Connect, Refresh, and Energize: Enabling Organizational Innovation Capacities Through Self-Determination Theory

Lori J. Sipe¹

Abstract
The Problem.
In the past decade, consumer spending on unique experiences (like vacations and concerts) relative to consumer spending on material goods (like vehicles and clothing) has increased dramatically. This has prompted renewed interest in studying the workplace practices of firms that place the co-created customer experience at the heart of their innovation efforts. In this industry context, innovation is collective, incremental, and ongoing. An updated perspective on developing and maintaining organizational capacities for continuous innovation in the experience economy is needed.

The Solution.
A research-based model of organizational capacities for experience innovation is presented. The author discusses how the dimensions labeled Connect, Refresh, and Energize are consistent with key concepts of basic psychological needs and optimal motivation perspectives. This article helps make the business case for self-determination theory from the perspective of senior managers in the field.

The Stakeholders.
The specific leadership practices are measurable and can be practically applied by managers and human resource development (HRD) scholar-practitioners in their own organizations.

Keywords
self-determination theory, leadership, innovation capacities, experience economy

¹San Diego State University, CA, USA

Corresponding Author:
Lori J. Sipe, San Diego State University, 5500 Campanile Dr., PSFA 436-B, San Diego, CA 92182, USA. Email: lsipe@mail.sdsu.edu
Introduction

Self-determination theory (SDT) is a human-centered motivation theory concerned with factors that either foster or forestall the assimilative and growth-oriented processes in people (Deci & Ryan, 2000). Early SDT-related research produced insightful findings about the importance of intrinsic motivation in creative endeavors (Amabile, 1988). Emerging research indicates that organizations that promote intrinsic value and sense of purpose experience enhanced employee engagement and organizational effectiveness (Ryan & Deci, 2017).

This article examines how senior managers enable organizational capacities for innovation through SDT. The first section provides relevant background on motivation for innovation viewed through the theoretical lens of the experience economy. In the second section, three dimensions of leadership practices that enable continuous innovation in experience-centric firms are discussed. A minicase is introduced in the third section to illustrate how one human resource development (HRD) scholar-practitioner applied some of the practices outlined here to his own organization’s master planning efforts. Taken together, these sections help make the business case for SDT from the perspective of senior managers in the modern marketplace.

Motivation for Innovation in the Experience Economy

The Experience Economy Paradigm

Alvin Toffler (1970), in his book Future Shock, once envisioned a marketplace that would deal with a new level of human needs. He predicted that under more affluent conditions, businesses would be geared toward offerings that improved psychological gratification and quality of life. He called this strange new sector experience industries (Toffler, 1970). Three decades later, Pine and Gilmore (1998) captured the attention of academic researchers and business practitioners alike by describing a progression of economic value—from commodities to products to services to experiences. Coffee illustrates this well. Coffee beans were originally considered an undifferentiated commodity. Then, companies like Folgers created grounded coffee products (in cans for example) that consumers could purchase at the grocery store and prepare at home. During the service economy, the delivery of coffee became a service offered by restaurants and coffee carts, and even drive-through coffee kiosks. Today, Starbucks is often credited with transforming coffee into a customer experience. Central to the experience economy paradigm is that services have become commoditized, so competitive advantage has to come in the way of experiential offerings that engage customers in unique ways, resulting in lasting memories (Pine & Gilmore, 2014).

Pine and Gilmore’s work created extensive interest in adopting and managing experience economy concepts (Ritchie & Hudson, 2009). There is ample evidence to support the experience economy paradigm in the modern marketplace. In the United States, spending on experiences relative to other consumer spending has increased dramatically, most notably among millennials, who are about to enter their prime earning years. In a recent national survey of millennials (age 18-34), 78% indicated they
would rather spend their money on experiences than purchasing desirable things (Harris, 2015). Providing unique, memorable experiences often pays off in terms of price premiums for organizations competing in the leisure and tourism industry. Conversely, easily copied offerings are quickly commoditized (Sipe, 2016). Today, experience economy research is a multidisciplinary and evolving stream of study.

**Implications for Motivation**

Three distinctions between services and experiences are particularly relevant for today’s leaders and practitioners concerned with what “moves” people to action. They are standardization versus uniqueness, the level of guest involvement, and satisfying needs versus creating memories. The utility of these theoretical comparisons is that they spark new ways of thinking about what customers value, and thus may provide insights for managers seeking an updated perspective on motivation.

