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Green business model innovation in the tourism and experience economy

Cases from Austria, Portugal, Denmark, Finland, Mexico, Norway, Sweden,
Iceland, Russia and South Korea



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Norway, Sweden, Iceland, Russia and South Korea*

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Nordic Council of Ministers



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Participating companies

Austria

- Boutiquehotel Stadthalle
- Naturhotel Chesa Valisa
- Alpbach Tourismus GmbH

Portugal

- Zmar Eco Campo Resort & Spa
- Robinson Club Quinta da Ria
- EDIA/Noudar Nature Park

Denmark

- Tivoli
- Guldsmeden Hotel Chain

Finland

- Muumimaailma Oy
- Koli Cultura
- Ruka-Pyhä

Mexico

- Centro Banamex
- Grupo Vidanta
- Grupo Xcaret

Norway

- The Øya Festival
- Høve Støtt Hallingdal AS
- XXLofoten AS

Sweden

- Ystad Saltsjöbad AB
- Ramundbergets Alpina
- Vildmark i Värmland

Iceland

- Íshestar Travel
- Icelandic Mountain Guides
- Icelandic Farm Holidays

Russia

- Labirint
- PAC Group

Korea

- Yongpyung Resort
- Intercontinental Hotel
- COEX Convention and Exhibition Centre

Foreword



This report presents the results of company workshop sessions with 28 companies from ten countries, providing insights into how they work strategically with green business model innovation, focusing on value creation and green innovation. Ten company cases are described in detail, including their green innovation efforts and management, and the application of business model innovation as a tool for green growth. Insights into tourism and experience industries are connected with the increasing need to make the transition from innovation to green innovation. The report also explores the national policy and macro-economic context in which the companies operate, particularly identifying drivers of and barriers to development of green products and services. Finally, with this publication we aim to give both managers in companies and policy makers a thorough understanding of the potential of green business model innovation and green growth, thus the company cases presented herein may constitute excellent cases to learn from.

Kari Winqvist
Constituted Managing Director
Nordic Innovation

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Preface & acknowledgments

After having worked with many initiatives and projects over a number of years, we were well acquainted with the challenges and opportunities of the European and Nordic tourism and experience industries. It was rather obvious that these industries were somewhat neglected at both government and policy programme levels, and not fully acknowledged for their economic contributions to and drivers of the economy. Even more importantly, it seemed that public support programmes did not fully appreciate the needs of these services sectors, which also put the tourism and experience companies in a difficult situation.

The decision to develop a programme on green business model innovation in the tourism and the experience industries quickly evolved after working with an initiative begun by the Nordic Committee of Senior Officials for Business & Energy Policies. In 2010, Nordic Innovation acted as secretariat for the Nordic Council of Ministers working group on tourism, where all five Nordic travel organisations were represented. The aim was to consolidate and develop Nordic tourism, and to find a future collaborative model for Nordic tourism. After some deliberations and meetings the concept of business model innovation based on the Innovation Radar tool developed by professors at Kellogg School of Management was proposed to the group. They were instantly positive towards the idea of working with business model innovation in the tourism sector, and asked us to develop a programme. The Nordic working group on tourism also contributed together with Alain Dupeyras, Head of OECD Tourism Unit, and Peter Haxton, as active Advisory group of the Nordic OECD programme.

After approaching the OECD, the Tourism Unit at the Centre for Entrepreneurship, SMEs and Local Development, and presenting the initiative to Alain Dupeyras, we added the important and relevant green aspect of innovation. Thus, the Green Business Model Innovation in the Tourism and Experience Industries Programme became a reality.

Without the Green Innovation Radar tool and survey developed by Jiyao Chen (Assistant professor Oregon State University) and Professor Mohan Sawhney from the Kellogg School of Management, we could not have carried out the study and analysis. We therefore express our deepest gratitude and respect for their open minded attitude and their extremely important contributions to the development of the green innovation radar.

We are especially grateful for the support from the Nordic tourism and visit organisations for taking an active role in the development of the programme, and for helping to select the Nordic companies who took part in developing an understanding of what green business model innovation means in real business situations.

Throughout the programme Alain Dupeyras and Peter Haxton from the OECD provided valuable input and support for which they deserve credit and special thanks. Finally, we wish to say special thanks to all the participating companies who invited us into their management teams and explained their ongoing efforts and work with green innovation management and strategies. By doing so they shed important light on the opportunities and challenges in implementing green business model innovation in practice. We have learned a lot from these company insights, and are sure that many others will as well.

Petra Nilsson-Andersen & Jørn Bang Andersen
Nordic Innovation, May 2012

Executive summary

Environmental sustainability creates both challenges and new business opportunities for companies in virtually all sectors. The tourism and related experience industry is faced with some of these challenges in a more immediate way than perhaps most other industries. One only has to consider what will happen to established hotels where part of the offering is to play golf, yet what happens if the rain or water situation becomes so critical that it is impossible to maintain a decent golf course? There are countless such cases and they pose a real threat to the tourism and experience industry. However, many companies still tackle the issue in a defensive or passive way, e.g. introducing environmental reporting, using ‘green-speak’ in their communications, or isolated attempts to reduce CO₂ emissions, instead of looking at it as a future business opportunity around which the company can innovate and build competitive advantage. On the other hand, there are a growing number of companies that embrace sustainability and integrate ‘green innovation’ into their entire business model. To do so often requires fundamental changes to the existing way of doing business, and it involves many considerations: what is our business offering? Who is our customer? How should their customer experience be? How do we do what we do? Who should be our suppliers and partners? These are all strategic management considerations. Moreover, many companies still don’t have a clear innovation strategy, even fewer have a green growth strategy, and very few have a ‘green innovation strategy’.

But let’s consider the example of the Internet. How many could imagine doing business today without the Internet? Not many, we would argue. Just think about what the Internet has meant to ‘services’ within the tourism industry. People now use online booking of flight tickets and hotels. Before the decision to purchase is made, people plan their destinations through online media, such as TripAdvisor. If we take the last five to ten years’ trends into consideration, the issue of sustainability and green growth is, in the near future, arguably going to be just as integral to doing business as the Internet is today. By ignoring the possibilities of embracing green business model innovation, companies essentially forego the potential of creating new customers, innovating on their traditional products, services and processes and ultimately miss an opportunity to ‘be a game changer’ within their industry.

We are not denying that green business model innovation will challenge companies in many ways. It is difficult to assess the business potential of green business model innovation; will the customers pay for it? Or is it just going to be an extra cost of doing what companies already do? These are relevant questions for managers of any company. Finally, in most cases management is rewarded on the basis of results – usually quarterly or yearly performance results. Green business model innovation may take two to five years before it starts to pay off, thus reducing the incentive for companies and managers to embark on ‘green business model innovation’ instead of sticking to the known formula or status quo. To make the step

of introducing 'green business model innovation' requires courage and change capabilities among the responsible managers and owners of tourism and experience based companies. New ways of doing business can often be facilitated by new tools, methodologies and learning cases. In this project we have tried to do this by using the business management tool the 'Green Innovation Radar', developed by assistant professor Jiyao Chen from Oregon State University and testing it among 28 companies from Sweden, Denmark, Norway, Finland, Iceland, Russia, Austria, Portugal, Republic of Korea and Mexico. This work has been supported by OECD and travel and tourism organisations from the aforementioned countries. In particular, this publication aims to guide tourism and experience companies in the practice of how to work with 'green business model innovation' and implement the changes necessary for the transition to a holistic green innovation strategy. There is also a need for public sector guidance in making the transition to green innovation, and this publication also aims to fill this gap by giving policy makers insights about how they can contribute to the realisation of making green growth a successful undertaking.

1. Introduction

The challenge of making the transition from traditional business model innovation to green business model innovation can be compared to that of going from an old, inefficient, high carbon production model to a new, efficient, low carbon production model and economy.⁽¹⁾

The World Tourism Organization defines sustainable tourism as tourism that meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future.

Rather than being a type of product, it is an ethos that underpins all tourism activities. As such, it is integral to all aspects of tourism development and management, rather than being an add-on component. The objective of sustainable tourism is to retain the economic and social advantages of tourism development while reducing or mitigating any undesirable impacts on the natural, historic, cultural or social environment. This is achieved by balancing the needs of tourists with those of the destination.

Furthermore, tourism can be a key vehicle in raising awareness and fostering positive behaviour change for biodiversity conservation among the millions of people travelling the globe every year.⁽²⁾

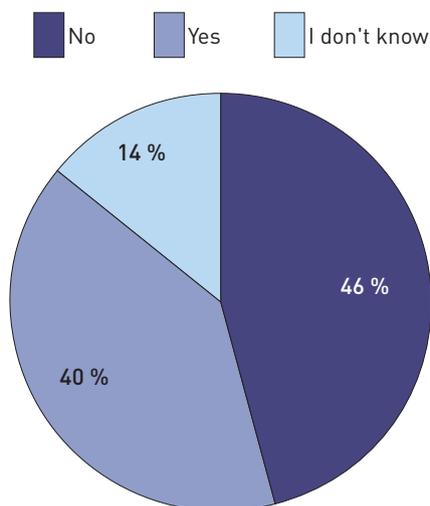
Although sustainability has been high on the policy agenda for a number of years and comes at the top of most lists for trends shaping the future, the issue is not necessarily that high on the agenda for company managers. In order to test the validity of the claim that sustainability is essential for doing business in the future, Boston Consulting Group (BCG) and MIT Sloan Magazine conducted a survey of 4,700 global CEOs in the Fall of 2011.

The results from BCG's survey shows that sustainability is changing the way a substantial number of businesses work (Figure 1). Thus, forty percent of 4,700 responding global CEO managers said their organization had changed its business model as a result of sustainability.

(1) John Zysman 2011: Berkeley Roundtable on the International Economy, Trade and Investment Challenges: ICT Enabled Services, Clouds, and Clean Tech, APEC Symposium Honolulu 2010

(2) <http://www.gdrc.org/uem/eco-tour/sustour-define.html>

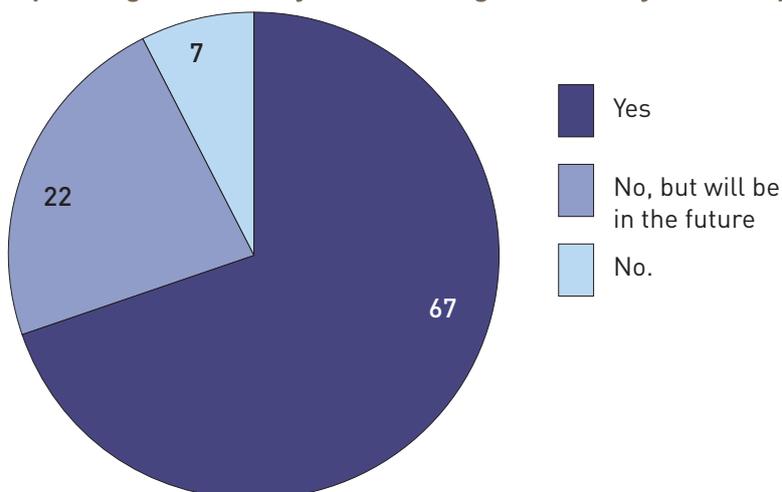
Figure 1: Has Your Organization's Business Model changed as a result of sustainability?



Although the sample of companies in the BMI programme is much smaller than in BCG's survey⁽³⁾, the results from the BMI workshops and feedback from managers from companies from the ten countries participating in BMI support these findings, and also count within the tourism and experience economy.

