Entrepreneurial innovation for cultural tourism development

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Abstract

Tourism is characterized by noteworthy changes regarding both the demand and the innovations in the services aimed to make the tourist experience more and more fulfilling and sustainable. Tourists are today interested in living the journey also as an opportunity to catch the cultural and social aspects of a place. The development of *cultural tourism* reveals this trend so that both tourist operators and local administrations become aware of the social and economic relevance of enhancing cultural heritage.
The aim of this paper is to verify if innovation in hospitality can contribute to cultural tourism development, creating economic, social and cultural value for all stakeholders.
The two case studies presented here seem to support the idea that hospitality innovations help cultural tourism development. Innovation arises thanks either to the business idea of the entrepreneur or to the willingness of local administrations to foster convincing ideas.

1.Introduction

The aim of this paper is to investigate how entrepreneurial innovation in hospitality service can enhance heritage assets and improve cultural tourism[1].

The development of culture-tourism binomial derives from a wide range of social changes in tourism consumption patterns. An ever increasing number of

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[1] Part of this study was presented at the 12th European Academy of Management Conference (Rotterdam, School of Management, 6-8 June 2012). In this paper, some results of our research are shown with the aim of increasing the collection of case studies and acquiring further knowledge concerning cultural tourism development.

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people are looking for tourist choices and ways of spending their free time in more authentic experiences to improve their quality of life. Their holidays become a chance not only to appreciate the landscapes and pastimes of a place, but also to discover its history, heritage and customs, in order to increase their knowledge of local culture (Keller, 1996; Richards, 2002; McKercher and Ho, 2006; Franch et al., 2008). This emphasizes the *experiential* dimension of travelling. Indeed, more people take part to cultural events, visiting museums, galleries and living cultural experiences with ever greater participation. The traditional view of cultural tourism as equivalent to high culture attractions is now being challenged by a new generation of 'popular' culture attractions created by the heritage industry (Richards, 2005).

Therefore, we can say that the development of *cultural tourism* depends on two main factors: the changes in tourists' customs and the growing awareness on behalf of operators about the cultural, social and economic relevance of enhancing cultural goods (McIntosh and Goeldner, 1986; Van der Borg and Costa, 1995).

Due to the increasing interest of tourists in culture and the growing availability of cultural goods, today the convergence of tourism and cultural consumption is not coincidental; on the contrary, it is pursued by public organisations as well as tourist firms, because culture is widely considered as a vehicle for tourism development. At the same time, tourism *is* culture (Urry, 1990) since it allows people to acquire knowledge through their tourist experience and enhances the cultural value of a place. This is coherent with the increasing interest of World Heritage Centre committed to sensitize public awareness of the need to preserve heritage to be transmitted to future generations (UNESCO, 1972).

In Italy, the relation between culture and tourism is particularly noteworthy. Italy is characterized by the world's highest density of cultural goods, which represent a distinctive resource for the whole country and an element of differentiation between regions[2]. This reflects the 'spatial fixity' of tourism (Urry, 1990) which links tourism development to the locally-available cultural resources, therefore increasing the value of the territory and satisfying the growing interest in local culture. However, most cultural goods are not appropriately enhanced and connected to tourist offers for several reasons.

Firstly, even if there is a massive presence of cultural goods, they are not generally concentrated in few destinations, but located within scattered clusters all over the entire country. This shows the cultural richness of the territory, but also the difficulties for regional boards, cultural organizations as well as tour

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[2]Cultural products cannot be considered as relics of the past, but as a heterogeneous collection of historical memories, traditions and products, which define the 'cultural richness' of a territory (i.e. heritage site, city, region or country) (Kotler, Haider and Rein, 1993; Pechlaner, Abfalter and Lange, 2009). We note that the 'made in' products and typical geographical areas fortify the local identity and represent distinctive resources for destinations competitiveness (Keller, 1996; Pechlaner 2000).

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operators and hotels in exploiting all the potentialities that the cultural asset can provide[3].

Secondly, there are many works of art, churches, prestigious buildings and historic villages that – although culturally significant – are not well-known to the public, since they are neither catalogued nor managed for their enhancement[4].

Finally, many cultural goods are still in the state of *resources*, rather than complex products. Sometimes, they are not placed in any official catalogue nor properly inserted in tourist packages. In several cases, the problem is not the scarce interest of people in heritage assets, but the lack of entrepreneurs willing to insert cultural elements in their tourist offer, overlooking the advantages that derive from the culture-tourism binomial (Pencarelli, 2011).