Services have been defined as intangible activities performed on behalf of another individuals whose primary purpose is to fulfill a need (Toffler, 1970). The service sector, originally comprising activities like banking, auto repair, hair cutting, dry cleaning, and fast food, now makes up close to 80% of economic activity in many industrialized nations. Service industries have traditionally focused on utilitarian needs and emphasized standardization and reliability (Zeithaml, Berry, & Parasuraman, 1996). On the contrary, experience firms, comprising activities like tourism, sporting events, concerts, and recreation, focus on differentiating their uniqueness and are most closely linked to ongoing innovation activities for sustained growth. The implication of this first distinction is the need for managers to foster an environment of self-efficacy. When positively engaged, self-efficacy is associated with curiosity and striving to make improvements in the workplace (Sok & O’Cass, 2015).

The second of three distinctions relevant to motivation concerns the level of consumer involvement in services compared with experiences. While services typically involve the customer in some way, experience offerings involve deeper levels of engagement on the part of the consumer. Experience economy researchers articulate that an experience is primarily something that happens in people’s minds (Sundbo, Sundbo, & Henten, 2015). The co-created nature of the experiential offering may require updated perspectives on leading in the experience economy. The hospitality and tourism experience, for example, is an integration of the environment, experiential activities, and employee interactions. Individual values and expectations play a role, as well as the ever-evolving lifestyle trends and pop culture references to which we are all exposed. The vast quantity of variables makes it impossible to tightly manage the customer experience similar to the way services have been standardized.

Conversely, high levels of customer/employee interaction in co-created experiences suggest a need for workplace practices that foster autonomy and relatedness. Autonomy is the need to self-regulate one’s actions. When acting with autonomy, behaviors are engaged whole-heartedly and are congruent with one’s authentic interests and values (Ryan & Deci, 2017). Relatedness is the need to feel socially connected. This involves
not only feeling cared for by others but also contributing to others and being integral to organizations beyond oneself (Deci & Ryan, 2000).

Finally, memories and emotional value, as opposed to consistency and functional value, have been highlighted as key distinctions in research about experiences as economic offerings (Kim, Ritchie, & McCormick, 2012). Tourism and leisure studies have taken up some of the psychological concepts finding their way into the discourse of the experience economy. The concepts of flow (Csikszentmihalyi, 1990) and memory work (Tung & Ritchie, 2011) seek to understand the essence of memorable experiences. The most memorable experiences are multisensory. We tend to remember experiences that engage all five senses in an emotional way. People also tend to remember social interactions, the moments when they engage in some way with other people. Things out of the ordinary—surprises—as well as variances to our expectations are memorable. And people have positive memories when they are rewarded, as long as the reward results from their own actions (Bulencea & Egger, 2015). A recent study summarized the triggers of experiential offerings—social arenas, sensory richness, novelty, challenge, interactivity, suspense, and storytelling (Poulsson, 2014).

Integrating psychological frameworks and emotions into the fabric of business organizations is sure to present its own set of challenges. Business tends to reflect a type of thinking where rational ideas are prioritized over psychologically enticing ideas (Sutherland, 2011). A goal of experience firms is to create a strong emotional bond with customers, resulting in a greater likelihood of customer loyalty and premium prices (Pine & Gilmore, 2014). Interestingly, SDT posits a similar goal with employees. Human-centered workplace motivation demonstrated the importance of satisfying the basic psychological needs of autonomy, relatedness, and competence for positive employee outcomes (Gagne & Deci, 2005).

**Enabling Organizational Capacities for Innovation**

*From Theory to Practice: Insights From Leaders in the Experience Economy*

This section provides empirical support for SDT from recent research conducted in firms competing in the experience economy. Studies conducted in experience-driven industry sectors like entertainment, hospitality, and tourism provide a unique lens to examine workplace practices that enable organization-wide innovation that is collective, incremental, and ongoing. A context-specific model of organizational capacities for innovation is introduced first. Then, specific leadership practices associated with increased organizational innovation are discussed in more detail. These findings from best-practice experience-driven companies reveal a set of leadership practices that are less top-down controlled and more reliant on autonomously motivated, engaged employees. Instead of relying on rewards programs or offering incentives for customer reviews indicating adherence to a set of service standards, many of the research findings identify workplace practices aligned with basic psychological need satisfaction posited in SDT (Gagne & Deci, 2005).
Creativity has been defined as the production of new and useful ideas developed by an individual or small group (Amabile, 1988). Innovation expands this definition to include both the development and implementation of new and novel ideas. Thus, while a creative individual or group may generate many new and novel ideas, for any of these to be defined as an innovation, it must be combined with successful introduction to the consumer (Garcia & Calantone, 2002). Amabile (1988) contributed significant SDT-related research emphasizing the importance of motivation to creativity and innovation. At the individual level, she found that people were more creative under conditions conducive to intrinsic motivation. “Domain relevant skills and creativity relevant skills determine what one is capable of doing, but the presence or absence of intrinsic motivation determines what that individual actually does” (Amabile, 1988, p. 157). She argued that the same held true at the organizational level, identifying a compelling vision as the motivation to innovate. Research in a variety of contexts echoes the notion that creative endeavors are more strongly associated with conditions of intrinsic motivation than controlled extrinsic motivation (Utman, 1997). The salient question for managers in the modern marketplace is how, specifically, to motivate innovation in their own organizations.