Moreover, the BCG survey showed that sustainability is no longer a nice feature to have or a meaningless add-on to existing products or service offerings. Indeed, as shown in Figure 2 below, over two-thirds of company managers believe that sustainability is increasingly seen as a competitive necessity.

Figure 2: Is pursuing sustainability related strategies necessary to be competitive?

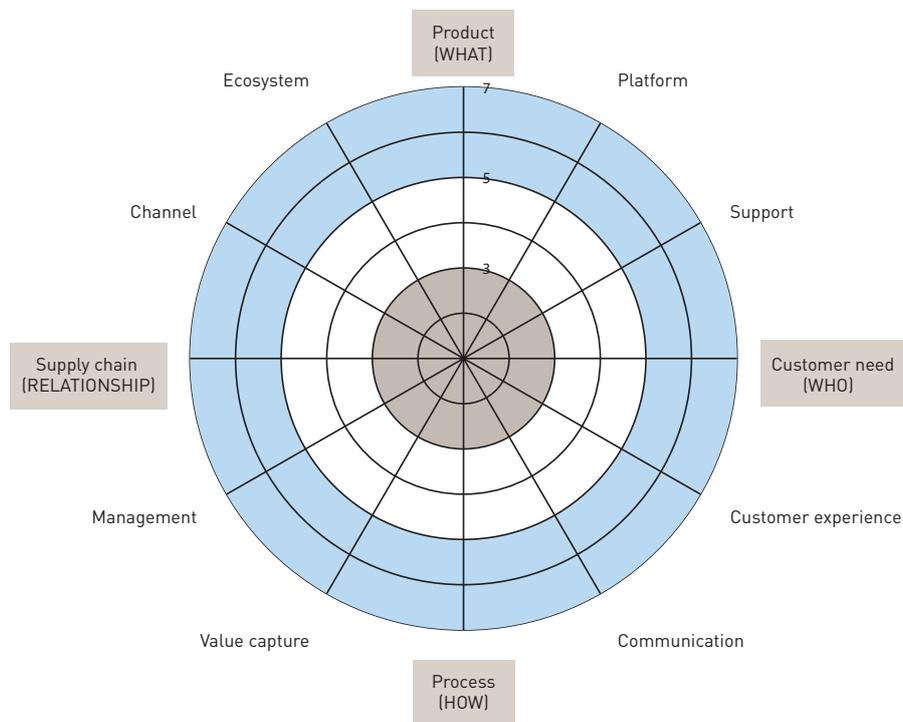


(3) MIT Sloan Management Review and Boston Consulting Group: Research Report Winter 2012. Sustainability Nears a Tipping Point.

2. Brief about the Green Business Model Innovation Programme

The Green Business Model Innovation in Tourism and Experience Economy builds upon the framework of the Innovation Radar⁽⁴⁾ tool, as shown below in Figure 3.

Figure 3: Innovation Radar 2.0



According to the thinking behind the Innovation Radar, innovation is defined as *an initiative in any dimension(s) of the business system to create substantial new value for customers and the firm*. This innovation definition emphasises three points: originality (an initiative to create new value), a holistic view (an initiative in any dimension(s) of the business system), and customer outcomes (the value generated by the initiative for customers and the firm). The Innovation Radar creates a visually compelling profile of the firm's current innovation strategy through our measurement of all twelve vectors. The Innovation Radar profile helps to

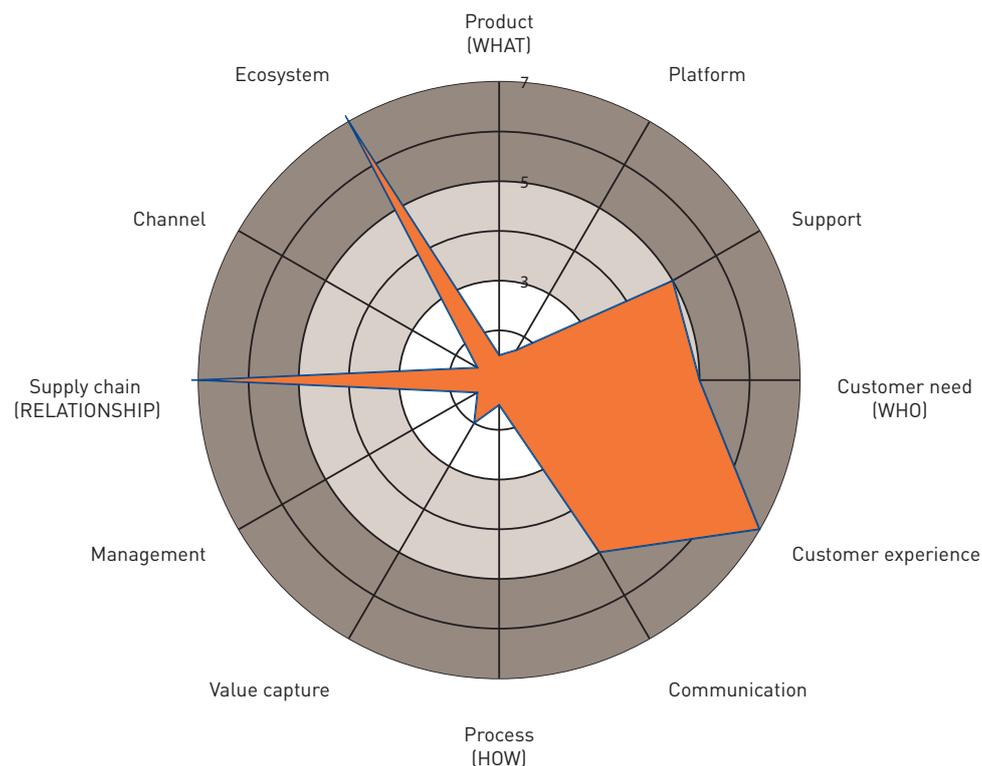
(4) Source: Based on Mohanbir Sawhney, Robert C. Wolcott and Inigo Arroniz - Jiyao Chen & Mohanbir Sawhney | sloanreview.mit.edu & hbr.org & Kellogg School of Management | April 1, 2006 & 2010. The green survey and profile of the Innovation Radar were developed by Jiyao Chen (Oregon State University) for this *OECD-Nordic Innovation project in 2011 and as a pilot.

create better alignment on innovation strategy across functional areas and seniority.⁽⁵⁾

The point to be considered in the context of this programme is that *a company can innovate along any of 12 different dimensions with respect to its (1) offering, (2) platform, (3) solution, (4) customer needs, (5) customer experience, (6) communication, (7) process, (8) value capture, (9) management (10) supply chain, (11) channel, and (12) ecosystem*. In fact, business innovation is far broader than product or technological innovation, as demonstrated by some of the most successful companies in a number of industries. Starbucks is the classic case of a company who got consumers to pay \$4 for a cup of coffee-latte, which before then typically cost 50 cents. Starbucks accomplished this not necessarily because of better tasting coffee, but because the company created a customer experience referred to as “the third place”. Together, the 12 dimensions of innovation can be displayed in a new framework called the ‘Innovation Radar’, which companies can use to manage the increasingly complex business systems through which they add value.

Figure 4 below shows an example of a company with a well-defined and focused innovation strategy.

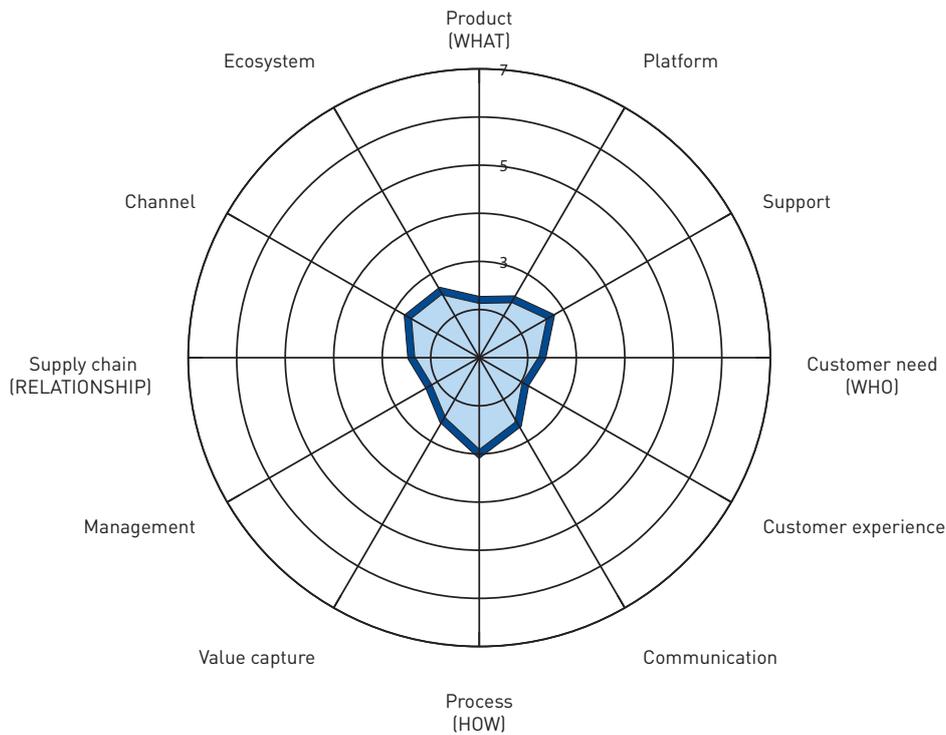
Figure 4: Focused Innovation Radar profile



(5) Mohan Sawhney, et al. 2006 op cit.

Figure 5 below represents an example of a company innovation profile with a low level of innovation effort and low focus.

Figure 5: Unfocused Innovation Radar profile



The Innovation Radar builds on a Likert scale going from 1-7. According to what the respondents answer in the survey they can have a low focus on a dimension and thus score 1-3, or they might have a higher effort and therefore score 4-7. The higher the score, e.g. ultimately 7, signifies that a company is almost trying to be a ‘game changer’ within that dimension of its industry.

Many organizations rely on ad hoc and unstructured approaches, which in most cases will result in only incremental innovation efforts around existing products or services. Strategic innovation is a holistic systematic approach focused on going beyond incremental improvements, and becomes strategic when it is an intentional and recurrent process that creates a significant difference in the value delivered to consumers, partners and the organization itself.

Furthermore, green business model innovation should essentially not differ from any other form of business model innovation, yet we see that in many of the 28 companies in this pilot project, most have both an unfocused approach to innovation and green innovation and ‘sustainability’ become something tacked on to the existing business. We will go into greater detail with this in section 5 dealing with the cases studies.

Above and beyond the factors of production that they mobilize, firms differ by virtue of the nature of the know-how accumulated in implementing said factors. Essentially, it is the

customer value mindset, culture and organisational skills that distinguish one firm from another.

It is the nature of the skills accumulated in a firm, and its capacity to develop in its midst the learning needed to continue to evolve in a changing environment, that determines along which paths it will embark.¹³ It is that specific path which explains any changes in the firm's principal activity. Examples of this include the company Preussag's move from heavy metalworking to tourism (TUI) and the penetration of the travel sector by the big mass marketing companies.

