas and in tourism in general. On the other hand, opening of other markets to Poland led to significant emigration what is often seen as a negative phenomenon.

Summary

This chapter focused on description of results of the research. According to opinions of the interviewees, we can claim that all spas share common post second world war history of operating under a centrally-planned economic system as well as the period of an economic transition which created a new environment. As a result, spas had to and still have to go through process of restructuring.

Due to the economic transition, the most spas faced increase of a competition what resulted in necessity to become innovative. As a result, spas made some attempts to introduce innovations, mostly those related to the product or product delivery. Despite of those attempts, the most innovations introduced by spas are not unique and are mostly based on imitation and benchmarking.

Regarding the innovations in spas, according to the most managers, regulatory frameworks tend to erect several barriers to innovations. On the other hand, the regulatory framework enables spas to seek some financial help for development of innovations.

Although examined spas tend to cooperate with other businesses and institutions, this cooperation tends to be rather informal and bilateral rather than organized within a larger network. At the same time, the purpose of cooperation tends to be marketing-related rather than focused on facilitating of a knowledge and information transfers.
Discussion

Introduction

The aim of this chapter is to provide a discussion of the research results described in the previous chapter. It will be based on the analytical framework developed for this project. First of all, the chapter will discuss general characteristics of the examined spas in relation to the literature. Later, it will discuss the aspect of innovations in the spas paying particular attention to identification of prevalent types of innovations in the spas and an innovation development process. The next section will discuss the situation of spas regarding the level of collaboration and its potential influence on the innovations. Following discussion of the aspect of collaboration, potential effects of policies and regulations on the innovations will be discussed. At the end, the chapter will discuss the market transition and characteristics of the spas as a company in order to determine the influence of both aspects on the innovations in spas.

General characteristics of spas

According to the literature analyzed in this project, the tourism industry is distinctive from other industries as it has no clear borders. Instead, the tourist product is made of various elements delivered by various suppliers (Aldebert et al. 2011). In the case of the analyzed spas, we can see a similar situation as the spas tend to cooperate with other businesses in order to co-create the final product delivered for tourists. On the other hand, the core product of the spa – which is an accommodation and medical treatments – is delivered without engagement of other businesses. According to the theory, the tourist product tends to be locally fixed as well as requires production and consumption to take place simultaneously (Aldebert et al, 2011). The same is the case of spas as accommodation and medical treatments must be produced and consumed simultaneously. It can be also said that the tourist product delivered by spas is locally fixed as it is largely based on the natural resources occurring locally. As a result, it can be said that the product offered by spas is similar in its characteristics to the generic tourism product.

Innovations

According to the results of the research, the most innovations developed by the spas relate to new medical spa treatments. Relating back to the theories mentioned in the literature review, innovations introduced by the examined spas can be regarded mostly as a process innovation.
and a product innovation (Schumpeter, 1934; Hjalager, 2010). It is because the new type of treatment can be regarded as a new product while the new equipment to deliver this treatment can be regarded as a process innovation (Fazlagic, 2014). According to Toivonen & Tuominen (2009), in the case of the service sector, it is difficult to distinguish between the types of innovations. It is visible in the case of introduction of the new medical treatments that combine both, product and process innovation. It can be also reflected in the case of renovation of old buildings which enables conversion of them in order to provide new functions, such as a cultural center combined with serving of the locally sourced mineral waters. In this case we can talk about process innovation, as such a renovation enables delivery of new products, as well as about product innovation as it extends the product range of a spa.

Besides of prevalence of product and process innovations, the spas introduce also other types of innovations. As an example we can use introduction of commercial offering of a product that previously was available only to non-commercial customers. At this point, we talk about the case of a hospital owned by a spa that commercialized some services which led to the development of medical tourism. This novelty can be regarded as management innovation as it opened new markets to the existing product (Hjalager, 2010). Another type of an innovation can be associated with provision of trainings and skills development for employees, who can attend various types of courses, which increases the labor productivity what has a positive impact on the overall condition of a spa. This type of the innovation can be classified as a managerial innovation (Hjalager, 2010).