The model below (Figure 1) synthesizes research conducted by this paper’s author examining the ways senior managers enable organization-wide innovation. In the first study, interviews were conducted with CEOs of experience-centric firms known for their innovation. The sample was drawn from companies that had the highest scores of organizational innovation, measured by a composite index of percentage of revenue from new and improved customer offerings, quantity of novel

![Figure 1. Innovation capacities in the experience economy. Source. Sipe (2016).](image)
offerings in the past 3 years, ratings of innovativeness compared with similar companies, and the ability to charge a price premium. Executives in lodging, events, attractions, dining, recreation, and health care were interviewed about the ways their senior management teams enabled organizational innovation. Results of the qualitative interviews comprised a collection of influence strategies and managerial practices compiled into three themes the author labeled Connect, Refresh, and Energize (Sipe, 2016).

Focusing innovation activities on the unique guest experience requires leadership practices that help develop shared understanding of the total experience. This requires influence strategies to help employees Connect with the vision and brand messaging of the organization. Idea generation practices, like exploring the ways other companies deliver innovative experiences, seeking feedback from guests and other stakeholders, and staying on top of current trends in the marketplace, allow the organization to continuously Refresh its combinations of offerings that make up the total experience. Idea implementation in this context involves exercising leadership to Energize and enable employees to enhance the guest experience. The energize theme is about aligning employee passions with projects and engaging everyone in creating lasting memories for customers.

Subsequent quantitative studies were conducted that examined specific leadership practices grounded in the interview data and their relationship to innovation outcomes and business performance. Findings most relevant to SDT, from each of the three capacity themes, will be presented and the implications discussed in the following sections.

**Connect for Shared Understanding**

Amabile (1988) considered a compelling shared vision the catalyst for organizational innovation. Insights from senior managers leading experience organizations support this early assumption. In a recent study of 236 firms of a hospitality and tourism marketplace, leadership practices measuring the Connect capacity were the strongest predictors of organizational innovation performance (Sipe, 2016). Six leadership practices comprised this significant factor in the study’s regression models:

- Host events that allow employees to talk about the unique guest experience
- Use emotion-based communication for collective understanding of the experience
- Offer formal processes for employees to connect with brand messaging of the organization
- Show employees how their interests can be connected to the unique guest experience
- Articulate a compelling vision of the unique guest experience
- Provide methods to learn how other departments contribute to the overall guest experience.
Rethinking and reimagining the collection of offerings that comprise the essence of the unique experience is where innovation starts. Continuous enhancement of the guest experience begins with a deep understanding of what makes it special and valuable. What memories are created for these guests? What is the essence of the value as perceived by the guest? Best practices tend to be easily copied or adapted in the hospitality and tourism context, where benchmarking is easy, and customer switching costs are usually minimal. The implication is that differentiation then requires a commitment to dive deeply into conversations about the unique aspects of the total experience offered by the organization (Sipe, 2016).

**Satisfying Psychological Needs Through Meaningful Work**

Leadership practices related to the capacity labeled Connect are aligned with satisfying the basic psychological needs of autonomy and relatedness. Furthermore, understanding one’s contribution allows an employee to deepen their sense of self within the world around them; however, they may choose to see themselves—ultimately facilitating growth, development, and awareness (Steger, Dik, & Duffy, 2012). Research in HRD has consistently suggested that employees seek opportunities for contributory impact within their work, relationships, and life (Fairle, 2011). As meaning-seeking beings, employees ultimately invest in opportunities that support, aid, and help themselves, those they care for, and within those causes that they believe matter. Findings from this author’s studies (Sipe, 2016, 2017) highlight the role senior managers play in enabling shared vision for improved business performance. Moreover, most of the Connect practices are collective and relational. “Work has more meaning when we are joined with others—doing things together, spurring one another on, having fun, and learning about ourselves in relation to others” (Kahn, 2010, p. 24).