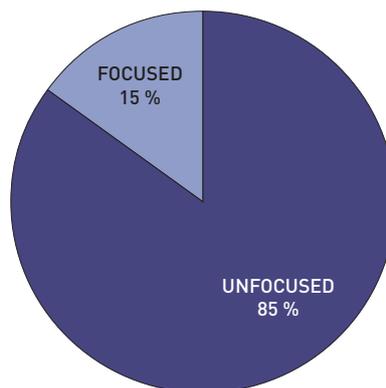
3. Results and insights from the Green business model innovation in tourism programme

The Innovation Radar was applied to a total of 28 tourism companies from Denmark, Sweden, Finland, Norway, Iceland, Austria, Portugal, Russia, South Korea and Mexico. Around 150 company managers answered a survey specifically concerning innovation and a Green Innovation Radar (GRI) survey.

The classic innovation and GRI were then compared. In this report, we will highlight some of the findings from comparing the results. When it comes to just working with innovation in a focused holistic business model manner, it appeared that 15% of the companies in the sample had a focused innovation strategy, and 85% did not.

This might seem to indicate that tourism companies are weak on innovation strategy. However, these findings don't differ much from other results using the Innovation Radar across 100 Nordic companies spanning various sectors,⁽⁶⁾ where 80% turned out to have an unfocused innovation strategy.

Figure 6: Traditional Innovation Radar: Innovation strategy focus⁽⁷⁾



If we apply the green dimension to the Innovation Radar, we find that the percentage of companies with an unfocused innovation strategy goes up to 93% – only 7% turned out to have a focused green innovation strategy. This is not dramatically different, though it indicates that ‘sustainability’ is something of a complicating factor for companies’ work with innovation strategy.

(6) In the Nordic Innovation programme, Measured and Managed Innovation, 80% of 100 Nordic companies turned out to have an unfocused innovation strategy – according to the Innovation Radar methodology. See <http://nordicinnovation.org/events/mmi-nordic-mid-term-conference-management-partnership-innovation/>

(7) Petra Nilsson-Andersen & Jørn Bang Andersen: ‘Green Business Model Innovation in the Tourism and Experience Economy’, OECD – Nordic Innovation project, Paris 2012. All Innovation Radar findings in chapter 3 are based on the statistical findings from the BMI programme.

Figure 7: Green Innovation Radar: Innovation strategy focus

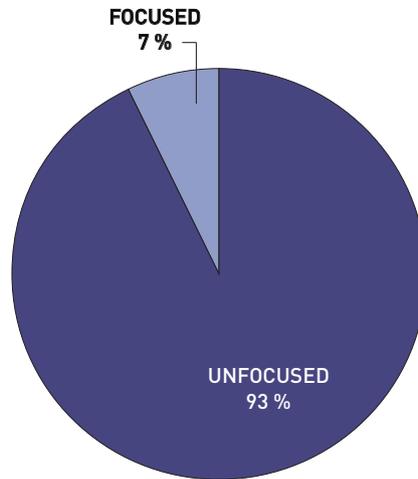
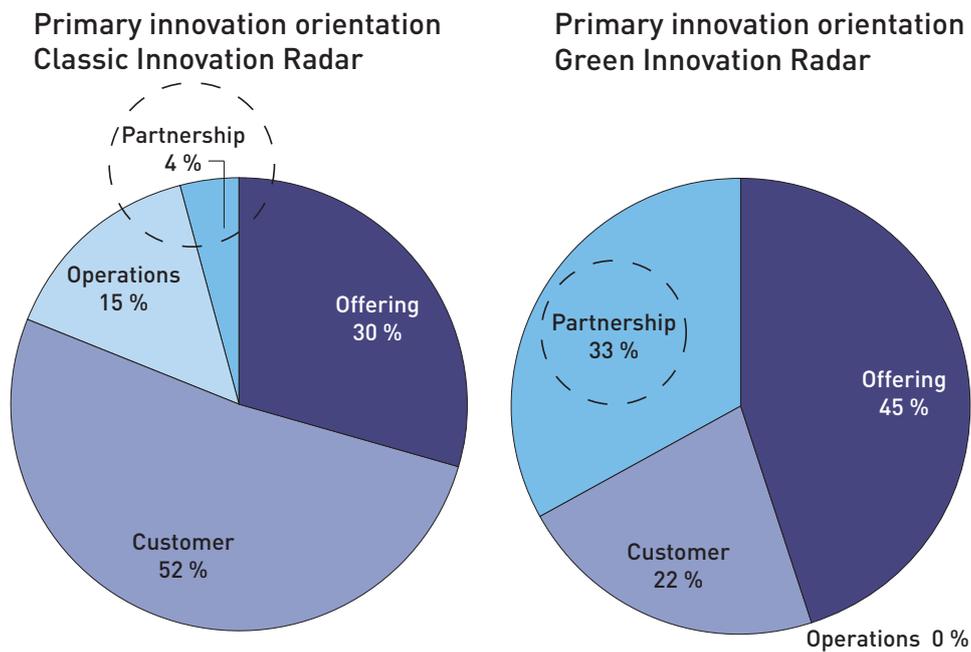


Figure 8: Primary innovation orientation for BMI companies: Classic and Green Innovation Radar



Consider the BMI companies’ primary innovation focus along the Innovation Radar’s four macro dimensions (i.e. Offering, customers, operations and partnership) it turns out that primary innovation focus is on customers. This is not surprising given the industry focus on people and their experience. We also see that partnership is only the primary focus for about 4% of all BMI companies.

However, including the green dimension to the Innovation Radar we see that the primary focus for the BMI companies that the most significant change takes place within customers

being reduced from 52% to 22% and partnership increasing from 4% to 33%. This suggests that green or sustainability is a clear driver for partnership innovation and probably leading to new green offerings according to the findings shown in figure 8.

The case of the Austrian company 'Natur Hotel Chesa Valise' is an illustrative example of what is meant by partnership innovation. On top of running the hotel the owner had dedicated time to establish local cooperation with other local suppliers in the valley in order to make the entire value-chain sustainable. This had involved everything from local farmers to supermarkets, other hotels and tourism agents. In short, a transformation of the local ecosystem in order to brand the hotel as a clear-cut case of sustainable tourism. The Mexican case of the Xcaret nature park is equally telling about the importance of partnership innovation and a greening industry profile. Xcaret nature park has from its start had a clear mission of preserving local flora and animal life, including local community in sharing the values of the Xcaret, as well as educating employees, their families, students and other stakeholders in building a movement around the core values of sustainability and preservation. In this respect, it has been necessary to innovate around the partnership dimension.

On the other hand, it should not be overlooked that some of these changes apparently happens at the expense of customer focus. We don't know the impact of this, but one can only speculate whether this is one reason for the BMI companies' stated problems of monetizing from green investments.

4. Business models and challenges for green innovation in tourism

Nokia was the undisputed global leader in mobile telephony from 1992 until 2008, when Apple launched its first iPhone: a game changer within smart phones and mobile telephony. The irony is that Nokia already had the technology and solutions for a touch screen, but didn't capitalise on it. This somewhat resembles the story of Kodak, who already had digital photography in 1975, but wanted to protect its existing business of making money from film rolls.

There are many examples similar to those of Nokia and Kodak, but these two should suffice to show how difficult it apparently is for most companies to go beyond incremental innovation and transform their business into completely new ventures, or 'blue oceans'⁽⁸⁾ or white spaces⁽⁹⁾, even when the solution or offering has been developed and is known. Marc Johnson writes in his book *Seizing the White Space* that:

“What makes opportunities like these so difficult to grasp is that, so often, they require companies to move far beyond their core into uncharted territory—into their white space. That's a scary place, one where many companies' experience is unblemished by success. But if the danger is all too obvious, its causes are not. The white space is hard to navigate not because it's uncharted but because so many companies try to go there with the wrong map, the one they're currently using—their existing business model. And who can blame them? Every successful company is already fulfilling a real customer job with an effective business model.”

The framework for business model understanding in *Seizing the White Space* identifies four fundamental building blocks that make your business model work: the customer value proposition that fulfills an important job a real customer needs to do in a better way than current alternatives do, the profit formula that lays out how your company makes money delivering the value proposition, the key resources that value proposition requires, and the key processes needed to deliver it. In general, business model denotes a focus on the system level or a holistic approach towards explaining how firms do business. It seeks to explain both value creation and value capture⁽¹⁰⁾ and how firms differentiate their business from the competition. A firm's business innovation model might be explicit or implicit. It is, however, surprising to learn how few companies who can clearly articulate their business model or innovation strategy. In the words of Gary Hamel, “in 99% of cases when I ask a CEO to describe their business innovation model.....I get an empty look – they have none”.

(8) W. Chan Kim & Renée Mauborgne: *Blue Ocean Strategy*, 2005, Harvard Business Press, 2005

(9) Marc Johnson: *Seizing the White Space: Business Model Innovation for Growth and Renewal*, Harvard Business Press, 2010

(10) OECD: *Radical and Systemic Eco-Innovation and the Role of Business Models*, DSTI/IND (2011)15, Paris

With this in mind, we aim to show how companies can turn green business model innovation into a managed process and a more predictable discipline. To play a new game, you need a new game plan. The Green Innovation Radar gives a common language and analytical framework for understanding both the current business of any enterprise and the possibilities available for differentiating your business and thereby creating a competitive advantage in the market. Any organization that wants to be relevant and deliver customer value at a certain scale must have some kind of business model and innovation strategy.

One of the secrets to successful business model innovation is to detect the hidden assumptions in an industry and change them. The point is fairly straightforward – if a company is trying to beat a well-established competitor at their own game, it is likely to lose. In this context, ‘lose’ means that the company’s product or service offering will be one more offering in an already crowded market. One way or another, to innovate successfully, companies have to be distinctive – a company has to somehow be the only one that does what it does. After all – and almost literally within the tourism and experience industry – ‘if you are not at the table, you are the menu’. In the 21st century, to be successful in any business – including tourism and experience – companies need a business model, with an innovation strategy that focuses on sustainability. Today is not like the industrial era, when the game of an industry tended to change slowly. Today and in the future, that will not work; business models will change much faster than they used to. New entrepreneurs and players are not constrained by ‘what used to work’ and can, in many cases, more easily embrace new technologies and green innovation imperatives and constraints than existing businesses can.

Many governments now regard energy and resource consumption as part of a new growth strategy. South Korea’s national Green Growth Strategy, which aims to create new engines of economic growth through green technologies and building the foundation for a green economy, is an example of this. In a similar vein, Denmark launched a green growth strategy in 2012, and Japan’s New Growth Strategy includes ‘green innovation’ as one of two core streams for future innovation.

Although environmental sustainability is high on the political agenda in most OECD countries, it is still less pronounced within the value proposition or business model of most companies. This also counts for the tourism and experience industry. Value creation is at the heart of any business model, for both the firm and the customer. The key question is how companies can integrate ‘green’ into their business model in a way that makes it sustainable in both economic and ecological terms.

The feedback from a majority of the companies in the Nordic Innovation and OECD Business Model Innovation programme in the Tourism and Experience Economy revealed that customers, at least, are not yet ready to pay extra for staying at a hotel with a green policy or green services. It was also revealed that multinational companies like Microsoft, GE, Samsung, etc. increasingly ask for a green policy proof in connection with booking exhibitions or larger events. This suggests that it is easier to gain value capture from sustainable business offerings within business-to-business markets and that this market will move faster towards implementing green business model innovation than business-to-consumer markets. Moreover, it was revealed that the leading tour operators are not trying enthusiastically to favour ‘green destinations or hotels’; indeed, they were said to primarily compete on price.