In the case of spas, we can also notice, what was claimed by Barras (1986), that the service sector tends to implement technological innovations developed by other sectors. In the case of spas, the medical equipment or the solar panels can be good examples of such implementation of technologies developed by other sectors in order to introduce innovations in the spas. As a result, we can say that spas, as well as the service and tourism sector in general, are producers and consumers of innovations. It also illustrates some form of a spill-over effect of innovations which are adapted from another sector and have potential of bringing new innovations.

In terms of development of innovations, the examined spas reflect the pattern discussed in the literature. As a result, it can be claimed that innovations are primarily driven by the market changes and growth of competition (Sundbo, 1997). This fact may suggest that decline of spas
or poor economic performance of spas, can be a consequence of low level of innovation development which reduces the ability of spas to adjust to the market changes and competition. At the same time, we can suspect that spas which are innovative can achieve better economic performance which will enable them to increase funds for further development of innovations what will result in further improvement of the economic performance. Although this research focused on spas, we can expect that similar pattern may apply to other companies.

Regarding impacts of the internal factors, it can be claimed that innovations are also a result of the use of company resources and capabilities, such as the knowledge of employees, what was reflected in the results of research and the literature (Camison&Monfort-Mir, 2012). It enables us to expect that appropriate employees are the underlying factor of good economic performance of spas as knowledge of employees is required in order to develop innovations and innovations are necessary in order to achieve good economic performance and market position. At the same time, we must remember that there are several other factors influencing innovations and economic performance.

Finally, the fact that managers claim that innovations are crucial for the functioning of the spas, allows us to state that the managers are aware of the importance of innovations, which can be regarded as a basic requirement potentially leading to innovation development. On the other hand, the will of managers to make spas innovative encounters several barriers to innovations, which will be discussed in the following sections of this chapter.

**Cooperation**

It can be claimed that the spas are not participating in any regional innovation system that would fulfill definitions mentioned in the literature (Hjalager, 2010; D’Allura et al., 2012; Weidenfeld, 2013; Williams&Shaw, 2011). It can be also claimed that there is no regional innovation system functioning in the areas where the examined spas are located. This statement can be supported by the lack of participation of the spas in networks in which knowledge transfer is a primary goal as well as the lack of research-focused cooperation between the spas and knowledge institutions such as universities (Weidenfeld, 2013). It means that despite of the participation of spas in some forms of collaboration, it does not fulfil requirements of the regional innovation system. On the other hand, the spas tend to cooperate with universities in terms of provision of internships for students. As a result, it can potentially lead to a knowledge transfers as the students have opportunity to acquire an
experience through participation in the internships, while the spas can acquire the knowledge from the students. It means that although this is not a research-focused cooperation, it is likely to lead to innovations in the spas or within the general tourism industry.

We can suspect that the lack of participation of the spas in any regional innovation system may be due to several factors. At the moment we can identify the relatively unique character of spas that distinguish them from other types of tourism firms. An example of such a characteristic can be the functioning of spas on the border of the tourism industry and the public health care or the state control of spas, at least in several cases. It means that spas are also a part of the health care system and their basic product is based on the provision of medical spa treatments, also for non-commercial customers. On the other hand, other businesses, including the tourism industry, focus on the provision of commercial products. At the same time, the tourism industry does not have opportunity to provide the same products as spas are providing due to not being a part of the health care system. As a result, spas and other businesses in the region, may be lacking resources, but also structures and goals, that will be common what is required in order to develop a regional innovation system (Williams & Shaw, 2011). It means that characteristics of the tourist product in general as well as products offered by spas are similar, but they are based on different resources. As an example, we can use medical spa treatments which are based on the medical knowledge and medical education of employees what is not the case of the general tourism industry. The same pattern can be observed in the case of types of innovations which, in the case of spas, tend to emerge from medical employees.