**Refresh Through Exploration and Idea Generation**

Absorptive capacity encompasses the ability of an organization to identify, value, assimilate, and apply new knowledge (Cohen & Levinthal, 1990), and it is considered an important innovation-enabling competency (Leal-Rodriguez, Eldridge, Roldan, Leal-Millan, & Ortega-Güitterz, 2015). Zahra and George (2002) distinguished absorptive capacity as a firm’s ability to develop and refine the routines that facilitate combining existing knowledge and the newly acquired and assimilated knowledge. Their approach offered a novel perspective. The authors distinguished potential absorptive capacity as an organization’s ability to acquire and continually assimilate new knowledge sourced on its external environment. Realized absorptive capacity concerned transformation and exploitation of the incoming knowledge. These authors suggested that both potential and realized absorptive capacity was necessary for firms to create competitive advantage through ongoing innovation.

The Refresh capacity illustrates how experience firms identify and assimilate new knowledge through five context-specific leadership practices:
Encourage employees to visit best-practice organizations as a customer and share findings

Actively participate in a wide range of industry associations to expand thinking

Employ a systematic method for scanning trends and market conditions

Use novel approaches to seek feedback from guests, employees, and other stakeholders

Bring in new perspectives to challenge assumptions and business as usual.

The **Refresh** dimension of leadership is about broadening the view of the business and the pool of ideas for ongoing, incremental change. It is about exploring new and innovative ideas for improving and enhancing the guest experience. It is interesting to note how employees are involved in acquiring new knowledge in some of the more innovative experience firms. For example, in a national study of attractions, firms that encouraged employees to visit other organizations and share their own memorable experiences also received the highest ratings of innovativeness and financial performance from external raters (Sipe, 2017).

**Fostering Autonomous Regulation Through Perspective Taking**

One explanation for this significant finding is that it may serve to enable potential absorptive capacity by encouraging perspective taking. Perspective taking has been linked with autonomous regulation and creativity in service firm studies (Grant & Berry, 2011). Similarly, when employees are encouraged to visit other organizations and share their own memorable experiences, they are more apt to understand the guest perspective. Fostering self-efficacy and competence may be important to experience companies’ innovativeness, underpinning the ability to engage in exploration. A study of knowledge management for innovation in Spanish resorts shared similar results. Those authors suggested that frequent guest encounters with positive feedback enhanced employees’ professional growth, enabling them to initiate more innovative actions in response to customer needs and set higher goals for themselves in their guest interactions (Leal-Rodriguez et al., 2015).

**Energize Employee Passions**

The **Energize** capacity illustrates the role senior managers play in aligning employee passions with projects to implement improvement ideas in the experience economy. Innovation activities are more ad hoc and dispersed in modern organizations than product companies. Employees engaged in experience-centric firms operate in a boundary-spanning role between the firm and its customers and are intimately involved in the implementation of the firms’ strategic initiatives, serving as either catalysts for or barriers to new ideas and improvements of the guest experience (Sundbo et al., 2015). They are also critical to create customers’ awareness of new experiential offerings and in their adoption. Four leadership practices comprising the **Energize** dimension may serve to enable realized absorptive capacity:
• Develop systematic ways to find out about employee interests and passions
• Provide ways for employees to contribute to the firm’s purpose beyond the day-to-day
• Match employees with work assignments based on their interests and passions
• Empower employees to make decisions regarding the guest experience.

Fowler (2014) discusses what she calls the motivation dilemma facing leaders who have been told to motivate others with carrots and sticks. She suggests the alternative is employee engagement. In the experience economy, leadership practices that engage employee work passion in support of a unique, co-created, and memorable customer experience make good business sense. One senior executive shared an interesting example of the alternative approach from her experience leading a large aquarium (Sipe, 2017). One of the otter keepers started a personal blog and began sharing behind-the-scenes information and video about her work. Within the operating climate of animal-related attractions, this has the potential to make management very nervous. Increased public scrutiny has led many zoos and aquariums to tighten their information policies and implement strict controls over public facing content. This particular executive took an alternative approach. The direction and content of the keeper’s blog were not monitored in any way, and she was trusted to share her otter stories in her own way on her own time. The aquarium keeper’s authenticity, and the cute otters she cared for, caught on, and the blog’s followership exploded. According to the executive Sipe interviewed, the aquarium’s increased attendance, donor contributions, and merchandise sales are directly linked to this particular keeper’s behind-the-scenes blog site.