In view of the fact that, within the tourism industry's value chain, tour operators are much larger and more concentrated than the hotel segment, they can therefore exercise their dominant bargaining power over most hotels and destinations. In spite of the downward pressure on prices because of industry structures, companies can try compete on innovations around the customer, partnership and many of the other 12 dimensions of the Green Innovation Radar. This is the essence of business model innovation, differentiate and don't only compete on price.

Many tourism companies are still barely out of the debris from the financial crisis in 2008 and the prospects of investing in sustainability might seem like an added cost for companies and therefore hold little attractiveness. Nevertheless, just like companies have survived or been established in earlier recessions by applying what then may have seemed like a 'bad or costly idea', there will be companies who embrace sustainability and develop competencies that will give them an advantage in a few years time because avoiding wasting resources will always be relevant to economic development, customers and innovation.

The question is where companies should start on the journey of embracing sustainable goals for their products, processes, management, and entire business model? We think that a way to start looking at it is to understand one's current competencies in view of a 'maturity model for green business model innovation'. The management of most companies will have at least an intuitive understanding of their current level of maturity and competencies and they will have an idea of where they would like to be in 3 years' time. The maturity model is explained in table 1, on the next page.

Table 1: Green Business Model Innovation Levels of Maturity⁽¹¹⁾

Level of sophistication	Competencies	Example
Level 1: Regulation driven	Few competencies needed	Reactive and primarily response is to regulations introduced
Level 2: Compliance driven	See new eco-regulation as an opportunity and tries to anticipate and be ahead of regulation. Skills to work with other partners at a basic level	More responsive and proactive viewing eco-regulation as inspiration for introducing new work methods and processes. Yet not systematic integrated in an innovation strategy.
Level 3: Production chain driven	Ability to understand entire value production process, know-how in life cycle management and technical skills for reducing wasteful processes.	Takes on a fairly systematic and proactive view to eco-regulation with a high focus on process innovation.
Level 4: New design or existing offerings redesigned for eco-friendliness	The know-how about how to scale both green supplies and production of new products/ services. Reputation management and differentiated from 'green-washing'.	Holistic approach to eco-issues integrating both product, customers, process and partnerships innovation. Thoroughly redesigned around green innovation.
Level 5: Business model focus	Ability to make value capture from differentiation, customers, management and partnerships in ways that will change the basis for competition.	On top of having a holistic approach integrated ability to monetize on green investments.
Level 6: Creating new platforms	The know-how to synthesize business models, new technologies, regulations and market trends in ways that will enable customers and suppliers to operate in radically different ways.	Companies born with green innovation into the organisational DNA which is reflected in company culture, operations, offerings and value capture.
Level 7: Disrupting existing industries and developing entirely new ones	Organization's ability to abandon existing 'cash cows' and cannibalise existing offerings in the pursuits of tomorrow's successes.	Will often appear as being radically cheaper attacking existing business from below and move up or start from a small corner of the expensive market and move downwards in price setting.

(11) Jørn Bang Andersen & Petra Nilsson-Andersen: Green business model innovation in the tourism and experience economy, 2012, Nordic Innovation. See page

One insight from this project is that there is a case to be made for making an inventory of the current level of maturity of green business model innovation and use such an inventory to assess the need for tailored government innovation support programmes. Consider singling out a region in any OECD or other country and ask the tourism and experience economies of that region, “Given the overview of competencies required for different levels of ‘green maturity business model innovation’ where would you place yourself today?” The second question would be, “If currently at level X, at which level would you like to be in three years?” It would be quite simple to make such an inventory and it would be easy for governments to create programmes that could support tourism and experience companies’ development from one stage to a higher one on the green maturity ladder. Finally, we think that for companies to jump-start on sustainable innovation and applying the Innovation Radar framework⁽¹²⁾ they may consider asking themselves the following questions:

The first question is, “What is the sustainable strategic goal of our business?”

Offering innovation:

- How will a sustainable project or initiative affect the position of our existing products/services?
- Will the initiative open up new possibilities for several offerings?

Customer innovation:

- Which of our existing customers are looking for greener solutions?
- How does this green concept affect the way we interact with customers in any context, e.g. buying, delivery, support or service?
- Will we need to educate existing or new customers and develop new markets and customers in order to succeed?

Operational innovation

- Does this green improvement offer opportunities to enhance internal business processes to reach higher levels of operational effectiveness in this or other parts of our business model?
- How might the company’s supply chain be affected by this green investment?

Partnership innovation

- What types of alternative channels might we consider to best deliver our new green service/product to our customers (examples are in-flight magazines, traditional advertising, new Internet channels and social media, or through dealer networks and retailers, etc.)?
- How could we better serve specific customers and target green customer segments?
- What can we do with data collection and use of ICT solutions?

(12) Labours upon Robert C. Wolcott and Michael J. Lippitz: *Grow From Within – Mastering Corporate Entrepreneurship and Innovation*, 2010, McGraw Hill, USA. Green elements added to questions.

4.1 *Making the green transformation - look to other sectors for inspiration*

What does a Stradivarius have to do with the latest technology from Fisher ski? Frequency tuning, a technology for controlling vibration, is employed in building instruments and in fine tuning concert halls. Every three dimensional body (ski, violin, tennis racket, etc.) responds differently to vibrations. Stradivarius violins were built in the eighteenth century in the famous workshops of northern Italy and are worth millions today. They are true artworks with a sound of unsurpassed quality. Physical calculations and the age-old craft of violin making have now worked wonders at Fischer also, transforming skis into high precision instruments⁽¹³⁾.

The history of innovations that have had a profound impact on the way business was done before and after the innovation is often a story about people or companies who found inspiration from outside their own industry. Think of Henry Ford's assembly line. Legend has it that it was while watching a conveyor belt of moving animal carcasses in a Chicago slaughterhouse that Henry Ford had the idea for a new production process for his motor cars: "If they can kill pigs and cows that way, we can build cars that way."

Toyota's development of ideas that later became Lean may have started at the turn of the 20th century with Sakichi Toyoda, in a textile factory with looms that stopped themselves when a thread broke, this became the seed of automation and *Just-In-Time (JIT)*. Toyota's journey with JIT may have started back in 1934 when it moved from textiles to produce its first car. Other versions of Lean manufacturing have it that it was from observing American supermarkets that the idea of avoiding stocking goods led to the JIT model at Toyota.

The main point is that many breakthrough innovations and new ways of doing things have come from observing how things are done outside of one's own industry. For the tourism and experience industry, General Electric, the largest industrial company in the world, represents a good case for making the transition from being a technology-focused company to a sustainability-driven business.

Several studies have indicated that economic benefits can be gained in hotels through implementing environmental and social initiatives; many with little or no capital. There are advantages in addition to cost benefits:

- Gaining competitive advantage by being a leader in the sector;
- Customer loyalty;
- Employee retention;
- Awards and recognition;
- Regulatory compliance;
- Risk management;
- Increased brand value.

(13) <http://www.fischer-ski.pl/www/en/alpine/news/newsdetail.php?id=76>

5. Tourism and national green reputation

Tourism and experience based companies are, in many cases, closely associated with their country of origin or where they have their main operations. Take the example of the German car manufacturer BMW. People don't buy a BMW just because they need a transport solution. If that were the case, there are countless other, cheaper, transport solutions. People buy a BMW because they want to signal something about quality, speed, being innovative, etc. In addition, to most people, BMW is associated with German engineering, quality, design and innovation. However, if BMW were advertising that their next top sports model would be manufactured in Albania, most people would probably find it unauthentic and confusing, because the brand equity of Albania is not the same as for Germany. In this sense, a nation's green reputation spills over into areas like tourism and other industries. In line with this, the company Dual Citizen publishes a Global Green Economy Index, an analytical tool measuring national green reputations and performance, each year. In fall 2011, the global green tourism index looked like the one shown in the table below:

Table 2: Global Green Tourism Index 2011⁽¹⁴⁾

Perceived reality	Actual performance
New Zealand	New Zealand
Iceland	United Kingdom
Australia	South Africa
Canada	Denmark
Brazil	Sweden
Norway	Netherlands
Germany	Germany
Sweden	Japan
South Africa	Italy
Denmark	Australia

(14) Dual Citizen Inc.: The 2011 Global Green Economy Index – An analytical Tool Measuring National Green Reputations and Performance, Fall 2011

An interesting question is how the ranking of countries' green images and people's perceptions are shaped and likewise what shapes the green image of a company. Can we make a meaningful distinction between the two or are they in reality intertwined? Take the example of the global green certification system EarthCheck.

According to the Global Green Tourism Index 2011, Australia is perceived relatively higher as a green and environmentally friendly country, than on the actual performance index. This could have to do with for example the company EarthCheck⁽¹⁵⁾, which rode this wave of positive green attitudes, when it, in 2008, tapped into the increasing market demand to address climate change and sustainability in a cost effective way. EarthCheck is a web based environmental management company that designs certification programs for the travel and tourism industry. Certification can be received for a product, service or system, and help tourism companies streamline their green activities.

The sheer participation in the EarthCheck certification process improves the image of the company as a devoted and true green actor on the market. However, it seems that the focus of EarthCheck is more on process than the actual outcome, and that the use of the EarthCheck brand is the main attraction for companies entering the certification system. Likewise the Nordic region has the 'Swan' certificate which is a well recognized, at least within the region, as a certificate for organisations adhering to green policies. Like the German standard for buildings 'Passivhaus' is fast becoming a global brand for green buildings. As such, it could be that there is a correlation between countries scoring high on green perceptions and that of developing new standards and certifications and thereby reinforcing each other. At least this was the case in the industrial era with standards for steel signified a high level of progression of industrialisation.

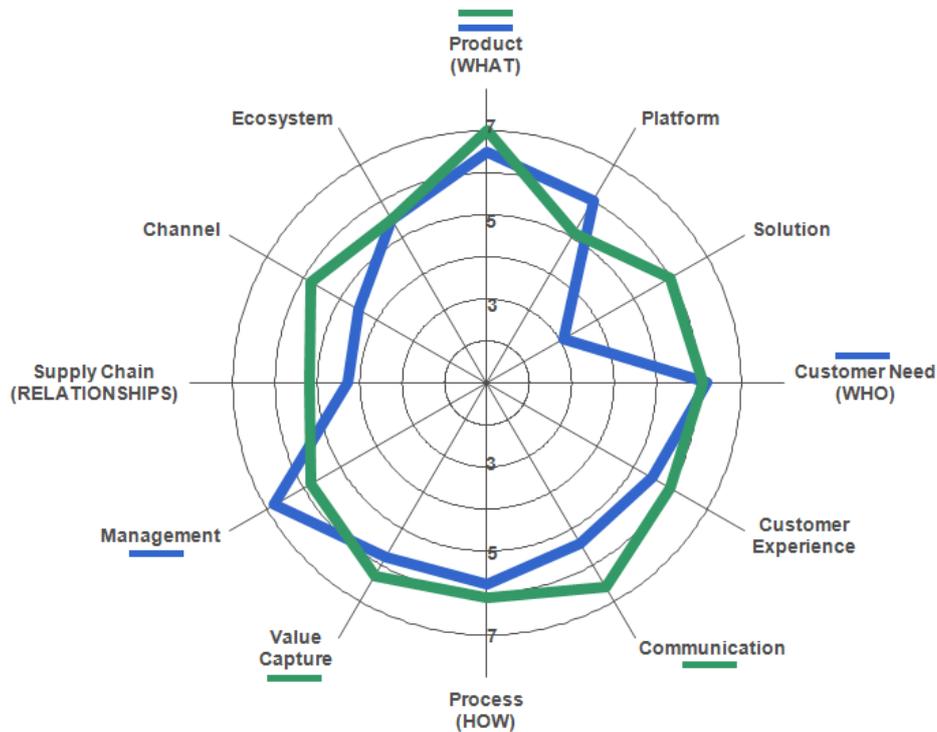
(15) <http://www.earthcheck.org/>

6. Case studies from Nordic and other OECD member countries

In the BMI programme 28 companies from Nordic and other OECD member countries were benchmarked to obtain an insight on where and how green innovation takes place in the tourism and experience industry today. One company from each of the participating countries is presented below as examples of good practice and inspiration.