Despite of the lack of participation of the spas in regional innovation systems, the spas participate in other forms of the collaboration mentioned in the results chapter. Although this forms of collaboration do not fulfill the criteria of a regional innovation system or a cluster as well as are not directly aiming at facilitating knowledge transfer, they can still offer some opportunity to acquire knowledge. It reflects the view of Jimenez-Zarco et al. (2011) who claimed that through collaboration, firms can learn more about their competitors which can lead to innovations driven by a desire to remain competitive. It is also reflected in the use of participation of the spas in tourism trades as an opportunity to learn about others and to learn from others what can be regarded as a way of development of innovations through imitation. On the other hand, we cannot estimate how efficient such a collaboration can be in terms of the knowledge transfer. We can expect that it may depend on the capability to absorb knowledge, what relate to the internal factors within spas. It means that participation in
various forms of collaborative frameworks may lead to innovations development only if spas achieve sufficient capability to absorb knowledge, what depends on the characteristics of employees.

We can also suspect that the current forms of cooperation that are rather informal, short-term and goal-oriented, may represent a potential of evolving towards more formally organized and long-term oriented cooperation. It is because the current forms of cooperation represent rather an early stage. At the same time, some managers are interested in development of those forms of cooperation. As a result, we can expect engagement in cooperation to grow in the future, which can potentially lead to development of clusters and regional innovation systems. As an example of such an opportunity, we can show a renovation of old buildings in order to convert them into, for example, a cultural center. It can facilitate the long-term cooperation between the spas and the sector of culture in order to provide cultural events in the renovated building. Still, such outcomes are largely dependent on efforts of the whole sector and several external factors, such as the regulatory framework facilitating cooperation.

Policy and regulations

The state innovation policy often has limited influence on innovations in the tourism sector which is often neglected by those policies (UMWM, 2014; Hjalager, 2012). On the other hand, the innovation policy tends to have limited influence on innovations in general. As a result, it is difficult to prove whether the tourism industry is particularly neglected by the innovation policy or it is the case of the general economy.

According to the research results, the innovation policy is not successful in facilitating innovations. On the contrary, the general regulations tend to be seen as a barrier to innovations. As a result, it can be claimed that the innovation policy and other policies do not fulfil their roles of facilitating innovations and reducing barriers to innovation (Autant-Bernard et al., 2013; Rodriguez et al., 2014). It can be illustrated using impacts of the education-related regulations which are limiting access to medical profession. As a result, regulations reducing access to the medical education may have negative impact on the amount of medical personnel available to spas. It may represent a significant threat to development of innovations. It is because the core product offered by spas relates to various forms of medical treatments, which provision and development depends on the medical knowledge of employees.
We can claim that the innovation policy as well as the general regulations are not successful in facilitating innovations in the case of the examined spas. On the other hand, the literature discussed also the strategy of public procurement which is also relevant in the case of spas (Uyarra et al., 2014). According to the research results, the strategy of the public procurement is highly relevant to the examined spas which largely rely on non-commercial customers funded by the national health care service provider. On the other hand, it must be mentioned that some spas remain part of the public sector. It means that, in such cases, the public sector is purchasing from the public sector, instead of the private sector, as both the national health service provider and spas belong to the public sector. As a result, in this case the strategy of public procurement does not represent the standard form of the strategy when the public sector purchases goods or services from the private sector, at least in the case of state-owned spas (Uyarra et al., 2014).

We can assume that the public procurement strategy applied in the case of the examined spas is successful in providing the spas with the stability of arrivals and minimal income. On the other hand, it is uncertain how it influences innovations but the low level of profits from the non-commercial customers may prevent the spas from development of innovations that require certain level of investment. Furthermore, we can also argue that the situation created by the strategy of public procurement may have negative influence on innovations. It is because innovations tend to be driven by the market changes and competition (Sundbo, 1997). As a result, the strategy of public procurement may actually inhibit innovations through the establishment of a secure economic situation for the spas what may limit the necessity to develop innovations in order to stay competitive on the market. On the other hand, a low level of profitability of the non-commercial customers may stimulate the spas to attract more commercial customers which requires them to become competitive and to develop innovations.