These circumstances compromise the tourist potential of the Italian cultural heritage asset, limiting its enhancement and attractiveness.

For what has been said so far, the first aim of this paper is to investigate if innovation in hospitality services can help to preserve heritage assets and develop cultural tourism. Hospitality innovation is crucial for tourism development but more attention should be given to the way innovation involves cultural heritage exploitation and enhancement. Moreover, due to the presence of different actors (entrepreneurs as well as local administrations) usually involved in tourist innovations, we intend to identify the 'nature' of the entrepreneurship generating hospitality innovation and how it eventually affects the competitiveness of new forms of hotel.

2.Theoretical background

The binomial tourism-cultural heritage is proposed by McIntosh and Goeldner (1986), who define *cultural tourism* as a heterogeneous tourist offering comprehending different dimensions of travelling, where tourists learn about the history, customs, heritage and ways of living in a specific cultural place. Other studies suggest the concept of *heritage tourism* as embracing "both eco-tourism and cultural tourism, with an emphasis on conservation and cultural heritage" (Pederson, 2002, 24).

Bonink and Richards (1992) identify two different approaches to define cultural tourism[5]. The first approach concentrates on analyzing the typology of attractions

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[3] The interest in cultural heritage responds to the needs of both public and private operators to find suitable management tools not only to evaluate the investments for heritage requalification, but also to define strategies for developing and enhancing cultural goods (Hutter and Rizzo, 1997; Blaug, 2001; Montella, 2012).

[4] A survey on historic houses and castles highlights that "the majority of tourism organizations takes no special marketing measures to promote sites under conservation order; more than likely, they are included in general brochures or used for concerts" (Pechlaner, 2000, 420).

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visited by a cultural tourist and is related to the *product-based* definition of culture. The second approach is more conceptual and aims at describing the motive and meaning related to the cultural tourism activity. In these terms, cultural tourism is *process-based* and encompasses different dimensions of travelling and tourist experiences, where tourists learn about the culture of a specific territory.

From our point of view, the two approaches are interdependent and complementary. Cultural goods, in fact, take shape when tourists assign meaning and authenticity to them through their tourist experiences; therefore, it is the very presence of tourists that generates cultural products for tourist consumption. In this regard, we agree with Richards (2005, 22) according to whom "culture as process is transformed through tourism (as well as other social mechanisms) into culture as product". In these terms, cultural goods have a *social role* since they are capable of performing a 'service' for the community. The value is not only economic, but also use-related that means dynamic, rather than a static value intrinsically inherent in the cultural product (Golinelli, 2011).

Therefore, the definition of cultural tourism lies between the conceptualization of both the *cultural products* made available for tourist consumption and the *cultural process* able to create the motivation in participating in cultural tourism.

For what has been said so far, culture and tourism are strictly interrelated: the cultural asset is a factor of attraction for the territory and the tourism sector can become the vehicle through which cultural heritage is exploited and enhanced for improving the attractiveness of a place.

However, the presence of cultural assets in a specific territory doesn't always represent the main factor of attractiveness. A number of recent studies highlights that cultural goods represent secondary attractions for the majority of so called 'cultural tourists'; they visit places not so much with the aim of learning about destination's heritage and traditions, but mainly for entertainment (Silberberg, 1995; McKercher, 2002; Richards 2002; McKercher and du Cros, 2003). Teo and Yeoh (1997) argue that the sloppy use of culture for selling places can create conflicts among local stakeholders, particularly when cultural and historical goods are promoted inappropriately by place marketers, providing unsatisfactory tourism experiences.

It is clear that a barrier to cultural tourism policy development – especially at national level – is the diverse range of interests involved. Both the 'tourism industry' and the 'culture industry' are very fragmented and cooperation between culture and tourism interests is not always easy. Dredge (2006) highlights that in the tourism sector there are tensions and conflicts among firms so that, in some

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[5] The two Authors were among the promoters of *ATLAS Cultural Tourism Research Project* established in 1991, aimed at creating a transnational database which could provide comparative data on cultural tourism trends across Europe. The project involved 11 EU member states and focused on identifying definition of the nature and scope of cultural tourism in Europe, collecting data on cultural tourism visits to European attractions, assessing the profile and motivations of cultural tourists and developing case studies of cultural tourism management.

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cases, collaborative relations and negotiations cannot take place. Another scholar emphasizes the complication of defining networks at *operational* level since the interrelations' intensity changes according to the variety of environmental factors (Marsh, 1998).