In reading the companies' green innovation radar profiles it should be noted that the blue spider web signifies where the company has its traditional innovation focus, and the green spider web signifies where the company has its green innovation focus. The blue and green line underneath the 12 Innovation Radar dimensions show where the company has shown their statistically three highest innovation effort or peaks, and the more aligned the blue and green profiles are, the stronger the company's overall green innovation radar profile can be said to be. Moreover, in reading the cases and profiles, it should be remembered that a company may have high innovation effort (i.e. close to the outer part of the spider web), yet not necessarily have a clear profile as was shown in section two. In other words, the challenge for most companies is not only to prioritize green innovation, but also develop the ability to differentiate and develop a clear profile and thereby stand out from the competition and master business model innovation.

6.1 Austria: Boutique Hotel Stadthalle



Location: Vienna, Austria
 Ownership structure: Privately held
 Number of employees: 37
 Website: www.hotelstadthalle.at

Company

Boutique Hotel Stadthalle, established in 2001, is the first *passive house*⁽¹⁶⁾ city hotel in the world. The hotel has earned numerous awards for their eco-friendly and innovative concepts, and is owned by the hotel CEO.

Green business approach

The company has a high level of innovativeness, with multiple innovation peaks primarily around Management, Product, Platform and Customer Need. The overall green innovation profile is strong, with peaks around Value Capture, Solution and Communication.

Stand-out points

The boutique hotel is built as a zero-energy balanced building, meaning that it creates the same amount of energy needed to run the hotel. Only renewable energy sources like solar photovoltaic panels and ground water heat pumps are used. They generate their own electricity, and can provide their guests free recharges for electric cars.

(16) Passive house: German green standard for zero emission buildings

Special treatment, in the form of a ‘green bonus’ on room rates, is offered to guests who are travelling in an eco-friendly way. Inspired by airline frequent flyer programs, the company developed a green guest club where guests earn green points as they behave and act in a sustainable way during their stay. Customer needs are taken seriously. As a result, only locally produced organic food is served, and e-scooters are provided for rental. By using the word-of-mouth marketing concept, the company maintains a high occupancy rate - above 80% - all through the year. An in-house Quality Management System was developed where the personnel were important contributors.

Results

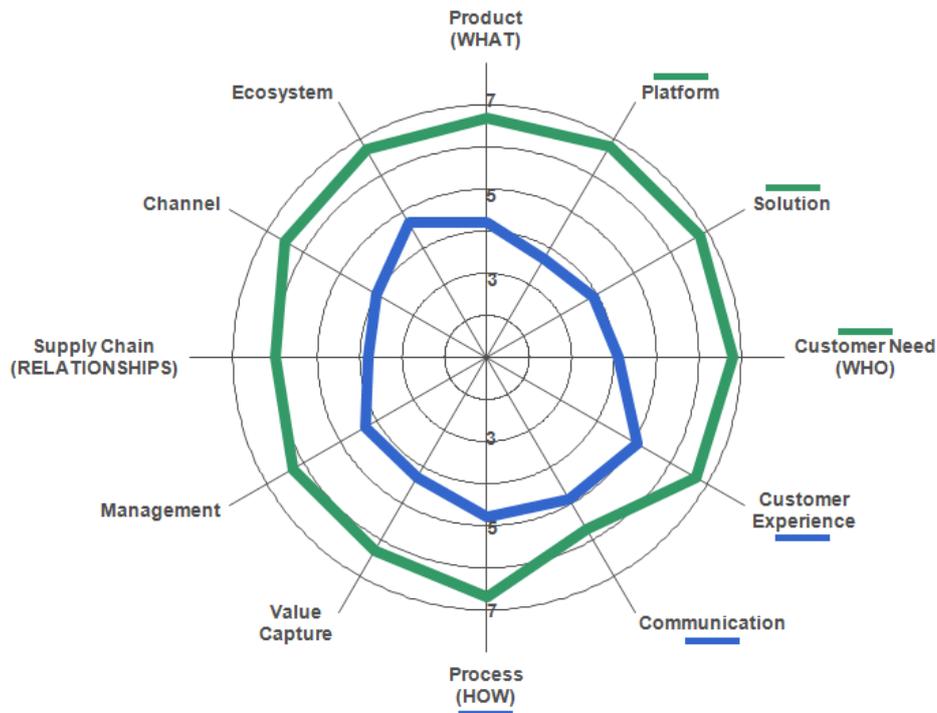
Boutique Hotel Stadthalle excels in integrating innovation and greenness. The company personnel and management are true to their values and green mission, “sustainability starts with your attitude”. Strong management ensures that quality and creativity continue to flourish.

Reflections Austria

There is a strong environmental awareness in Austrian companies, and among the rest of the population. With high per cent of the power coming from alternative energy, and sixty per cent of all waste being recycled, there’s no doubt that Austria is one of the world’s leading destinations for sustainable tourism.⁽¹⁷⁾ Austria has also developed a state eco-label for tourism, being the first country in Europe to do so.

(17) World Economic Forum’s Travel & Tourism Competitiveness Report

6.2 Portugal: Zmar Eco Campo



Location: Lisbon, Portugal
 Ownership structure: Privately held
 Number of employees: 70
 Website: www.zmar.eu

Company

The company was established in 2009. All the accommodations have thermal solar panels installed to heat the water. Zmar uses renewable resources such as solar and wind energy, and does its best to minimize the amount of waste produced.

Solar energy is used, through photovoltaic panels on every lamp post and guiding lights, and through thermal ones to heat water, in order to decrease the usage of public electricity.

Green business approach

The innovation profile of Zmar Eco Campo indicates moderate levels of innovation. Concerning the green innovation profile it has multiple peaks around Customer Experience, Communication, Process and Ecosystem. The company has no areas with actual low innovation efforts. The relatively high variance between innovation and green innovation suggests that Zmar could strengthen their competitive situation by considering a stronger integration between the two profiles.

Stand-out points

Zmar Eco Campo stands out for creating and managing a sustainable family concept with ecological awareness in its wide range of modern and fully equipped facilities, with numerous

activities and lodging, for relaxation and recreation. They offer activities for the whole family: camping, spa, water park, restaurant & supermarket, kidz house, sports & adventure.

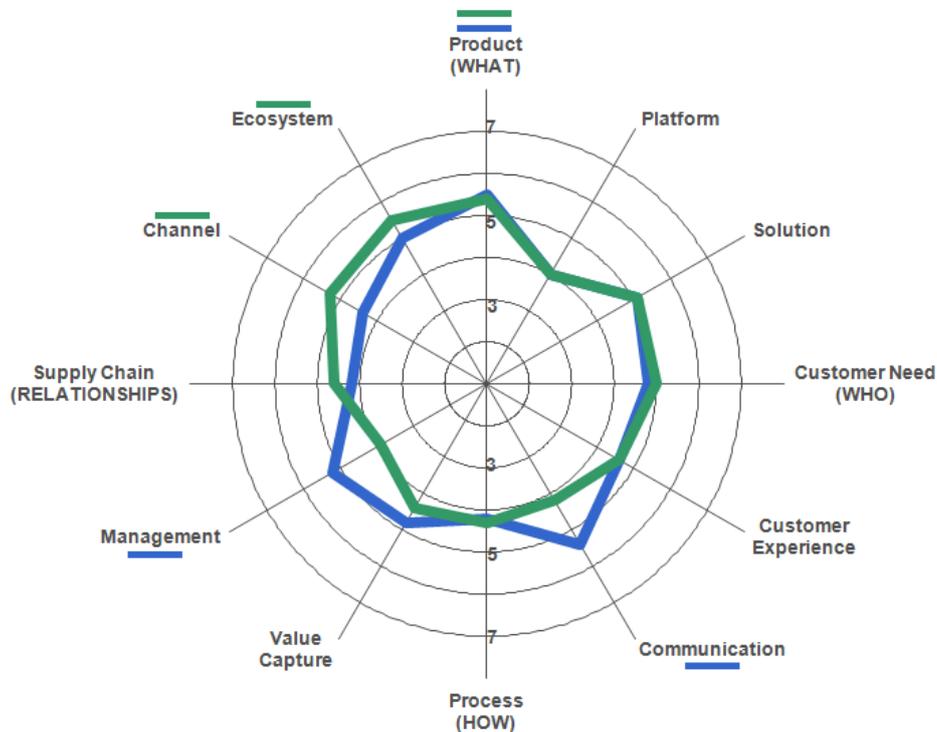
Results

Zmar is a true market initiative, with a high level of entrepreneurship and engagement. The company has a solid commitment to developing sustainable tourism concepts, and work strategically with innovation and its green company approach. Engaged and passionate employees contribute to the creative atmosphere of the company.

Reflections Portugal

Foreign hotel chains deliver concept tourism in Portugal where the regional natural habitat is often used as a platform for business development. There is an open public-private dialogue, and support for public initiatives for enhancing green innovation. A slightly immature approach prevails on how to turn green assets into value propositions. Long-term EU-funded initiatives might tend to nurture conservative thinking, making it difficult to reposition the company in both a regional and global setting.

6.3 Denmark: Tivoli



Location:	Copenhagen, Denmark
Ownership structure:	Publicly quoted
Number of employees:	Equivalent of 685 fulltime staff (c. 1,400 heads)
Website:	www.tivoli.dk / www.tivoligardens.com

Company

Tivoli Gardens in Copenhagen has provided the Danes with culture and leisure activities since 1843. Tivoli rests on four 'legs': scenery, cultural events, attractions, and food & beverage. Tivoli is listed on the Nasdaq OMX Copenhagen stock exchange. 19,000 of Tivoli's shareholders are private citizens who own the shares because of loyalty towards Tivoli.

Green business approach

Tivoli has a high level of innovation across most dimensions, and multiple innovation peaks around Product, Communication, Management, Solution and Ecosystem. The company has no areas of actual low innovation efforts. The overall green innovation profile is strong, with additional peaks around Channel and Customer Need. The green profile is embedded in Ecosystem, Product and Solution.

Stand-out points

Tivoli gets wind power produced by DONG Energy, with whom the company has a Climate Partnership. Tivoli is also partnering with DONG Energy on projects to reduce electricity consumption in the Gardens. LED lights have been fitted to replace filament bulbs, and all of Tivoli's 120,000 lights will be switched to low-energy light bulbs. Tivoli has installed a solar panel system for recharging the electrical cars used in the Gardens. Tivoli has operated a systematic environmental management system since 1996.

Results

Tivoli has introduced environmental habits and procedures into every part of the organisation and continues to concentrate its environmental efforts on energy, waste, traffic, water and chemicals. The company atmosphere of Tivoli is characterized by an experienced management that is open, innovative and not afraid of paving the way for new ideas and initiatives.