**Market transition**

The economic transition brought, overall, positive impact on the spas in general as well as on the innovations in spas. One of the major impacts of the market transition on innovations can be associated with the growth of competition and demand changes which led to improvements of the quality of products, development of new products and improvement of customer services as well as a better general attitude of employees of the spas towards customers. As a result, we can claim that the market transition brought a growth of competition that facilitated
innovations in the spas. This statement can be legitimized also in relation to the theories that mention the market changes and growth of a competition as factors facilitating development of innovations (Sundbo, 1997). It also shows that expected outcomes of the market change, such as introduction of new products, technologies and management, are reasonable (Szmitka, 2013; Kowalski, 2009). On the other hand, we must mention that the spas have difficulties with responding to the growth of competition. It is due to several barriers to innovations mentioned in this chapter, such as significant levels of underinvestment of the spas that prevent them from rising funds in order to develop innovations. As a result, we can consider the market transition as having positive influence on innovations, but spas to be not always prepared to develop innovations due to the lack of certain characteristics discussed before. It means that in some cases the market transition may have negative influence on the overall functioning of spas that are not able to innovate as they are unlikely to survive on the market. It also suggests that stimulating effect of the growth of competition on innovations may only take place in the case of companies with ability to develop innovations.

The market transition increased participation of the Polish economy in international organizations, such as the EU, what had positive influence on innovations in the case of spas. It also supports the theory claiming that the market transition will increase participation of the state in the global economy which would have a positive impact on innovations through the increase of mobility, funding and knowledge transfers (Szmitka, 2013). On the other hand, we can claim that the market transition brought rapid and long-lasting increase of emigration which is seen as a negative effect of the market transition by the research participants. Although the research participants did not state explicitly why emigration is seen as a negative phenomenon, we can expect it to be the result of loose of personnel. It may be highly relevant for development of innovations which usually depend on the knowledge and capabilities of employees. As a result, growth of emigration, especially in the case of highly educated individuals may reduce access to the skilled employees. This statement is also supported by the literature which claims that countries undergoing the market transition usually face high levels of emigration due to growth of openness of the state together with greater opportunities and standards of living in other, more developed countries which facilitates the emigration (Clark & McArthur, 2014).

As a result, the major outcome of the market transition is the growth of mobility. Following the above discussion, particular attention should be paid to the mobility of knowledge which is the most fundamental for development of innovations. In the case of this research, it
remains unclear how the growth of knowledge mobility will affect innovations development. It is due to uncertain level of knowledge in the region which is gaining knowledge from outside due to greater openness of the country but is also loosing knowledge due to emigration leading to the shortage of skilled employees.

The market transition led also to the increase of the access to funds, for example from the EU, for innovation development, what can be regarded as a facilitator of innovations. On the other hand, we can suspect it to affect only those spas or other companies, which are able to develop innovations. It means that spas which are lacking capabilities to be innovative, are unlikely to benefit from the growth of funding for innovations. As a result, we can claim that the market transition, and its consequences, have uneven effect on innovations in spas and other companies.

Internal characteristics of spas

In the case of examined spas, the results show that employees are rather well-educated and skilled which can be regarded as the factor that may facilitate innovations as those spas have sufficient capacity to absorb and create knowledge (Story et al., 2014). Innovations can also be facilitated by managers who encourage employees to be creative and to participate in trainings which may increase the knowledge of employees. As a result, managers of the examined spas can be regarded as open to novelty and motivating employees to be innovative. It can be supported by the literature claiming that the attitude of managers to innovations and novelty is an important factor determining innovations on the company level (Starbuck, 2014).

On the other hand, despite of the openness of managers toward innovations and sufficient skills of the employees, the research results show that the spas, as well as the general business environment in Poland, is affected by the risk-avoidance mind-set. As a result, the employees are not willing to introduce changes or innovations that carry any significant risk. It can be regarded as a barrier to innovations as the risk-avoidance culture and attachment to existing routines may inhibit innovations (Story et al, 2014). Although it is not always the case, the organizational structure of companies may be another obstacle to innovations. It is due to the political influence on managers of the spas which are state-owned. As a result, despite the good will of managers, the spa’s management and the strategy are inconsistent due to frequent changes being driven by the political situation. It means that in some cases the market transition is not yet completed as some spas remain politically influenced (Badulescu&Pacala,
According to Story et al (2014), availability of financial support to innovations within the company is necessary. In the case of the examined spas, this aspect can be regarded as another barrier to innovation development. It is reflected in the research results that prove the spas to be generally underinvested and lagging behind the rest of the tourism industry.