More attention should be given to the way local actors shape relationships aimed at improving cultural tourism, since cultural significance alone provides an insufficient base to promote heritage assets as tourist products[6].

The presence of a main 'promoter' is desirable for improving the integration among diverse actors for developing the culture-tourism binomial.

In considering the important role of hospitality services in tourism, the hotel firm can represent a 'social integrator' able to conjugate the need to renovate cultural assets with tourism development. Hospitality services are in fact crucial for tourism development because they can improve the qualitative dimension of a tourist-cultural experience and allow tourists to form their personalized experience, becoming co-producers in the process of value creation (Pine and Gilmore, 1999; Williams and Buswell, 2003; Vargo and Lusch, 2006).

Moreover, if the hotel *is* the cultural asset, it becomes the *medium* between culture consumption and tourists, and the vehicle through which heritage is preserved and enhanced. The 'cultural nature' of the hotel represents the key factor of attraction and the main criteria in hotel choice on behalf of tourists[7].

This is consistent with the idea that entrepreneurship generating innovation can play both an economic and social role (Schumpeter, 1939; Hagen, 1962) because it respects stakeholders' interests and environmental factors.

In the following paragraphs, we will argue these issues presenting an example of hospitality innovation arisen from heritage assets requalification, with the aim of analysing the role of the hotel in cultural tourism development and identifying the *nature* of entrepreneurship generating that innovation.

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[6]Several studies highlight the importance of network building for tourism development. Tinsley and Lynch (2001) and Dredge (2004) examine the strategic dimension of firms' networks and how their relationships affect the competitiveness of tourist products, while generating synergies and profitability for all stakeholders. Other scholars emphasise the opportunities in promoting collective learning, capacity-building and sustainability arising from the cooperation (Bramwell and Lane, 2000; Shih, 2006).

[7]The hotel industry is highly segmented and there are several factors which determine hotel selection. Some scholars identify the most important factors that drive tourists' choice – like cleanliness, quality staff and services, safety and security – and affect hotel performance (Weaver and Oh, 1993; Callan and Bowman, 2000; Lockyer, 2002). Other studies focus on customers' satisfaction in relation to location, quality and price of hotels (Barsky and Labagh, 1992). Moreover, other scholars investigate the effects of age, gender and purpose of a trip in hotel selection criteria (McCleary, Weaver and Hutchnson, 1993). However, there is lack of interest in studying the cultural asset as a factor driving hotel choice. This paper tries to bridge this gap providing empirical evidences on the role of cultural heritage as a driver in hotel selection.

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3.Methodology

This study adopts the case study approach. This methodology, being appropriate for understanding complex phenomena and unfolding processes within contextual situations (Eisenhardt, 2002), was useful not only to figure out the characteristics of the type of hotel analyzed – named *albergo diffuso* (literally translated as 'spread hotel') – but also to identify the 'nature' of entrepreneurship developing this hospitality innovation.

The study presented here is part of a wider work on hospitality innovation in Italy, carried out within a National Research Project about management issues related to sustainability in tourism and destinations competitiveness. That research regards the survey on the *albergo diffuso*, describing its organizational and structural features as well as number and location in the Italian regions. Consistently with the aim of the national project, the survey confirms that this hotel represents a sustainable innovation from an economic, social and environmental point of view.

Taking in consideration those findings, this paper aims to evaluate the role of the *albergo diffuso* particularly in cultural tourism development. Due to the great number of this type of hotel in the country, we needed to focus on specific areas so in the paper we start examining the *albergo diffuso* located in Marche Region.

The first stage of the research identified the typology of the *albergo diffuso* in the Region, in base of the criteria defined in our previous researches (Paniccia, Silvestrelli and Valeri, 2010, Paniccia, 2012; Silvestrelli, 2012), where hotels were grouped in three main categories: 1) hotel in historic villages; 2) hotel in antique houses; 3) hotel in old-fashioned rural villas. The firms inside each category are homogeneous in terms of historical value and architectural features.

Our interest was addressed to the hotels located within historic villages, which represent a great example of firm-territory integration, where hospitality innovation takes place through the exploitation of an entire historic site.

Important information was acquired through several Italian Associations (like *Associazione Italiana Alberghi Diffusi* and *Borghi più Belli d'Italia*), national databases on tourism and semi-structured interviews of tourist operators and local administrators.