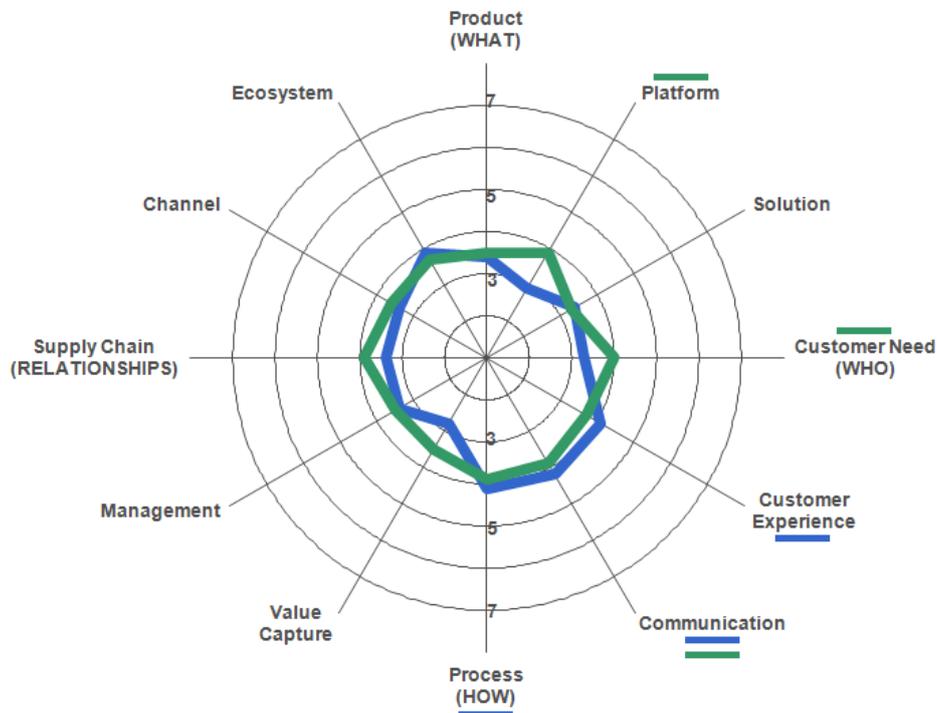
Reflections Denmark

Denmark has some of Europe's highest prices on electricity (see energy.eu) - mainly due to taxation, so all companies are in effect indirectly encouraged to pursue savings in the domain of energy management. Therefore, power savings initiatives are often found among the first initiatives on a green agenda - simply, because it is a profitable activity with a decent environmental benefit.

In terms of green innovation this first step is now reaching a "self sustainable level" - power savings are now such obvious a drain or contributor at the bottom line, that it is now becoming a part of the agenda of most smart organisations.

Other aspects of green innovation - outside energy management - are not so easily approachable and financially justifiable in the short term - and many companies still have a hard time understanding and creating the right business cases for initiatives and innovation activities in domains such as waste, traffic, water and chemicals.

6.4 Finland: Moomin World



Location:	Naatali, Finland
Founded:	1993
Ownership structure:	The ownership of the company is divided according to the share capital
Number of employees:	10 + 240 seasonal workers
Website:	www.moominworld.fi

Company

Moomin World is a theme park about Moomintrolls. It is based on the Moomin stories created by the Finnish-Swedish author and illustrator Tove Jansson. The customers are mostly families with small children (2-8 years).

Green business approach

The company profile indicates moderate levels of innovation. Moomin World has some focus around Communication, Customer Experience, Process and Ecosystem. The green innovation profile is strong on Platform, Customer Need and Supply Chain, and embedded in Communication and Process.

Stand out points

The entire theme park is designed to be green and nature friendly. The park is situated on an island and everything is built and done with the natural environment in mind. There are no electric carousels, rollercoasters, etc., and effects which needs water use seawater. Most of the cooling and heating of buildings is done by a ground heating system. Nature paths are covered with wood and keep people away from the forest.

Results

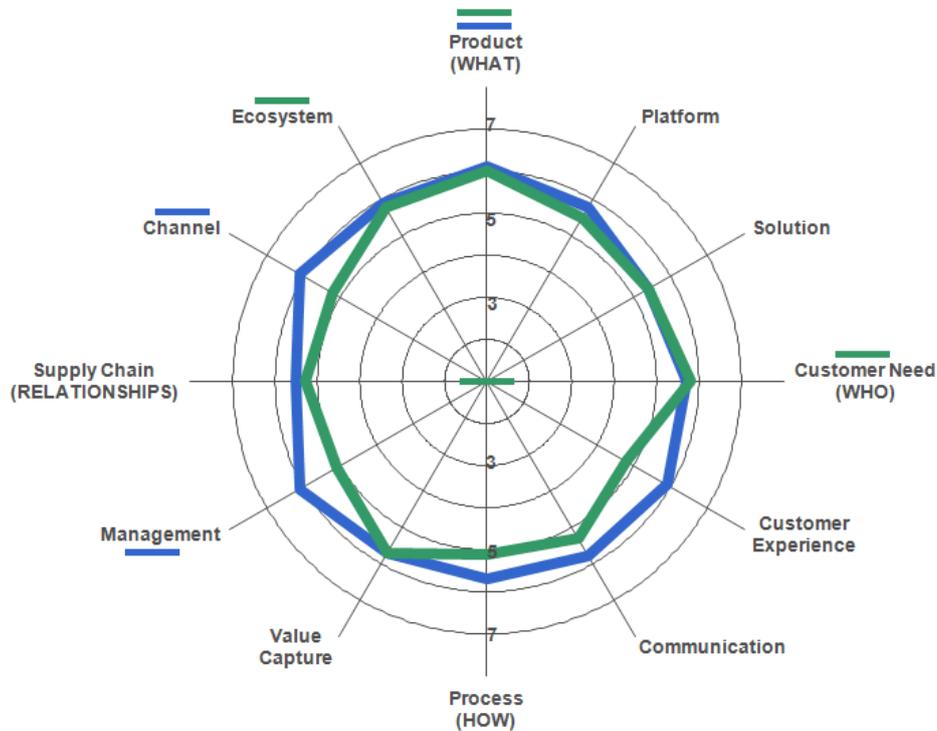
The management team realised that neither Moomin World (nor any other company) can afford to increase the innovation level in all dimensions of the business system. Instead they will focus their innovation efforts on 3 - 4 dimensions. Among those Communication and Value Captures are expected to be top priority.

The park's aim is to implement the values as they appear in the Moomin children's book, such as: family unity, non-violence, friendliness, environmental awareness, safety and adventure, as well as values promoting parenting.

Reflections Finland

Tourism companies in Finland can apply for public funding at 15 regional Centres for Economic Development, Transport and the Environment. These Centres are tasked with promoting regional competitiveness, well-being and sustainable development, as well as curbing climate change. Development of sustainable tourism is most often carried out as two to three year projects by regional development companies or universities of applied sciences who aim to work for the benefit of all tourism companies in their region.

6.5 Mexico: Grupo Experiencias Xcaret



Location: Quintana Roo, Cancun, Mexico
 Ownership structure: Privately held
 Number of employees: 2500
 Website: www.xcaret.com

Company

Established in 1990, the Experiencias Xcaret is now composed of a group of four companies, offering recreational activities based on sustainable tourism. One of the group's companies, Xcaret is an archaeological park located in Riviera Maya, Cancun, where visitors can experience the nature and wildlife of Mexico, and the cultural history of the country. The company was the first group in tourism recreation worldwide to achieve an EarthCheck certification. The company CEO is major shareholder of the Grupo Experiencias Xcaret.

Green business approach

The overall innovation profile of Grupo Xcaret indicates a very high level of innovation across most dimensions. The company has minor innovation peaks around Product, Channel and Management. The green innovation of the company is coherent with the general innovation efforts of the company, enabling a green impact throughout all of the company's activities.

Stand-out points

Xcaret works actively to support national programmes⁽¹⁸⁾ to preserve and spread the natural and cultural heritage of Mexico. The park is situated on architectural sites, leveraging a close

(18) Non-profit foundation, Flora, Fauna y Cultura de Mexico.

public-private partnership. Employees and children from regional public schools participate in the environmental programs, and contribute to the word of mouth marketing of the company. Strong partnerships with hotels and agencies provide Xcaret with customers. The company offers only green products and services, and delivers good practices for society within waste and water management, energy as well as educational programs for inhabitants and visitors.

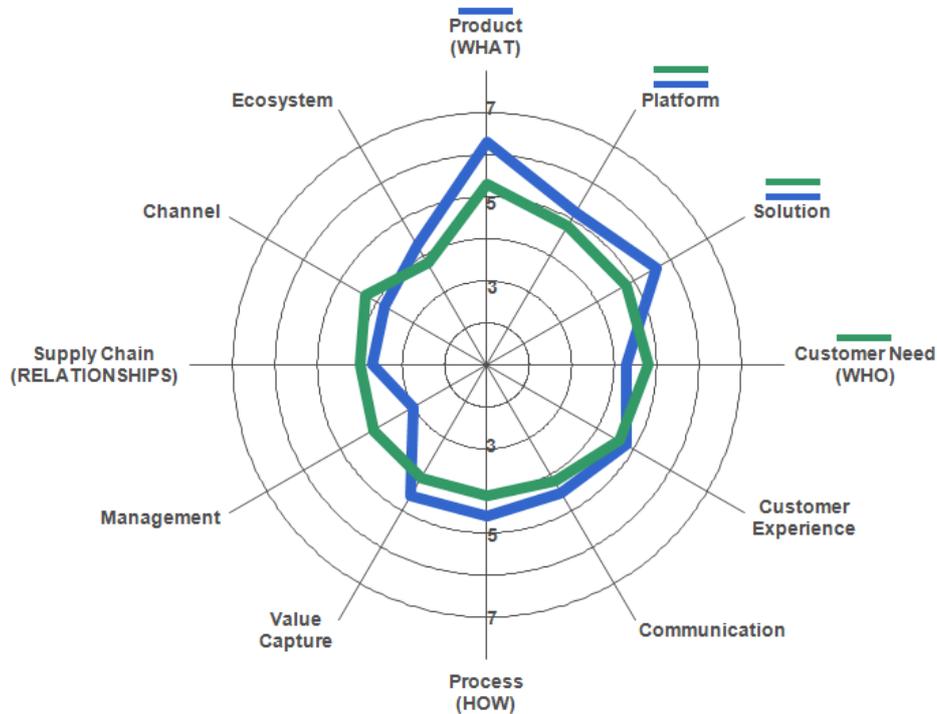
Results

The Xcaret is a clear case of a 'born green' company. The company atmosphere is open to new thinking, and allows for the inclusion of many different stakeholders to contribute to, and work for, the implementation of green conservation programs. Profits are reinvested in new projects or in incremental improvements of existing activities. Management focus is all green, where each unit employ a person responsible for maintaining the green strategy of the company.

Reflections Mexico

2011 was the year of tourism and the Mexican government boosted the tourism sector through various policies and instruments. Tourism is a key sector in the Mexican economy as it creates jobs and local profits, and constitutes a source of income for millions of Mexicans. Mexico's economic model is built around its geographic proximity to the U.S. and its market. This is also the case for the tourism industry. However, for the past ten years, international tourism companies, mostly hotel chains, have entered the Mayan Riviera and the public coast-line of the Cancun region.