It is also important to mention the influence of customers on the development of innovations in the case of spas (Sandberg & Aarikka-Stenroos, 2014; Najda-Janoszka & Kopera, 2014). It can be said that some spas conduct customer surveys in order to learn about their needs, wants and attitudes. As a result, customers of the spas can be divided into those more open, who are willing to accept novelty or even demand more innovative products, and those who are unwilling to accept novelty and are attached to existing, long-established products. As a result, it is unclear exactly how customers of the spas influence development of innovations as some of them may have more positive attitudes towards innovations and, as a result, facilitate innovations in the spas, while other types of customers are less positive towards innovations and may have inhibiting effect on innovations development. On the other hand, this situation may help to survive on the market those spas which have lower ability to innovate what, actually, may suit certain types of customers. At the same time, we can suspect this group of customers to be relatively small. It is because of the growth of competition on the market and the growth of a desire of spas to be innovative what indicates that the demand for new products is growing. If customers who are unwilling to accept innovations were dominant on the market, then the growth of competition and development of innovations would be slower. As a result, we can claim that spas need to be innovative in order to attract customers. It also means that customers can be regarded as a facilitator of innovations, at least to some extent.
Conclusion

The aim of this chapter is to provide the final conclusion of the thesis. It will shortly summarize the whole project as well as answer the research questions asked in this thesis. At the end, the chapter will attempt to provide suggestions for future research and for the improvement of the situation of the examined spas in terms of innovations development.

This thesis aimed at examining how spas in south-east Poland attempt to fit the new market conditions through innovations. The topic was relevant as the above mentioned spas were undergoing changes associated with the market transition following the collapse of the centrally-planned economy. As a result, they had to adjust to a new reality that requires certain level of innovativeness. The focus of this thesis was on the identification of innovations, key drivers of innovations as well as barriers and facilitators of innovations emerging from within the spas and the environment within which the spas operate.

Finally, this thesis provided discussion of the research results in relation to the analytical framework developed for this project. At the beginning, it discussed general characteristics of the spas in comparison with characteristics of the tourism industry. As a result, the spas and their products were proven to be similar in their characteristics to the general tourism industry. Later, the aspect of innovations in the examined spas was discussed. The main finding shows that the product and the process innovations are the most prevalent in the case of the spas, which is common in the service sector. According to the research, innovations in the examined spas are largely driven by the competition and the market changes. This supports existing theories claiming that the market changes are major drivers of innovations.

Regarding the aspect of the collaboration of the spas with other entities, it can be claimed that the spas do not participate in any regional innovation systems. On the other hand, the spas participate in other forms of collaboration focusing on different aspects of functioning of the spas, such as marketing. Still, it is difficult to estimate how these forms of collaboration influence knowledge transfer and development of innovations by the spas. Regarding the aspect of the policy and the regulations, it was found that, in the most cases, the regulatory framework is seen as a barrier to innovations due to, for example, lack of clarity. On the other hand, regulations may facilitate innovations through provision of financial support to development of innovations.
Later, the influence of the market transition on the spas and innovations was discussed. It can be said that according to the research results, the market transition had positive influence on the spas in general as well as specifically on the innovations in the spas. This impacts are primarily associated with the market changes that facilitate innovations. Innovations are also facilitated by the growth of openness of the state and growth of participation of the state in the global economy which led to growth of mobility and access to financial help and knowledge. The most problematic aspect of the market transition in the case of the spas can be associated with the privatization that is complicated due to the regulatory framework that is not sufficiently solving the aspect of ownership rights.

At the end, the project discussed internal characteristics of the spas that have mixed influence on development of innovations. It can be claimed that well-educated and skilled workforce employed by the spas as well as a positive attitude of the managers to innovativeness of the employees may be regarded as major assets of the spas due to the potential of facilitating knowledge absorption and creative thinking. On the other hand, major obstacles to development of innovations can be linked with the risk-avoidance mind-set of the employees and some customers as well as significant level of underinvestment of the spas and the politically influenced management that lead to inconsistent strategy of spa development.