The second stage regarded the direct survey, interviewing the hotel's entrepreneurs with the aim of acquiring information on the relationships between the hotel and its territory and the way through which the *albergo diffuso* was developed. In this regard, having noted some differences in the way the hotels were established, we investigated the 'nature' of entrepreneurship which generated innovation and the implications in terms of competitiveness.

The research is still in progress and here we will present some findings that arise from two case studies so far investigated, which are meaningful for verifying our research hypothesis.

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4.Results of the survey

The research highlights some interesting findings, showing how the *albergo diffuso* represents an entrepreneurial innovation able to improve cultural tourism.

The *albergo diffuso* is a 'made in Italy' hotel, arisen from the requalification of cultural assets, like rural villas and historic villages. While the term *albergo* stands for 'hotel', *diffuso* means 'diffuse' or 'spread out', i.e. *horizontally* structured within a village or rural area, using different structures and spaces suitable for hospitality services (Dall'Ara, 2010; Paniccia, Silvestrelli and Valeri, 2010).

In a previous research 63 *albergo diffuso* were identified in Italy, most of them located in the centre of the country, although there is a significant concentration in Sardegna, Friuli and Puglia Regions, too. According to the criteria chosen to classify these hotels, the survey shows that 16 of theses are old-fashioned villas located in rural areas (like manor farms and mills), 15 are historic buildings, while the remaining 33 are placed within historic villages[8].

With regard to Marche Region, 6 *albergo diffuso* were found: three are located in historic villages, one placed within a historic building and two situated in historic villages which comprehend also rural villas or buildings. Complete information about the hotels is highlighted in Table 1.

Concerning structural and organizational features, it is not possible to apply the criteria of classification used for traditional hotels, like number of rooms and employees. These variables can be in fact misleading to comprehend the *albergo diffuso*. Firstly, the hotel does not really have rooms, but above all little housing units that are separately dislocated about 300 meters far away from the reception building. According to the national regulation, the distance between the units and the reception is an important requirement to classify a hotel as *albergo diffuso*. Secondly, few people are employed in the hotel and they are usually members of the entrepreneur's family. The *albergo diffuso* is a small hotel and therefore the number of employees cannot be taken as a significant factor to measure the potential of the hotel. The degree of attractiveness derives in fact from the distinctive cultural and architectural features of the hotel.

Generally, the hotels are located far away from urban areas but it doesn't seem to compromise their attractiveness, even though some entrepreneurs consider physical remoteness, difficulty of access and a lack of other tourism facilities impediments to the ability of these places to attract and retain visitors. However, there are several reasons leading tourists to visit historic small towns, like discovering scarcely known and quiet places, gastronomic traditions and the friendliness of the inhabitants. The *albergo diffuso* is well suited to meet these needs, as it offers tourists the possibility of living authentic experiences.

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[8]For a deeper analysis of the *albergo diffuso* in Italy, see previous studies of Paniccia, Silvestrelli and Valeri, 2010; Paniccia, 2012; Silvestrelli 2012.

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Table 1. Name, location, accommodation capacity and employment of the *albergo diffuso* in Marche Region

Name	Location	Typology	Housing units	Number of rooms	Number of beds	Employees
Due Campanili	Montemaggiore al Metauro (Pesaro-Urbino)	historic village	35	35	70	4
SS. Giacomo e Filippo Urbino Resort	(Pesaro-Urbino)	historic village + rural buildings	6	32	80	5 up to 10
Villa Tombolina	Montemaggiore al Metauro (Pesaro-Urbino)	historic building	3	14	35	5
Smerillo	Smerillo (Fermo)	historic village + historic buildings	8	20	40 up to 60	8
La Loggia Relais	Gradara (Pesaro-Urbino)	historic village	2	9	12	3
Casa Oliva	Bargni di Sergarina (Pesaro-Urbino)	historic village	4 (hotel + apartments)	25	50	4

Source: Data acquired through our direct survey.

The *albergo diffuso* arises from the combination of innovative processes regarding both the *product* (the cultural asset that becomes hotel) and the *services* offered (like overnight stay, pastimes and wellness centre), making the hotel a very attractive context of experience for tourists. Tourists enjoy a 'cultural immersion' in the *albergo diffuso* and live their own personalized and authentic experience within the village. In fact, the effectiveness of a cultural experience is defined not only by the ability of the hotel to create appropriate services, but also by the direct participation of tourists. These people are actively involved, since they design their own cultural experience, thanks to a system of differentiated and modular services.

The hospitality experience is therefore very dynamic, since guests become co-producers in the ongoing process of supplying the hotel service and customize their holidays according to their interests and cultural sensitivity. The 'village-hotel' becomes a *place of cultural experience*, where the service takes the shape created by the interaction between guests and the environment.