6.6 Norway: XXLOfoten



Location: Lofoten, Norway Company
 Ownership structure: Privately held
 Number of employees: 6
 Website: www.xxlofoten.no

Company

XXLOfoten has as its goal to be the best regional provider of meaningful experiences and activities. Their main customer is the corporate market and groups of adventure seekers. XXLOfoten has become well-known for their exciting and wide-ranging activity concepts that are available all year round.

Green business approach

The overall innovation profile of XXLOfoten indicates high to moderate levels of innovation with multiple innovation peaks around Product, Platform and Solution. The company's green focus is well aligned and corresponds with the overall innovation efforts and focus.

Stand-out points

XXLOfoten is a provider of wildlife experiences and activities. The range of offerings includes a variety of quality assured concepts within the categories of sea, land, food and interaction. Several of the fishing and hunting concepts are based around local Lofoten pride. The company offers everything from individual activities lasting just a few hours, to expeditions and custom packages that may last for several days, to activities like deep sea fishing, sea kayak touring and mountain hiking.

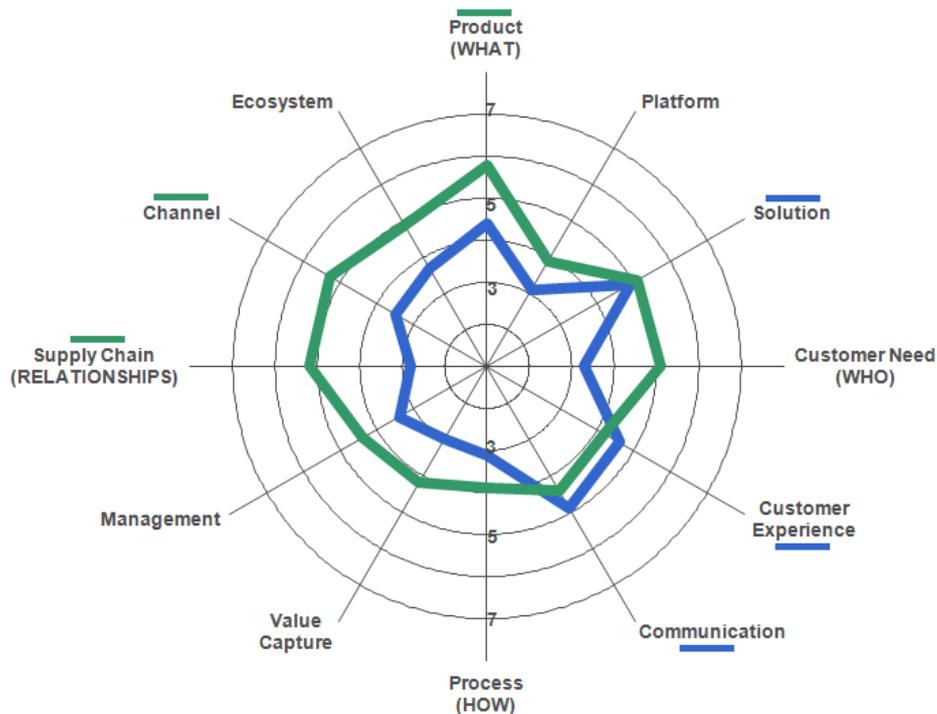
Results

The company markets itself as a green lifestyle company. Owners and employees use their own experiences to create adventure products. Partnerships are developed with local hotels and local food suppliers are used for supporting the sustainable approach.

Reflections Norway

Innovation Norway focus on developing sustainable tourism across the country through their project "Sustainable Tourism 2015". The new National Strategy for Tourism puts sustainability as a premise for all tourism development. Through the project, four pilot destinations are focusing on how to commercialize sustainability. They are also looking into a new destination certification system.

6.7 Sweden: Vildmark i Värmland



Location:	Torsby in Värmland, Sweden
Ownership structure:	Privately held
Number of employees:	Approx 8 persons, yearly base (20 persons during season and 3,5 all year round)
Website:	www.vildmark.se

Company

Since the beginning of 1979, Vildmark i Värmland has worked on minimising the burden on the environment. Vildmark i Värmland experiences are of a very high standard, and it was the first company in the Swedish visitor industry to apply the ISO 9002 quality assurance system for outdoor activities in Sweden.

Green business approach

Vildmark i Värmland indicates moderate levels of innovation across most dimensions. The company has multiple innovation peaks around Communication, Solution, Customer Experience, and Product. The green innovation profile is already high and has a peak around Product, and is strong on Customer Need, Supply Chain and Channel, and embedded in Product and Solution.

Stand-out points

The company offers nature-based activities and experiences for companies, families and groups, where people take part in making their own adventures in nature. Vildmark i Värmland has always worked on minimizing the burden on the environment. This has meant that they have restricted the number of guests for their activities and used local suppliers. They educate their guests in “the right of public access” – *Svenska allemansrätten*.

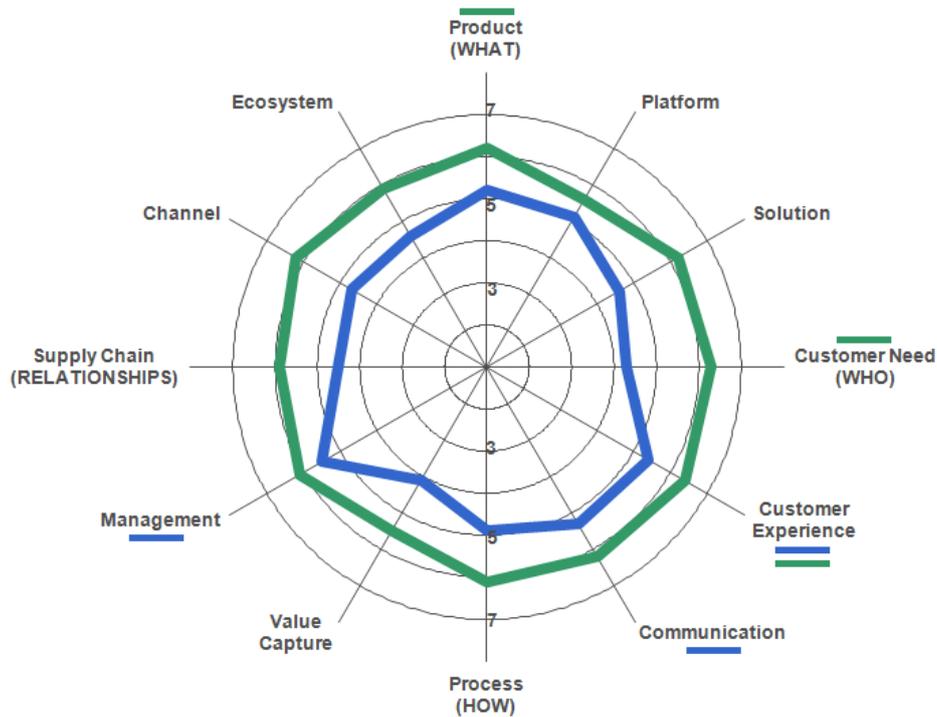
Results

The company is quite small and the whole management team is devoted to live in harmony with the nature and committed to operate the business in a truly environmentally sustainable way. Vildmark i Värmland involve their customers in developing natural experiences and products. Word-of-mouth marketing is used to communicate and share responsibility for the environment and nature. The company uses local suppliers when purchasing goods and services.

Reflections Sweden

The Swedish Agency for Economic and Regional Growth will over a three year period (2012-2014) in cooperation with Visit Sweden, develop and promote sustainable tourist destinations in Sweden. Destinations can apply for funding and a limited number of mature tourism destinations have the opportunity to gain knowledge on business development, marketing and sustainable measures for a long-term sustainable growth.

6.8 Iceland: Íshestar Travel



Location: Hafnarfjörður, Iceland
 Ownership structure: Privately held
 Number of employees: ?
 Website: www.ishestar.is

Company

Íshestar has been a leading Icelandic tour operator since 1982 and has demonstrated a priority to quality service and safety. Íshestar place great emphasis on sustainable tourism offering quality tours in the unspoiled nature of their country.

Green business approach

Íshestar indicates a higher moderate level of innovation across most dimensions. The company has multiple small innovation peaks around Management, Customer Experience, Communication, Product and Platform. The green profile indicates a high level of innovation and is embedded in Product, Customer Experience, Communication, and Management.

Stand out points

The company offer riding tours divided in three categories; day tours, countryside tours, and highland tours. Íshestar places great emphasis on sustainable tourism, offering quality tours in the unspoiled nature of the Icelandic countryside. Although horse riding tours have been their main focus, a variety of different travel service for groups and individuals are offered too.

Results

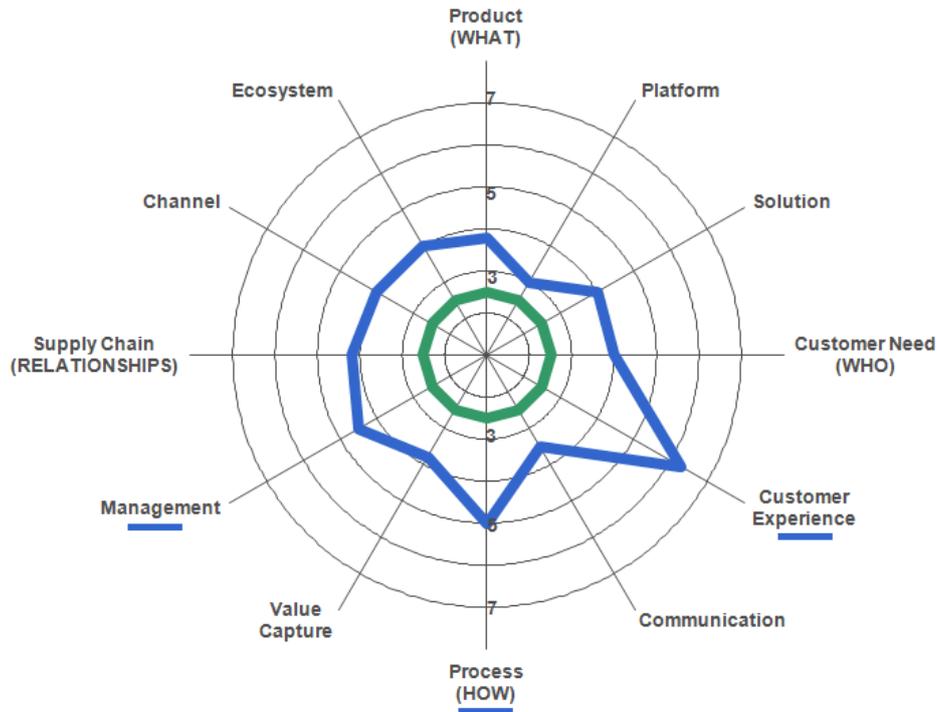
Íshestar Travel is an overall green company, and nature is the company's main product. Environmental awareness has always been Íshestar's trademark, emphasizing environmental practices and supporting the sustainable development of nature.

Reflections Iceland

The Icelandic Tourist Board is currently developing and implementing VAKI, a quality and environmental management system. Each year, the Icelandic Tourist Board gives a special environmental award to an individual or company in the tourism sector for being a leader in environmental issues. The website [Natura.is](http://www.natura.is)⁽¹⁹⁾ is an entrepreneurial website with a goal to increase environmental awareness in general.

(19) www.natura.is

6.9 Russia: PAC



Location: Moscow, Russia
 Ownership structure: Privately held
 Number of employees: 400
 Website: www.pac.ru

Company

PAC was established 20 years ago and it is one of Russia's biggest tour operators. The main markets are Italy, Spain and Western Europe. They have 10 branches in Moscow. A new sales focus is Scandinavia.