**Case Study: Inside Our Experience Innovation**

A minicase is presented in this section to demonstrate how one HRD scholar-practitioner applied some of the principles outlined in this article to his organization’s efforts to develop a zoological park’s master plan. Up to this point, the senior management team had relied on outside data sources and reports to drive the understanding of their vision and mission. It had become clear that the information they had did not provide enough clarity or inspiration to launch the next master plan. The general manager of the zoological park agreed to let a particularly passionate HRD manager bring in some new methods that might develop more shared ownership of the master planning process. They were not sure how to begin to develop their shared understanding of what made them unique.

The intervention began with a series of action research activities for the senior management team that allowed them to take the perspective of a guest in three ways. First, they were asked to gather stories about animals from their own experience, from that of a neighbor, and from that of a coworker they had never met. The stories were posted on boards and provided creative spark for a half-day session. Assimilating the text from their own collection of stories revealed what they considered meaningful. Key themes arose about emotional connections, their love for their own pets, and the power of natural settings to heal and inspire.
The next assignment asked the same group of 14 senior managers to explore the purpose of themes in a variety of related industry segments. They were encouraged to try some of the Refresh practices outlined in this article. They were asked to bring in pictures of what they considered best practices from different experience industry segments like zoos, museums, cultural sites, and for-profit entertainment venues. A second face-to-face session was scheduled to discuss their visual representations. They were guided through an exercise to create themes from the photographs and identify emotional reactions. They agreed to three key messages that would guide their collective efforts and decisions moving forward:

1. Our Shared Purpose Is Creating Connections—People, Animals, and Nature
2. A Meaningful Zoo Experience Is:
   - Personal, Surrounded, Immersive, and Up Close
   - Takes You Back
   - Unexpected Journey
3. Memorable Experiences of Unpredictable Awe Can Change Lives

This was quite different than their previous vision statement that emphasized education and conservation. Their well-worded but uninspired vision and department specific goals were replaced with a shared commitment to owning the future zoo experience as a group.

One of the significant outcomes of the intervention initiated at the zoological park was a new approach the zoo’s general manager took to hiring their master plan development and construction company. The interview of the final three firms took the form of an assignment. The zoo provided the firms with key messages to indicate they were looking for a team to help them bring the zoo into the future—an aspirational team, not just planners who can construct quality exhibits. The final three firms were asked to “talk through” a narrative that tells the story of the entry plaza of the future zoo. They were not required to spend a lot of resources on physical design elements but instead were tasked with conveying:

- What’s the story being told by the new entry plaza?
- What animals, if any, help tell the story?
- How are guests and employees interacting?
- What do guests feel, think about, and consider when they enter?
- What components are causing the guest to want to spend time in the entry plaza?
- How can interaction be facilitated?
- How can the space be converted as the zoo grows?
- How can the entry plaza set the right tone and stage for a positive zoo experience?
Consideration for HRD Scholar-Practitioners

A quote from David Whyte (1994), an organizational consultant and poet, reads, “Work, paradoxically, does not ask enough of us yet exhausts the narrow part we bring to the door” (p. 22). Twenty years later, despite the tireless efforts of many researchers, organizational consultants, and managers, for-profit businesses still convey workplaces where we are expected to keep the most personal parts of ourselves out of the office. This article offers an alternative approach, highlighting insights from senior managers faced with enabling organizational capacities for innovation in the modern marketplace. Dialogue about shared vision, collectively exploring novel ideas, and encouraging employees to bring their whole selves to work, makes good business sense in the experience economy context. The implications, then, of the leadership practices revealed in this article may have much broader utility for both managers and scholars as they shape organizations of the future. Some of the questions to consider are as follows:

- How does your organization talk about the unique customer experience?
- To what extent are the practices labeled Connect part of your organization’s leadership?
- How can you enable your organization to broaden its perspective taking?
- To what extent are the practices labeled Refresh part of your organization’s leadership?
- How could you adapt the minicase to encourage conversations for shared understanding?
- To what extent are the practices labeled Energize part of your organization’s leadership?
- How can SDT practices motivate innovation in your own organization?

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

References


**Author Biography**

**Lori J. Sipe** teaches leadership, innovation, and accounting courses in the undergraduate and graduate programs of the School of Hospitality and Tourism Management at San Diego State University. She remains committed to working with industry leaders and facilitates executive education programs for professionals in the global attractions industry. She is passionate about inspiring leadership of organizations whose main economic offering is an experience.