The role of entrepreneurs, local administrations and real estate firms was fundamental to enhance the local cultural heritage, improving in this way the attractiveness of the surrounding territory. All actors demonstrated both sensitivity in catching the peculiarity of the cultural asset and ability in exploiting it to create

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new forms of hospitality. Therefore, the *albergo diffuso* is not just a hotel, but *a project able to enhance the history and culture of a territory* (Paniccia, Silvestrelli and Valeri, 2010).

The interviews with the entrepreneurs revealed that, in most cases, the hotel started up from the business idea of enlightened entrepreneurs, as we found out in the *albergo diffuso* «La Loggia di Gradara Relais» and «Santi Giacomo e Filippo Urbino Resort». In other cases, the cultural and social environment was munificent in stimulating local administrations to improve the attractiveness of some cultural areas, like the case of «Smerillo». However, the different origin of entrepreneurship doesn't seems to compromise the hotel performance. All *albergo diffuso* investigated are successful since they satisfy different needs: entrepreneur's interests, economic growth of the territory, cultural heritage enhancement and tourism development.

In the following paragraphs we describe two successful case studies of *albergo diffuso* located in Marche Region with the aim of illustrating their organizational and structural features, with particular regard to their different entrepreneurial nature.

5.The case of the *albergo diffuso* «La Loggia di Gradara Relais»

The aim of this paragraph is to describe firstly the features of the *albergo diffuso* «La Loggia di Gradara Relais» and secondly the entrepreneurship that generated the hotel.

This *albergo diffuso* is placed within the stunning scenery of Gradara Castle, which is one of the most important and well-preserved medieval sites in Italy. Gradara is a village located in the hinterland of Marche Region[9]. The property was built by Malatesta family between the XIII and XIV centuries; later, it was occupied by aristocratic families like Borgia and Della Rovere and only in 1877 it became public property.

From the architectural point of view, the castle consists of a fortress and walls that enclose a village of great historical value. The property has been restored several times, but only in 1920 serious renovations were implemented, making the village one of the most attractive cultural destinations of the regional territory.

The *albergo diffuso* «La Loggia di Gradara Relais» is situated within the village, but does not comprehend all buildings, since most of them are already occupied by inhabitants, restaurants and small shops; indeed, the hotel was established in 2007 and the entrepreneur does not consider increasing the firm

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[9]The village of Gradara is located 140 meters above sea level and covers 17.52 km^2; the population is about 4,764, which represent 1.3% of the population in the province of Pesaro-Urbino (366,963 inhabitants) and 0. 3% of the entire region Marche (1,565,335) (data acquired by www.comuni.italiani.it and the survey *Economia e Turismo. Annuario Statistico Provinciale* (2012), based on Istat databank).

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size at the moment. Therefore, this hotel does not involve the revitalization of an entire historic area, as commonly happens in establishing a 'pure' form of *albergo diffuso* within a historic village; rather, «La Loggia di Gradara Relais» is settled in a pre-existing cultural context that is able to attract visitors since it is well-known within the main national and international tourist circuits.

The strategic location strengthens the degree of attractiveness of the hotel; at the same time, the hotel plays an important role for tourism development because it offers an innovative form of hospitality, which contributes to promote the image of Gradara worldwide.

«La Loggia di Gradara Relais» consists of two main housing units located within the Castle and a third placed outside the walls, for a total of 9 rooms. While the rooms located outside are basic-furnished, the others have architectural features and design. The entrepreneur's choice to differentiate the units responds to the need to satisfy different tastes, since some tourists are more inclined to pay more to stay within the castle, while others are more interested in cheaper hospitality solutions.

The rooms inside the Castle were renovated with special attention to the design, without compromising in any way the image of a 'historic habitat'. The requalification was made not so much on the external part of the structure – which maintains the original architecture – but on the inside rooms through stylish furniture able to combine 'the ancient and the modern'. The restructuring was done using only eco-friendly materials, like wood, copper, glass and marble, which are sustainable and consistent with the surrounding architecture of the historic village. The physical spaces were not modified; rather, the ancient stone vaults were maintained and enriched with simple and contemporary furnishings.