Green business approach

The company has no defined innovation strategy. Focus is on customer experience and process. Concerning the green innovation radar dimension the company management explained that there currently was no focus on green or sustainability.

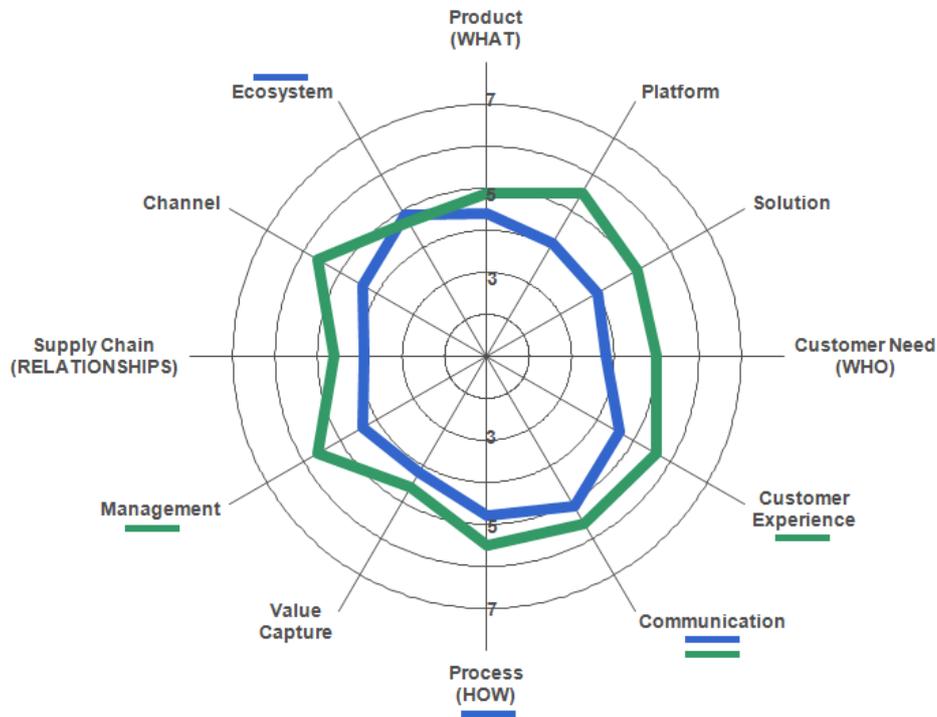
Stand out points

The company is among the biggest tour operators in Russia. The management had a good overview of their competition and good knowledge about how PAC differentiates from their competitor's in terms of markets and customer segments. The company was quite open in its attitude towards the BMI programme and informed after the deep-dive that they had adopted the framework in their future work with strategy

Reflections Russia

Sustainability is not yet as high on the political agenda in Russian politics or among companies as for instance in Austria, and there was little knowledge about support programmes for green investments. It was mentioned that Russia is still in a process of adapting and developing greener policies.

6.10 South Korea: COEX



Location: Seoul, South Korea
 Ownership structure: Publicly quoted
 Number of employees: 200
 Website: <http://coex.co.kr/eng>

Company

Founded in 1979, the company is a leading convention and exhibition centre in South Korea, which recently received EarthCheck Silver Grade. COEX has become well-known for hosting major international events, such as the 2010 G-20 Seoul Summit. The company additionally manages office facilities and an adjacent COEX mall, the largest underground shopping mall in Asia.

Green business approach

COEX has a higher moderate level of innovativeness. The company has multiple minor innovation peaks around Communication, Ecosystem and Process, and no areas with actual low innovation efforts. The 'lowest' innovation efforts are around Customer Need and Supply Chain. Green innovation is particularly focused on Communication and Process, and the green profile is embedded in Management, Channel, Platform and Customer Experience.

Stand-out points

The company developed an in-use Building Energy Management System (BeMS) in 2002 to monitor its facility management operations. The system is integrated with COEX's sustainable efforts, as it records and analyzes usage of gas, electricity, water, waste production and recycling levels. This BeMS has subsequently become an independent business unit from which COEX today captures values. The company is a case of intrapreneurship.

Twentyfive percent of all Koreans visit COEX every year. The company uses this opportunity to take on the role of educator, and both employees and customers are educated in greenness and sustainability. Customer interaction is well integrated in the innovation management system, where customer needs are swiftly transferred into various solutions as smart phone applications and new concepts for event registration. The company CEO has a background from retail, which might explain the strong customer focus. A systematic handling of complaints is leading to daily improvements and incremental innovations. The company slogan is “3S”: smart, speed and systematic is very much alive.

Partnership innovation is also well developed within the company, with examples of close co-operation with airlines, hotels and bus companies. COEX increasingly uses green suppliers, as customers ask for green products and services. Through social media, green ambassadors (university students) the management is promoting a green COEX worldwide.

Results

COEX embraces green innovation and fosters a strong innovation culture with leadership and a high degree of autonomy and freedom at lower levels. Unit based innovations are supported and implemented by upper management.

Reflections South Korea

South Korean companies have a solid understanding of the meaning of value capture in business, as well as excellent management skills, paving the way for the South Korean model of economic success. State intervention and an entrepreneurial culture have boosted the development of green products and services. The Innovation Radar also indicates that South Korea scores high on process, relationship and customer innovation.

In 2008, Korea launched a new national development paradigm for green growth. An institutional⁽²⁰⁾ set-up was created for securing implementation of green growth strategies on both the national and local levels.

These steps towards a greener society also included fostering of green industries, giving different incentives for the market as a strategic promotion of green tech innovation, and investment in core green technologies.⁽²¹⁾

(20) Presidential Committee on Green Growth (PCGG), created 2009 for inter-Ministerial coordination and public-private consultation.

(21) LED, CCS, Clean Cars, Renewables

7. Policy support for green innovation

Many of the non-Nordic companies participating in the BMI programme clearly indicated that they were not aware of any public sector policies and/or programmes designed to support green innovation in tourism. More than 2/3 of the companies could not identify or had difficulties identifying green support policy programmes. When companies describe what the key barriers to green innovation are for their company, the common reply is “time and money”.

Many companies express a need for government to incentivise green innovation in tourism, for instance through the tax system. From the participating companies’ perspective, governments seem not to understand the real needs of tourism companies, and are therefore unable to support and stimulate green innovation measures effectively.

The company deep-dive workshops and the following responses to policy measures in this BMI tourism and experience programme have shown that there are not one but several levels for intervention for both company managers and policy makers.

The arguments for innovation and sustainability are, when viewed in isolation, not the same; once the two are combined, both policies take on a qualitatively different character.

Table 3 Eco-Innovation policy⁽²²⁾

Policy	Rationale	Main objective
Innovation policy	Provide incentives for enterprises to engage and invest in innovation.	Strengthen competitiveness of enterprises and competitive advantage of region or nation.
Sustainable policy	Reduce or eliminate negative externalities for the natural environment and living conditions in cities, etc.	Protect the environment from pollution and other negative side-effects of economic development.
Eco-innovation policies	Incentivise enterprises and organisations to merge innovation and sustainability in ways that reduce or eliminate depletion of natural resources and create competitive advantages.	Strengthen competitiveness of enterprises through green innovative business models (products, processes etc.)

(22) Jørn Bang Andersen & Petra Nilsson-Andersen: Green business model innovation in the tourism and experience economy, 2012, Nordic Innovation.

Moreover, policy makers should be careful that in promoting green innovation it doesn't drive companies' focus away from their customer focus as this is still the core business of most companies, and thereby throw the 'baby out with the bathwater' in the process of making a green transformation. For the same reasons, governments should avoid programmes that induce companies to overemphasize their resources on product offering and process technology.

Given the lack of knowledge about governmental support programmes for sustainability there seems to be clear room for improvement in making these programmes better known through better communication and awareness raising in general.

The BMI findings have shown that once companies embark on green business model innovation investments the focus on partnership innovation increases substantially, and governments should therefore develop measures for strengthening the competencies to work in partnerships. Governments could in general strengthen the green innovation ecosystem at all levels to this end.

The first question could for example be: "Given the overview of competencies required for different levels of 'green maturity business model innovation', where would your company place itself today?" The second question could be: "If currently at level X, at which level would you like your company to be in three years?" It would be quite simple to make such an inventory and it would be easy for governments to create programmes that could support tourism and experience companies' development from one stage to a higher one on the green maturity ladder.

In enhancing the companies' work with sustainability, governments should consider to develop tailor made programmes that specifically assist companies in moving up the *capability ladder*⁽²³⁾ of green business model innovation.

(23) See "Table 1: Green Business Model Innovation Levels of Maturity" on page 24

Annex I: The Green Innovation Radar Tool-kit

The Green Innovation Radar and Innovation Radar 2.0

In developing the Innovation Radar 2.0 it was contended that innovation is multifaceted and goes well beyond technology. A broader view of innovation was developed. Based on the discussions with managers leading innovation efforts at a number of large companies and a comprehensive survey of the academic literature on innovation, a tool called the Innovation Radar was developed. The Innovation Radar represents business innovation along twelve dimensions: offering, platform, solution, customer, customer experience, value capture, process, organization, supply chain, presence, network, and brand (2006). To measure those dimensions, a set of multi-item measures was created based on insights from field interviews and a review of the innovation literature, following well-accepted best practices in metrics and questionnaire design.

The Innovation Radar 2.0 Survey served as a follow-up of the initial Innovation Radar Questionnaire, version 1.0 developed by Mohan Sawhney, Robert C. Wolcott and Enigo Arroniz, Kellogg School of Management (2003-2007) which identified twelve innovation dimensions from a broad view.

Based on the results of the initial questionnaire, the second or version 2.0 survey was developed by Mohan Sawhney and Jiyao Chen (2008-2010) (former Kellogg School of Management now Assistant Professor at Oregon State University) who explored patterns of innovation across companies and industries. It examined whether companies innovate on a set of related innovation dimensions rather than on all twelve.

The survey on the Green Innovation Radar was developed by Jiyao Chen (2011-2012), Assistant Professor at Oregon State University, for the specific purpose of this OECD-Nordic Business Model Innovation in the Tourism and Experience Economy project. The Innovation Radar survey 2.0 operates with five questions for each of the 12 dimensions as well as a number of additional questions testing for qualitative aspects of a company's innovation strategy. The Green Innovation Radar survey adds a number of questions to each of the 12 dimensions and makes it possible to make an informed and validated comparison of a company's innovation strategy and how well it's green or sustainability is integrated with innovation.

This study looked into the extent to which tourism and experience industry companies from Iceland, Finland, Sweden, Norway, Denmark, Russia, Austria, Portugal, South Korea and Mexico work with sustainable innovation from a holistic or business model perspective, and how well sustainability is integrated with innovation strategy. The framework is the Green Innovation Radar and the survey aimed to generate insights into the most effective green

innovation strategy for specific industry contexts. The study also looked into how qualitative aspects regarding organizational capabilities, management and structures for national support policies' complement various green innovation strategies within companies.

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Winning by differentiating and greening your innovation strategy

If your company or organization needs a framework and ideas for turning sustainability into a competitive advantage this publication is for you. The book gives clear descriptions about how companies can work with green innovation and list a number of simple questions enabling companies to embark on the process. Moreover, the book introduces a capability ladder making it easy for companies to assess their own maturity level of working with green business model innovation.

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This report has been developed upon commission from the Nordic Council of Ministers and in close co-operation with the OECD Tourism Committee.



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