**Research questions:**

Following the discussion of the research outcomes, we can summarize answers to the research questions stated for this project in the following table:

| What kind of innovations are introduced by the spas? | - Product and process innovations are the most prevalent  
- The most innovations are technology-related |
| --- | --- |
| Which processes and factors facilitate innovations in the spas? | - Market changes and growth of competition  
- The market transition - opening to the global economy and participation in the international organizations; privatization  
- Financial support of the state policies |
| Which processes and factors hinder innovations in the spas? | - The lack of participation in regional innovation systems or cluster  
- The lack of research-related cooperation  
- Regulations - the lack of clarity, the lack of sufficient support of innovations, bureaucracy, a rigid medical education system  
- Insufficient regulations of ownership rights preventing privatization and investments  
- Politically affected and inconsistent management of non-privatized spas  
- Emigration and brain-drain  
- The risk-avoidance mind-set of the employees and some customers  
- Underinvestment |

**Suggestions for future research**

Following this research project, several suggestions for potential future research can be made. First of all, the impact of public procurement on innovations requires further research as in the case of the examined spas, the influence of a public procurement on innovations is unclear. There is also a need to study deeper the ways in which cooperation between businesses and other institutions affect innovations. Although it is clear that participation in regional innovation systems, clusters or other frameworks focusing on knowledge transfers facilitate innovations, it is unclear how less formal, small scale cooperation that is not focusing on knowledge transfers actually affects innovations. It can be also suggested to conduct the
research on the influence of FDIs on innovations. As it was mentioned, the market transition led to the growth of FDIs what could result in the increase of knowledge flows between new FDIs bringing a new knowledge and already existing companies. As a result, the research would focus on measuring whether such situation is occurring and speeds the learning process of the domestic companies. We can also suggest potential research on the influence of national culture and general business culture on innovations. As it can be seen in this research, the risk-avoidance mind set can be regarded as a barrier to innovations. At the same time, it is unclear how exactly this factor affects innovations, also by the indirect influence, as we can expect that the non-innovative culture may affect, for example, the shape of a regulatory framework. Finally, we can also suggest the research on determinants of innovations success and failure. This project focused mostly on the types of innovations as well as facilitators and barriers to innovations development. On the other hand, it is uncertain which innovations are successful and which fail after being developed.

Suggestions for the tourism industry

In terms of suggestions for the tourism industry in order to increase the level of innovations, the industry should attempt to reduce barriers to innovations discussed in this project. At the same time, it must be mentioned that several major barriers can be regarded as non-dependent on the tourism industry, such as the regulatory barriers, as those are imposed from outside of the industry. As a result, from the industry point of view reasonable action should involve primarily the increase of a cooperation with other businesses and institutions with focus on knowledge exchange. It is because lack of the sufficient cooperation is one of the major barriers to innovations that can be significantly influenced by the industry, in contrast to the equally important regulatory barriers.
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Appendix

Interview guideline:

In relation to the analytical framework, developed based on the literature and its relation to the research questions, following themes and sub-themes were formulated and covered within interviews:

1. What kind of innovations are introduced by spas?
   - What types of innovations?
   - Why this particular innovations were introduced?
   - Which factors led to the emergence and introduction of those innovations?
   - What is the process of innovation development and introduction in the spa?

2. Is it possible to identify existence of regional innovation systems (RIS) or similar collaborative framework in the region? Is the spa participating in it?
   - Why is (not) the spa participating in the RIS/framework?
   - Who are participants of the RIS/framework?
   - What are the spa relations with other participants?
   - How does it (RIS/framework) affect learning and knowledge transfers?
   - How does it affect innovations?

3. How do policies and regulations affect innovations in the spa?
   - Innovation policy, tourism strategy, health care regulations, other regulation

4. How market transition affects innovations?
   - Openness, mobility, new ideas, competition, demand and supply changes, regulatory changes, cooperation and knowledge flows between spas, FDIs, etc.

5. How the company characteristics affect innovations?
- Skills, competences, organizational structure, social context, ability to persuade internal/external stakeholders to accept innovations, attitude of managers, mind-set of employees, attachment to existing products and processes, commitment to new opportunities, support to innovativeness, interactions with customers.