The hotel is also equipped with solar panels and water-saving systems, which qualified the hotel for the Eco-Label certificate. This shows the nature of the entrepreneurial behaviour involved in the investment process: it is 'responsible' and 'sustainable' since oriented, on one hand, to preserve the historic dimension of the housing unit and, on the other, to respect the natural environment. The attention towards sustainability has not compromised in any way the qualitative level of the hospitality services offered. Simplicity, essentiality and conservation do not reduce the comfort for guests; on the contrary, the distinctive characteristics of the rooms and the use of natural materials create a charming atmosphere that is highly appreciated by tourists.

Although the guests of this hotel are mostly Italian, the presence of foreign tourists (mainly Swiss, German and English) is significantly increasing[10]. The

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[10]Our survey shows that in 2010 there were 1500 guests that represent 0.24% of the arrivals in the province of Pesaro-Urbino (608,233) and 0.07% of those recorded in Marche Region (2,151,001). However, the most significant aspect is the comparison with the village: the guests of «La Loggia di Gradara Relais» represent 64% of the total arrivals in Gradara. If we consider that the hotel is newly established and there are eight accommodations located within the village (mostly guesthouses and Bed&Breakfast, only three of these placed inside the Castle), it is clear that this hotel is very attractive to tourists.

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type of guests include young couples between 25 and 40 years old, but also families, which, in some cases, reserve the entire hotel. This is undoubtedly an interesting market trend that shows the growing interest of people in choosing the hotel to share the cultural, historic and natural dimension of the tourist experience with families and friends.

Concerning the 'nature' of entrepreneurship, «La Loggia di Gradara Relais» started up in 2007 from an idea of Fabrizio Baldassari, who bought and renovated a building inside the walls of the castle, with the aim of creating a unique form of hospitality. From an entrepreneurial point of view, the hotel does not represent the primary occupation for the entrepreneur, who mainly practises management consulting. According to him, the involvement in the hospitality business is a sort of 'family tradition', since his father is the owner of other hotels located in the surroundings of Gradara.

This shows that a business idea can arise from the knowledge and skills acquired over the years by entrepreneurs who are able to *generate innovations through a learning-by-doing process* (Bird, 1993). In the tourism sector, this phenomena seems very common: we can mention the cases of simple room-for-rent houses that turned into charming Bed&Breakfast and rural cottages that changed in fascinating agro-farms. In these terms, the capability of developing hospitality innovations derives from a process of experience enhancement on one side, and knowledge diffusion on the other, handed down from generation to generation. This process can generate value and innovation able to respond to tourism demand trends.

In the case here analysed, the experience gained in previous activities within the tourism sector is combined with a renewed interest of the entrepreneur towards the local heritage asset. The hotel expresses both the need to meet the growing demand of cultural tourism and the entrepreneur's interest in renovating a 'cultural context' of great historic value. In fact, according to what the entrepreneur says, the *albergo diffuso* «La Loggia Gradara Relais» was founded with the purpose of not making profit but preserving and upgrading a part of the heritage of Gradara Castle.

However, the entrepreneurial innovation need to be contextualized and supported by the other actors of the territory, like the local administrations. In this way, the synergies arising from the cooperation can create value not only for the single entrepreneur, but also for other organizations, like restaurants, souvenir shops, and nearby farms providing typical products to the village. The entrepreneur and the environment strengthen each other and the advantages of such interaction are social, cultural and economic for Gradara and the whole surrounding territory.

6. The case of the *albergo diffuso* «Smerillo»

Smerillo is a small historic village placed on a rocky ridge within the Monti

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Sibillini area, in the Province of Fermo. It is a natural balcony of extraordinary beauty that gives a complete view of the surrounding territory.

From a historical point of view, the origin of the village is uncertain; it seems to date back to Roman age because of numerous Roman coins discovered in the area. The ruins of the castle are precious; in the past the ancient walls (called 'Castrum Smerilli') intersected the village in several parts but today only the North Gate and Medieval Fortress are still visible.

The *albergo diffuso* «Smerillo» is located within the village of Smerillo and occupies several housing units in and outside the castle. The units have the typical architecture of stone houses, creating a very impressive historic environment which is appreciated by tourists as well as artists who take inspiration from the natural and cultural atmosphere of the place.

The renovation of the properties didn't damage in any way the natural environment of the village; on the contrary, the requalification was implemented in full compliance with the architectural styles of the houses, with the purpose of enhancing the peculiarities of each structure.

The hotel comprehends 8 housing units, some of them located within the historic site, while others in the nearby villages (like San Martino al Faggio, Ceresola and Scentella), offering a total of 60 sleeping accommodations[11]. The reception is placed within Smerillo village and provides different tourist services aimed at creating an authentic experience for tourists.

The guests of the *albergo diffuso* «Smerillo» are mainly couples between 40 and 55 years old and families who choose tourist solutions able to give the natural and cultural dimension of the tourist experience. The guests are mostly Italian coming from Lazio and Tuscany Regions and other areas of Northern Italy. The *albergo diffuso* is also appreciated by people living along the coast of Marche Region who stay in the hotel to enjoy the country landscape. There is also an increasing presence of foreign tourists coming from European countries (particularly from Germany), especially during the summer season. The place is very attractive to these tourists who stay in the hotel from one week up to five weeks.

The development of the *albergo diffuso* «Smerillo» has contributed to improve local tourism in terms of both creating small new enterprises and increasing the number and variety of cultural events promoted in the territory.

In cooperation with nearby small villages (like Montefalcone, Amandola and Monte San Martino), the hotel participates in several events aimed at promoting their typical gastronomic products. An emblematic example is the event "Le Erbe

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[11]The housing units have been given the names of different flowers to highlight the variety of the structures. The unit named "Casa Orchidea" located within the medieval towers of 'Castrum Smerilli' offers the opportunity to enjoy the panoramic view; the units "Casa delle Rose" e "Casa delle Margherite" placed within the village allow tourists to live in very close contact with the locals, acquiring their culture, customs and traditions; the rest of the units are situated in farmhouses, giving the possibility to live the typical rural traditions. The names date back to the first establishment of the *albergo diffuso*. According to what the manager of the hotel says, these names will be changed in order to emphasize their cultural meaning, specific location and historic value.

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del gusto e dei Misteri", which promotes the food-products of the Piceno area, safeguarding local traditions that have been handed down for centuries. As there are vast woods of chestnut trees in the area, another event is the "Chestnut Fair" able to attract annually many tourists coming from different parts of Italy as well as foreign countries.

The firm growth is linked to the territory development and different forms of cooperation take place. For example, the *albergo diffuso* «Smerillo» together with the Environmental Education Centre organize nature trails and cultural itineraries to let tourists know about the natural and cultural environment.

Unlike the previous *albergo diffuso* analysed, «Smerillo» doesn't originate from the idea of a single entrepreneur, but from the policy of the local administrators.

Following the increasing interest of tourists in cultural tourism, in 1997 the Municipal Administration of Smerillo called upon local homeowners to restructure their deserted or partially occupied properties, in order to make them feasible for tourist purposes, developing the *albergo diffuso* formula. The aim of the project was to create a network of housing units within the historic village able to attract tourists therefore improving the local tourism.

Thirteen homeowners participated to the project with the aim of renovating their own historic houses and, at the same time, taking advantage of the requalification process of the entire area. In fact, although at the beginning the purpose was to develop the *albergo diffuso* – thanks to the public funding provided by the regional administration – other hospitality structures were created like Bed&Breakfast and agro-tourism firms[12].

Over the years, the management of «Smerillo» has gone through several changes. Initially, the management and organization of each single unit depended on the homeowners. This circumstance has certainly facilitated the control of both the business activities and tourist flow on behalf of owners; however, it hasn't given the opportunity of creating a homogeneous strategy able to improve the *albergo diffuso* attractiveness.

Afterwards, due to the depopulation and employment situation, several owners abandoned the village; therefore, some houses were dismissed, while the management of the remaining properties was delegated to the Municipal Administration, which became the *coordinator* of all initiatives aimed at managing the hotel. The owners are consulted only when tourist flow increases and hospitality demand is higher. We note that, according to the clause for exploiting public funding, the obligation to make the properties feasible for tourist purposes lapsed in 2007 so homeowners can now choose whether to make their properties available for rent or not. This influences significantly the competitiveness of the

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[12]We note that public funding was aimed only at supporting the development of the *albergo diffuso*. It was supposed to cover 40% of the expenses to renovate the housing units on the condition that the structures would have been used exclusively for tourist purposes for a period of time not less than 10 years. The financial participation of local administrations show their interest not only in improving tourism, but also in enhancing the cultural assets of the territory.

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albergo diffuso «Smerillo» for two main reasons: firstly, it is not easy to coordinate the local hospitality services when the homeowners' intention is not previously planned; secondly, the number of accommodations is never clearly defined, but varies according to the availability of the housing units.

In 2011 the Municipal Administration hired a manager with the task of coordinating the business activities of the hotel. The manager is entitled to control autonomously the houses upkeep and reservations of two units, while for all other structures she is the *intermediary* between the requests of owners and the tourists needs, therefore matching supply with demand.

For what has been said so far, the *albergo diffuso* «Smerillo» does not come from the business idea of a single entrepreneur; rather, it is the result of the entrepreneurial attitude of the Municipal Administration which involved local stakeholders in developing an overall niche tourism product. In fact, there is a strong link between local administrations and tourist firms, particularly for the activities aimed at promoting the territory. The 'Pro Loco' organisation, for example, supports tourism development through its website and various communication tools, designed for providing operators and tourists with information about hospitality services, restaurants, entertainment and cultural events.

Although the *albergo diffuso* «Smerillo» has a positive impact on the territorial development, our survey reveals that the locals not always welcome the tourists to the village. In this regard, we note that the locals in the city of Smerillo are about 395 and they are a community strongly linked to local traditions and reticent to welcome innovations which may change the everyday life of people. Innovation requires time to be accepted and absorbed, especially if it implies social changes which may influence cultural values and life styles.

7. Conclusions

In this paper we presented two cases of hospitality innovation that can be useful to make some comments about the role of entrepreneurial innovation for cultural tourism development.

The link between culture and territory is inseparable with several implications for tourism. Culture can be seen as an economic drive for the tourism sector and, at the same time, local government policies and tourist firms' strategies can become instrumental in preserving and enhancing cultural assets.

The overall findings show that hospitality innovation can contribute to improving cultural tourism through the renovation of historic villages for tourist purposes. The two cases of the *albergo diffuso* analyzed meet the needs of preserving heritage and satisfying the increasing demand of cultural assets. In other words, this new form of hospitality does not only exploit the culture-tourism binomial but also has an economic impact on the territory where it is located, in terms of income generation and job creation.

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We also noticed that hospitality innovation can arise from either a single entrepreneur or local administrations. The different 'nature' of entrepreneurship doesn't seem to compromise the hotel competitiveness, but some further remarks need to be highlighted.

In the case of «La Loggia di Gradara Relais» the entrepreneur is the *owner* of the housing units. This implies that he is highly involved in both the governance and management of the hotel, common to small enterprises. The entrepreneur's creativity is the key element for generating hospitality innovation and responding to new tourism trends, like cultural tourism.

The entrepreneurial nature of the *albergo diffuso* «Smerillo» is totally different. In this case, it is the Municipal Administration developing the idea of the *albergo diffuso*, but it is not the owner of the housing units. The local administration is involved only as *promoter* and *coordinator* of the hospitality services provided by the hotel. This is a typical example where the managerial function replaces the entrepreneurial function in generating innovation. Local administrations express entrepreneurship in capturing new market trends and implementing tourist innovations. The *territory* pulls along local firms and operators to implement the territorial policies aimed at exploiting the synergies between culture and tourism.

In spite of these differences in entrepreneurship, the relationship between the firm and the environment is symbiotic in both case studies. The exploitation and diffusion of innovation can take place when the entrepreneurial idea is shared with the other actors in the territory, like local administrations, inhabitants and tourists: the success of innovation depends on the value generated by such interaction, which varies according not only to the diverse aims of individuals and organizations, but also to the degree and intensity of their relationships. Therefore, rather than seeing the balance of economic power between the various sectors of cultural production, it would be more useful to focus on the interdependent nature of actors involved in the 'cultural system'.

Another issue concerns the *driving force* of innovation. In both case studies we found out that entrepreneurial innovation is not only guided by a mere *profit-oriented logic* but is the expression of a *culture-oriented attitude*. The entrepreneur (regardless of the 'private' or 'public' nature) safeguards and enhances the cultural assets of a territory, while taking advantage of the business opportunities it can offer. In these terms, innovation is not in conflict with sustainability, but instrumental for implementing business ideas sustainable from both an economic and social point of view.

In these terms, the value generated is *multidimensional* being the expression of different advantages that all stakeholders have achieved; in fact, it concerns the cultural and historical appreciation of the heritage (*cultural and environmental value*), the return for the local government (*economic and social value*), and the creation of new forms of hospitality *(entrepreneurship and economic value)*. Therefore, the growing interdependence of policy makers, cultural producers, hotels and tourists creates a system of 'organised culture'.

The entrepreneurial innovation presented in this paper may enhance such 'organized culture' regardless of the fact that innovation may arise from the business idea of a single entrepreneur or as the result of the munificence of the

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territory. Decisions about cultural production are therefore no longer simply cultural, but also economic and political, with implications for cultural tourism development.

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